



Annual Activity Report 2021

Annexes

Directorate-General
for Agriculture and Rural Development

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

"I declare that in accordance with the Commission's communication on the internal control framework¹, I have reported my advice and recommendations on the overall state of internal control in the DG to the Director-General.

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


22 April 2022

(e-signed)

Michael Niejahr
*Director in charge of
Risk Management and Internal Control*

¹ C(2017)2373 of 19.04.2017.

ANNEX 2: Performance tables²

The icon  refers to an item listed in the Commission Work Programme 2021.

General objective 1: A European Green Deal

Impact indicator: Greenhouse gas emissions

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

Source of the data: European Environmental Agency/Eurostat online data code: [sdg 13 10](#)

Baseline (2018)	Interim milestone (2020)	Target (2030)	Latest known value (2020)
-23%	-20%	-55% of net GHG emissions	-31% of GHG emissions -34% of net GHG emissions (i.e. including emissions and removals from land use, land use change and forestry)

Impact indicator: Common birds population

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

Source of data: European Birds Census Council; Birdlife; Royal Society for the Protection of Birds; Czech Society for Ornithology (Eurostat online data code: [sdg 15 60](#))

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known value (2019)
93.45	Curtail biodiversity loss	Curtail biodiversity loss	93.57%

² The performance indicators in this annex reflect the set of indicators of [DG AGRI's Strategic Plan 2020-2024](#), and are reported upon with a view to ensure coherence with other reporting documents such as the Programme Statements which accompany the Draft Budget for a given year.

To note. Eurostat periodically revises its published data (including corrections of baselines retrospectively) to reflect new or improved information, also for previous years. The latest published data are available by clicking on 'bookmark'. The 'latest known value' column reflects the data that were available at the time of the preparation of the Annual activity report 2021 and is the reference point for the annual activity reports of Commission services.

To note: some of the target values have been modified as a result of the extended programming period.

Impact indicator: Pesticide risk

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

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

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

Baseline (2015-2017)	Interim milestone (2022)	Target (2024)	Latest known value (2019)
100	80	70	87

Impact indicator: Nitrate in groundwater

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

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

Baseline (2017)	Interim milestone (2022)	Target (2024)	Latest known value (2018)
21.17 mg / L	Decrease	Decrease	21.98 mg/L

Impact indicator: Area under organic farming

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

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

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

Specific objective 1: Modernised and simplified Common Agricultural Policy framework is put in place and implemented

Related to spending programme(s): EAGF, EAFRD

Result indicator 1.1: Proportion of proposed legislative revisions that include burden reduction measures

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

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

Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2021)
(N/A)	Positive trend	Positive trend	0/1

Result indicator 1.2: Reduction in the number of basic acts

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

Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2021)
5	4	3	4

Result indicator 1.3: Reduction in number of notifications

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

Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2021)
Direct Payments: 26 per Member State Rural Development: 118 Market strategies: 65	27	27	Direct Payments: 26 per Member State Rural Development: 118 Market strategies: 65

Result indicator 1.4: Reduction in number of plans / programmes

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

Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2021)
Rural Development: 118 Market strategies: 65	27	27	Rural Development: 118 Market strategies: 65

Main outputs in 2021			
New policy initiatives			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Support to Member States in the uptake of the checks by monitoring approach	Number of new Member States deciding to opt for checks by monitoring.	Q1/2021 in relation to 2021 and beyond for subsequent years	In 2021, five additional Member States notified their decision to carry out their controls with the Checks by Monitoring approach on part of their territory or schemes (DE, HR, IE, LV, PT + BE-WA) bringing the total to 10 Member States.
Initiatives linked to regulatory simplification and burden reduction			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Simplification of rules on penalties for animal-related aid schemes and support measures (PLAN/2020/6322)	Timely adoption of the proposed legislative act	Q1/2021	Commission Delegated Regulation (EU) 2021/841 adopted on 19/02/21 and published on 27/05/21 ³
Amendments to Delegated Regulation (EU) 2017/891 as regards producer organisations in the fruit and vegetables sector by updating certain aspects of the regulation with the view to facilitating the running of those operational programmes (PLAN/2020/8041)	Adoption of a Commission Delegated Regulation	1 st semester 2021	Commission Delegated Regulation (EU) 2021/652 adopted on 10/02/21

³ Subsequently, to avoid legal uncertainty, Commission Delegated Regulation (EU) 2021/1418 was adopted on 32/06/21 and published on 31/08/21.

Amendment to Delegated Regulation EU 2016/232 on producer organisations, including recognition aspects and notification of information on them (PLAN/2021/10168) ⁴	Adoption of a Commission delegated Regulation	2 nd semester 2021	Adoption postponed to 2022 ⁵
Delegated regulation supplementing the SPR with additional requirements for certain types of interventions (fruit and vegetables, apiculture, wine, hops, olive oil and table olives and "other sectors" referred to in Art 42 (f) of the SPR) (PLAN/2021/12295) ⁶	Adoption of a Commission delegated Regulation	2021	Commission Delegated Regulation adopted on 07/12/21 (C(2021)9115). The Council and the EP provided an Early Non Objection (ENO)
Evaluations and fitness checks			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Evaluation of the information policy on the CAP (PLAN/2019/5032)	Finalisation and publication of the evaluation (SWD) and evaluation support study	Q2/2021	SWD/2021/980 adopted on 07/12/21 and published on AGRI Europa on 08/12/21 ⁷
Contribution to preparedness for efficient implementation of the new CAP framework	Analytical notes and exchanges with research and audit services. Guidance to Member States in meetings and in	All year (ongoing)	Updated Q&A document on Checks by Monitoring for CY2021 and CY2022 and Q&A document on animal-Voluntary Coupled support published on CIRACBC. Exchanges with

⁴ This entry was not included in the original Management Plan 2021 for DG AGRI.

⁵ One of the draft provisions of the act (on the status of producer members of producer organisations), originally intended to be included in the first Delegated Act adopted on the basis of the Strategic Plans Regulation (SPR), occurs to better fit under the umbrella of the CMO. Adoption was therefore postponed to 2022.

⁶ This entry was not included in the original Management Plan 2021 for DG AGRI.

⁷ The target originally foreseen in the Management Plan 2021 for DG AGRI could not be met because the process was more time-consuming than anticipated.

	writing.		Member States in meetings is taking place during the year.
Enforcement actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Initiating Action Plans to address implementation deficiencies in Member States, in relation to direct payments, including POSEI/SAI. Assessment of the reported progress by regular exchanges with the Member States concerned.	Adequacy of the content of the Action Plans, implementation in accordance with the agreed milestones. Collaboration with legal and audit units.	All year (ongoing)	2 Action Plans are monitored through regular progress reports while 3 are under discussion for agreement. 2 Action plans were considered finalised in the course of 2021.
Initiating and follow up of Action Plans addressing deficiencies in the management and control system in the Member States in the implementation of EAFRD	Adequacy of the content of the Action Plans, implementation in accordance with the agreed milestones. Collaboration with legal and audit units.	All year (ongoing)	Initiating and follow up of Action Plans ongoing
External communication actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Participation with a European Commission stand at major agricultural fairs as foreseen in DG AGRI's 2021 external communication action plan	Number of visitors at the stand, satisfaction rate of participants, press coverage of events by participating journalists	A minimum number of visitors at our stand to be reached and achieve the satisfaction rate indicated in DG AGRI's 2021 external communication action for the different events	Due to the pandemic, AGRI did not participate in the planned agricultural fairs in 2021, which were either cancelled or digitalised in a format not suited for DG AGRI's participation.

<p>Organisation of major Conferences and events (including activity with Ag-Press network where relevant) as planned in DG AGRI's 2021 external communication action plan.</p>	<p>Satisfaction rate Number of articles</p>	<p>80 % satisfaction rate by participants in conferences Minimum 1 article from minimum 70% of journalists participating in Ag-Press events</p>	<p>Ag press webinar: The new CAP (07/07/21), 60 journalists participated. Farm to Fork Conference (14-15/10/21), up to 4 600 participants / viewers across all platforms. Satisfaction rate: 78% Agricultural Outlook (09-10/12/21), up to 3 500 participants / viewers across all platforms. Satisfaction rate: 88%</p>
<p>Production and dissemination of communication material, including a series of multilingual podcasts in the areas of agriculture and rural development</p>	<p>Number of unique downloads per episode</p>	<p>Increase of the AGRI podcast audience by 10% over the year</p>	<p>Food for Europe podcast: pilot series 04/03 – 01/04/21, with paid promotion. Around 5 000 listens. In total, 11 episodes – January to December 2021. As of September, no paid promotion available. 9 video clips: 'Farmers of the Future' : 6 796 organic views: Ag-Press special newsletter SOTEU 2021: Strengthening the soul of our Union – shaping the future of farming and rural areas : Total number of opens: 578 / Total number of clicks: 141</p>
<p>Reach 2 mio visitors via AGRI digital presence</p>	<p>Number of visitors</p>	<p>Increase user visits to the AGRI digital presence</p>	<p>AGRI website has received 2.7 million visits in 2021. Webpages have been viewed over 4.6 million times. The CAP web section received 191 475 visits and its pages were viewed 326 815 times. Key pages for SO1: New CAP 2023-27 (December</p>

			2021), CAP Strategic Plans (updated)
Reach journalists and professional communicators specialised in food and farming via the Ag-Press platform	Number of Ag-Press members	Increase rate of active members by 10%	73 new members joined in 2021 (+6,7% increase). Although lower than the target, this value is to be read against the limitations due to the COVID-19 pandemic on organising visits and press trips, hampering the expansion of the membership base
<p>Social media:</p> <ul style="list-style-type: none"> • Improve overall awareness of the CAP through regular social media posting • Improve awareness of the CAP among target audiences with tailored messages on social media • Encourage online interaction and offer opportunities to engage with EU policy to target audiences 	<p>Impressions</p> <p>Reach</p> <p>Engagement</p>	<p>Increase the average rate of impressions across all social media platforms</p> <p>Increase reach to key target audiences, in particular addressing any audience gaps</p> <p>Maintain or increase average engagement rate in organic posting. Increase engagement rate with key target audiences in paid promoted posts and campaigns.</p>	<p>20.35 million impressions compared to 18.55 million impressions in 2020 (+9.7% increase)</p> <p>3 444 posts across major social media channels. Reaching new audiences with innovative campaigns such as: GI cookbook campaign on Instagram (young foodies); organic podcast campaign on Twitter (reaching an ever-growing audio-focused audience).</p> <p>70 996 interactions (likes, reposts, comments). No paid promoted posts in 2nd half of 2021. DG AGRI's tweets with the #FutureofCAP have been seen over 235 000 times and have led to over 3 500 online interactions. Increased opportunities for online policy engagement as social media used to promote a number of public</p>

			consultations, namely: <ul style="list-style-type: none"> - EU Forests Strategy - Food security contingency plan - Promotion policy review - Geographical Indications - Agri knowledge & innovation services (AKIS)
Information measures on the CAP implemented by grant beneficiaries selected following the last call for proposals	Grant agreements implemented	100% of grant agreements fully implemented and reaching the grant agreement objectives	All grant agreements were implemented. Due to the COVID-19 pandemic, some of the activities planned by grant beneficiaries have been postponed or cancelled.
Other important outputs			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Rules on support for Strategic Plans to be drawn up by Member States under the Common agricultural policy (CAP Strategic Plans) (COM(2018) 392)	Adoption	2021	Regulation (EU) 2021/2115 adopted on 02/12/21
Financing, management and monitoring of the common agricultural policy (COM(2018) 393)	Adoption	2021	Regulation (EU) 2021/2116 adopted on 02/12/21
Common organisation of the markets in agricultural products (COM(2018) 394)	Adoption	2021	Regulation (EU) 2021/2117 adopted on 02/12/21

Assistance to Member States in preparation of future CAP Strategic Plans ("geo-hubs") on all CAP areas (such as environmental architecture, incentives for young farmers) - this work covers all specific objectives under the Green Deal	Replies to letters from Member States Bilateral meetings Organisation of Expert groups and Committees	All year (ongoing)	Structured dialogue with Member States set up and ongoing, including letters, meetings and recommendations
Finalisation tools related to the Specific Objectives of the future CAP	Toolkit finalised	Mid 2021	Toolkit finalised in autumn 2021.
Provide continuous support to Member States on current implementation framework, in particular on the Integrated Administration and Control System	Replies to letters from Member States. Organisation of Expert Group and Committee meetings. Consultation of the legal unit.	All year (ongoing)	Exchanges with Member States ongoing, including letters to Member States, discussion during Committees and Expert Groups and guidance during the year.
Fight against fraud in the wine sector: Amendment to legislation on the wine isotopic database to improve its functioning (PLAN/2020/7515)	Adoption of Commission Implementing Regulation	1 st semester 2021	Commission Implementing Regulation (EU) 2021/1007 adopted on 18 June 2021

Setting up of a Public Register of the Bodies appointed by Member States to supervise ageing processes + notification by Member States to the Commission of the Supervising Bodies and other Control Authorities for spirit drinks (PLAN/2020/9211, PLAN/2020/9207)	Adoption of a Commission Delegated Regulation and a Commission Implementing Regulation	Mid 2021	Commission Delegated Regulation (EU) 2021/723 adopted on 26/02/21 and Commission Implementing Regulation (EU) 2021/724 adopted on 03/03/21
Amendments to the new Spirit Drinks Regulation (EU) 2019/787 to improve certain production and labelling provisions (PLAN/2020/9208, PLAN/2020/9209, PLAN/2020/9637, PLAN/2020/9752, PLAN/2021/11412)	Adoption of a number of Commission Delegated Regulations	Throughout 2021	- PLAN/2020/9752: Commission Delegated Regulation (EU) 2021/1096 adopted on 21/04/21 - PLAN/2020/9208 and PLAN/2020/9209: Commission Delegated Regulations (EU) 2021/1334 and 2021/1335 adopted on 27/05/21 - PLAN/2020/9637: Commission Delegated Regulation (EU) 2021/1465 adopted on 06/07/21 - PLAN/2021/11412: Proposal launched in June 2021 – planned adoption: Q1/2022
Guidelines on the labelling of spirit drinks	Publication in the OJEU	Mid 2021	ISC Completed. To be adopted and published as soon as all linguistic versions (incl. GA) are available ⁸

⁸ Adoption delayed pending the finalisation of all Delegated Acts listed in the previous entry.

Amendments to Regulation 2019/934 on oenological practices in order to take account of technical progress, i.a. new resolutions of the International Organisation of Vine and Wine (PLAN/2018/4279)	Adoption of Commission Delegated Regulation	Q1/2021	Commission Delegated Regulation (EU) 2022/68 adopted on 27/10/21 ⁹
Report to the European Parliament and Council on the performance of the CAP	Publication	End 2021	Report COM/2021/815 and its factual Annex SWD/2021/387 final adopted on 16/12/21 and published on AGRI Europa on 17/12/21
Study on the ENRD's and the National Rural Networks' (NRNs) contribution to implementation of RD policy	Start of contract	2021	Contract order signed on 20/12/21. Kick-off meeting held on 18/01/22. 1 st deliverable due by 02/02/22. Final deliverable due by 19/12/22.
CAP Networks - Evaluation Helpdesk	Start of contract	Q3-Q4/2021	Contract started: Q4/2021 Kick-off meeting held on 06/12/21
Report from the Commission to the European Parliament and the Council on the implementation of Art. 45 of Regulation (EU) 1306/2013 on information measures relating to the CAP ¹⁰	Adoption	Q4/2021	COM(2021) 822 adopted on 20/12/21

⁹ The delay on the planned target date was due to several cumulative factors (a longer than expected discussion with Member States; adoption of additional resolutions by the International Organisation of Vine and Wine that needed to be incorporated; additional consultations with Member States and a second TBT (technical barriers to trade) notification to the WTO).

¹⁰ This entry was not included in the original Management Plan 2021 for DG AGRI.

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

Related to spending programme(s): EAGF, EAFRD

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

Explanation: The agricultural entrepreneurial income measures the remuneration of owned factors of production (land, capital, labour). Expressed as share of average wages in the whole economy¹¹, it provides an indication of the attractiveness of the farming activity.

Unit of measurement: %

Source of data: European Commission, DG Agriculture and Rural Development, based on Eurostat data (Eurostat online data codes: [aact_eaa01](#), [aact_ali01](#), [nama_10_a10](#) and [nama_10_a10_e](#))

Baseline¹² (2018)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
47.0%	Reduce the gap	Reduce the gap ¹³	45.8%

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

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

Unit of measurement: Index (2010=100)

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

Baseline¹⁴ (Avg 2017-2019)	Interim milestone (2022)	Target¹⁵ (2024)	Latest known results (2021 estimated)
129.4	Increase	Increase	131.9

¹¹ In the post-2020 PMEF, this indicator will be defined as follows:

Labour costs (wages and salaries plus non-wage costs such as employers' social contributions)¹¹ in industry, construction and services are compared to the agricultural entrepreneurial income plus compensation of employees per annual work unit.

¹² Compared to DG AGRI's Strategic Plan, the baseline year needed to be changed to 2018 in order to ensure adequate progress monitoring over the period 2020-2024.

¹³ The ratio should move towards 100%.

¹⁴ Compared to DG AGRI's Strategic Plan, for the sake of clarity and better communication, this indicator is now expressed as an index rather than as a variation compared to a three-year average.

¹⁵ Due to the modified baseline, the milestone and target had to be adapted as well.

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

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

Unit of measurement: EUR/AWU

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

Baseline ¹⁶ (2018)	Interim milestone (2022)	Target (2024)	Latest known results (2019 provisional)
0.84	Reduce the gap	Reduce the gap ¹⁷	0.85

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

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

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

Unit of measurement: %

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

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known results (2019)
83,9%	Remain stable	Remain stable	84,5%

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

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

Unit of measurement: %

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

Baseline (2018)	Interim milestone (2022)	Target ¹⁸ (2025)	Latest known results (2020)
1.41%	Increase	5.44%	1.80%

¹⁶ Compared to DG AGRI's Strategic Plan, updated baseline value due to change in Eurostat database.

¹⁷ The ratio should move towards 1.

¹⁸ Compared to DG AGRI's Strategic Plan, the target value has been modified as a result of the extended programming period.

Main outputs in 2021			
New policy initiatives			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Prolong for an additional year to 2021 the measures and flexibilities under the wine support programmes linked to the negative effects of the COVID-19 pandemic: Extend the application dates of legislation adopted to address the consequences of the COVID-19 pandemic in the wine sector (PLAN/2020/9317, PLAN/2020/9320, PLAN/2020/9321) ¹⁹	Adoption of 2 Commission delegated regulations and of 1 Commission implementing regulation	Q1/2021	Commission Delegated Regulations (EU 2021/95 and EU 2021/374 and Commission Implementing Regulation (EU 2021/78 adopted on 27/01/21
Prolong for an additional year most of measures and flexibilities under the wine programmes for COVID-19 to 2022 and respond to the frost situation in the wine sector (i.e. increased support for mutual funds and harvest insurance) (PLAN/2021/11765, PLAN/2021/11766, PLAN/2021/11760) ²⁰	Adoption of 2 Commission Delegated Regulations and of 1 Commission implementing Regulation	Q4/2021	Commission Delegated Regulations (EU 2021/2026 and 2021/2027 adopted on 13/09/21, Commission Implementing Regulation (EU) 2021/1763 adopted on 06/10/21

¹⁹ For simplification, the entry under "Initiatives linked to regulatory simplification and burden reduction" regarding support programmes for the wine sector was merged with this output.

²⁰ This entry was not included in the original Management Plan 2021 for DG AGRI.

Prolong for an additional year to 2021 the measures and flexibilities under the EU School Scheme linked to the negative effects of the COVID-19 pandemic ²¹	Adoption of a Commission Implementing Regulation	Q2/2021	Commission Implementing Regulation (EU) 2021/933 adopted on 09/06/21
Develop a contingency plan for ensuring food supply and food security (Farm to Fork): a set of procedures to be followed in times of crisis, including the development of a common EU food crisis response mechanism (PLAN/2020/8994)	Adoption of a Communication and a Decision	Q4/2021	Communication COM/2021/689 final and Decision 2021/C 461 I/01 (as well as SWD and other accompanying documents) adopted on 12/11/21
Initiatives linked to regulatory simplification and burden reduction			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Amendment to Delegated Regulation (EU) 2017/891 as regards the calculation of the value of marketed production of producer organisations in the fruit and vegetable sector (PLAN/2021/11885) ²²	Adoption of a Commission Delegated Regulation	Q4/2021	Commission Delegated Regulation (EU) 2021/2245 adopted on 12/10/21

²¹ This entry was not included in the original Management Plan 2021 for DG AGRI.

²² This entry was not included in the original Management Plan 2021 for DG AGRI.

Evaluations and fitness checks			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Evaluation of the impact of the CAP measures towards the general objective "viable food production" with a focus on income, competitiveness and price stability (PLAN/2016/526)	Finalisation and publication of the evaluation (SWD)	Q1/2021	SWD/2021/105 adopted on 11/05/21 and published on AGRI Europa on 12/05/21 ²³ .
Contribution to policy analysis	Analytical notes and implementation reports Contributions to evaluations and studies	All year (ongoing)	Contributions provided throughout the year
Evaluation of mandatory country of origin labelling for certain meats (PLAN/2018/3006)	Finalisation and publication of the evaluation (SWD)	Q1/2021	SWD/2021/218 and SWD/2021/220 adopted and published on AGRI Europa on 10/08/21 ²⁴ .
Enforcement actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Assessment of Member States notifications and support to other relevant units, and appropriate follow-up in case of failure	Completeness of the notifications Collaboration with budget, audit and infringements units	All year (ongoing)	Finalised for main policy decisions under system in place until 2022 for direct payments including greening. Possible new cases based on remaining notifications (use of the reserve for Member States with entitlements, implementation data).

²³ The target originally foreseen in the Management Plan 2021 for DG AGRI could not be met because the process was more time-consuming than anticipated.

²⁴ The target originally foreseen in the Management Plan 2021 for DG AGRI could not be met because the process was more time-consuming than anticipated.

Assessment of Member States POSEI/SAI programs and support to other relevant units	Completeness of the programs Collaboration with budget, audit and infringements units	All year (ongoing)	Support provided continuously via consultations, bilateral meetings, replies to letters from Member States: 100% delivered in time
External communication actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
<i>Information and communication actions such as those indicated under objective 1 may also cover this specific objective</i>			Podcast episode #10 on Food security and contingency plans <u>Key web information for S02:</u> Farm income increased over last decade, with important differences between EU countries (July 2021) Origin labelling rules for meats remains relevant for consumers (September 2021) Commission adopts measure to increase cash flow of farmers (September 2021) EUR 686 million to be reimbursed to European farmers (December 2021)
Other important outputs			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Provide support to Member States in implementation of current direct payments and preparation of future CAP Strategic Plans ("geo-hubs")	Replies to letters from Member States / stakeholders Bilateral meetings Organisation of Expert groups and Committees	All year (ongoing)	Ongoing

	Facilitate Member States exchange of experience and of good practices		
Preparation of annual reports on direct payments	Annual implementation report claim year 2019	Mid 2021	Report published in July 2021
	Fiche by Member State claim year 2019	September 2021	Finalised end 2021 ²⁵
	Overview of Member States' decisions claim year 2022	End 2021	Q1/2022
Report from the Commission to the European Parliament and the Council on the evaluation of the mandatory indication of the country of origin or place of provenance for fresh and frozen meat of swine, sheep and goat and poultry (AGRI/2019/9450)	Submission of the report to the EP and the Council	Q1/2021 ²⁶	Report COM(2021) 462 final adopted on 10/08/21 ²⁷
Synthesis report of Member States' POSEI reports	Final deliverable	Q4/2021	Final deliverable received on 14/10/21 and accepted on 07/12/21. Publication of the study in 2022.
Follow-up on the recommendation of the High Level Group on Sugar with a study on the EU sugar sector's capacity to adapt to a post-quota market	Study completed and published	Q4/2021	Study completed and published on 31/01/22

²⁵ The target originally foreseen in the Management Plan 2021 for DG AGRI could not be met because the process was more time-consuming than anticipated.

²⁶ Rolled over from Q4/2020

²⁷ The report could not be published before the finalisation of the related SWD.

environment and strategies to strengthen its resilience sugar sector price volatility ²⁸			
Report to the EP and the Council on the implementation of POSEI ²⁹	Adoption by the Commission	Q4/2021	Report COM(2021)765 adopted on 07/12/21
Report to the EP and the Council on the implementation of specific measures for agriculture in the smaller Aegean islands (SAI) ³⁰	Adoption by the Commission	Q4/2021	Report COM(2021)763 adopted on 07/12/21

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

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

Result indicator 3.1: Increasing farm productivity: Total factor productivity³¹

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

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

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

Baseline³² (2017)	Interim milestone (2022)	Target (2024)	Latest known results (2019)
104.5	Increase	Increase	105.9

²⁸ For simplification, the entry regarding the high level group on sugar, included in the original Management Plan 2021 for DG AGRI under "Initiatives linked to regulatory simplification and burden reduction", was merged with this output.

²⁹ This entry was not included in the original Management Plan 2021 for DG AGRI.

³⁰ This entry was not included in the original Management Plan 2021 for DG AGRI.

³¹ This indicator is also used in the Programme Statements.

³² Compared to DG AGRI's Strategic Plan, updated baseline value due to change in Eurostat database.

Result indicator 3.2: EU commodity prices compared to world prices³³

Explanation: This indicator reflects the price gap between EU and world prices, based on a weighted average price, covering beef, pig meat, poultry, soft wheat, maize, barley, sugar, butter, cheddar, WMP³⁴ and SMP³⁵. EU prices are based on Member States notifications and World price references are mainly based on US prices for meat and crops and Oceania for dairy products, except for beef (Brazil), Barley (Black Sea) and Sugar (London white sugar 05)

Unit of measurement: Ratio

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

Baseline³⁶ (2017)	Interim milestone (2022)	Target (2024)	Latest known results (2021)
1.13 In 2017, the EU prices were on average 13% above world prices	EU prices brought closer to the world prices	EU prices brought closer to the world prices ³⁷	0.98 In 2021, the EU prices were on average 2% below world prices

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

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

Unit of measurement: Number of EIP groups supported

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

Baseline (2017)	Interim milestone (2022)	Target (2024)	Latest known results (2021)
541	1700	2000	2197

³³ This indicator is also used in the Programme Statements.

³⁴ Whole milk powder

³⁵ Skimmed milk powder

³⁶ Original DG AGRI Strategic Plan baseline was calculated for EU-28.

³⁷ The ratio should move towards 1.

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

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

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

Baseline (2017)	Interim milestone (2020)	Target (2024)	Latest known results (2021)
86	203	280	278

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

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

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

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

Baseline (2019)	Interim milestone (2022)	Target (2024)	Latest known results (2021)
3%	10%	50%	13.11%

Main outputs in 2021

New policy initiatives

Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Simplification of the legal framework to further incentivise the use of new technologies for CAP implementation (PLAN/2020/6356)	Timely adoption of the proposed legal act Timely preparation of guidance	Q1/2021	Amendment to Regulation 809/2014 was published on 29/03/21, introducing elements of flexibility to facilitate the uptake of checks by monitoring. Updated guidelines, taking on board the new rules, were discussed with Member States in a management committee in April and May 2021.

Evaluations and fitness checks			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Evaluation of the Common Agricultural Policy's impact on knowledge exchange and advisory activities [covers multiple objectives, also linked to balanced territorial development] (PLAN/2019/5241)	Finalisation and publication of the evaluation (SWD)	Q3/2021	Draft SWD in inter-service consultation since 17/12/21. Publication in 2022 ³⁸ .
Synthesis of the evaluations of the national strategies for sustainable operational programmes of POs, APOs, PGs in the fruit and vegetables sector	Start of contract	Q4/2021	Contract order signed on 15/12/21
External communication actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
<i>Information and communication actions such as those indicated under objective 1 may also cover this specific objective</i>			Podcasts 'Food for Europe' #7 and #8 Key web information for S03: Market Observatories, dashboards; Spring short term outlook: favourable outlook (March 2021) Fruit and vegetables sector reports (annual reports/ data on producer organisations) EU dairy farms report (based on 2018 FADN)

³⁸ The target had to be postponed as more time was needed to address the comments received from the Regulatory Scrutiny Board

			<p>data) (March 2021)</p> <p>EU farm economics overview (July 2021)</p> <p>Agricultural and farm economics brief: Fertiliser input estimates in farms (September 2021)</p> <p>Autumn short term outlook: Agricultural sectors impacted differently by rise in input commodity prices (October 2021)</p>
Promoting the uptake of new technologies by raising awareness of the existing innovative solutions and explaining benefits in the CAP implementation context	<p>Regular participation to conferences promoting the use of new technologies.</p> <p>Contributing to briefings for the participation to various events by other units or managers.</p>	All year (ongoing)	Activity ongoing, with bilateral meetings to discuss concerns Member States raise for their contexts. New projects (for example "Outreach" organised in cooperation with JRC) are presented in the management committee for direct payments.
Organisation of seminars/webinars to prepare Horizon Europe partnerships and/or soil health mission with external stakeholders	Number of seminars / webinars	2 seminars / webinars in 2021	<p>Mission: 10 events organised by the Commission and more than 80 events where the mission proposal was presented by COM / Mission Board / Member States in 2021. In addition, preparation of audio-visual material.</p> <p>Partnership Agriculture of Data: 4 large-scale webinars organised with Member States / associated countries and stakeholders plus several smaller events.</p> <p>Partnership animal health and welfare: 2 large-scale</p>

			webinars and one survey with contact persons designated by Member States and associated countries and Cluster 6 Programme Committee members; plus several meetings with SCAR, the Collaborative Working Groups Animal Health and Welfare, Commission services and stakeholders. Partnership Agroecology: Three plenary sessions of the SCAR Strategic Working Group on Agroecology (SCAR-AE), 35 meetings of SCAR-AE Task Force, and two workshops on intervention logic.
Organisation of EIP-AGRI seminars/webinars with the participation of up to 150 external stakeholders	Number of seminars / webinars	2 seminars / webinars in 2021	2 online seminars and 3 webinars on the preparation of the CAP SP and the role of innovation networking in Member States
Organisation of EIP-AGRI workshops with the participation of up to 80 external stakeholders	Number of workshops	2 workshops in 2021	2 workshops
Preparation of EIP-AGRI publications	Timely and effective provision of all products in 2021	1 magazine (Agrinnovation) 1 brochure 5 newsletters 5 press articles 3 videos / animations	1 brochure 3 factsheets 9 newsletters 6 press articles 2 videos / animations

Other important outputs			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Ensuring the co-chairing and coordination of the programming of Cluster 6 research actions (Strategic plan and Work programme, including the preparation of HE partnerships and missions)	Publication of Strategic plan and Work programme	2021	Strategic plan adopted on 15/03/21 Cluster 6 Work Programme 2021-2022 adopted on 15/06/21 and published on 16/06/21. Draft partnership documents were submitted to RTD.
Preparation and organisation of the Programme Committees relating to the programming and implementing of Horizon research actions	Timely and effective organisation	2021	Horizon 2020 PC 10/02/21 Horizon Europe Shadow PC 21/04/21. Horizon Europe Cluster 6 PC: 14/09/21, 27/10/21, 25/11/21
Ensuring secretariat of the Mission Board for the Soil health mission, including the organisation of MB meetings, outreach actions and coordination with concerned DGs and stakeholders	Approval of the Mission Publication of the preparatory actions for the soil health mission in the Work programme	2021	Organisation of six Mission Board meetings Preparation of Mission Implementation Plan (IP) for Mission "A Soil Deal for Europe". The IP was published as part of the Commission's Communication on Missions which marked the official launch of all five missions. Publication of a preparatory action under the Mission Work Programme 2021 and evaluation of project proposals by REA (budget EUR 5 mio for 1 project). Preparation and publication of an amendment to Mission Work programme 2021

			(budget EUR 67 mio for 12 projects to be funded). Contribution to new EU Soil Strategy and the Communication on Sustainable Carbon Cycles.
Selection of proposals for funding from 2021 calls (implementation by the executive agency REA)	Proposals selected for funding (both single and two stage)	Spring 2022	Calls opened on 22/06/21 and closed on 06/10/21. Evaluation process completed and applicants due to be informed early 2022
Evaluation of the offers and preparation of signature of the new contract for the EIP Service point under the CAP network	Signature of the contract for the EIP Service point	Mid 2021	Signature 01/07/21
Coordinating DG AGRI actions related to Digital Europe Programme	Coordination	Timely and coordinated inputs provided	Timely and coordinated inputs provided
Coordination in the area of digitalisation in agriculture and rural areas linked to the data strategy as concerns Agricultural Data Space as well as to White paper on AI, particularly Testing and Experimentation Facilities on AI	Number of main initiatives coordinated or contributed to	4 initiatives in 2021	Call for data space has been launched, 2 webinars on data space organised. Contribution for coordinated Plan on AI provided; plan promoted and link to HE candidate partnership AgData formally set. 3 webinars on Testing and Experimentation Facilities
Capacity building for national authorities for financial instruments	Number of events	3 new targeted coachings for EAFRD Managing Authorities	4 new targeted coachings for EAFRD Managing Authorities

Events of the EAFRD stream of fi-compass	Number of events	7 awareness-raising events, including an EU annual conference (250 participants)	7 awareness-raising events, including an EU annual conference (250 participants)
Market observatories:	Number of meetings of the Economic Board Publication of reports	Meetings and reports	
- Market observatory for fruit and vegetables		6 Meetings and reports (stone fruit, pip fruit, tomatoes, citrus)	Meetings held on 20/05/21 (pip fruit) 03/06/21 (stone fruit) 17/06/21 (tomatoes) 10/09/21 (pip fruit) 22/10/21 (tomatoes) 18/11/21 (citrus fruit)
- Market observatory for wine		2 Meetings and reports	2 meetings held on 06/05/21 and 09/11/21
- Market observatory for meat		3 Meetings and reports	3 meetings held on 22/02/21, 21/06/21 and 25/10/21
- Market observatory for milk		4 Meetings and reports	4 meetings held on 23/03/21, 23/06/21, 29/09/21 and 6/12/21
- Market observatory for crops		3 Meetings and reports	3 meetings held on 26/03/21, 30/06/21 and 04/10/21
- Market observatory for sugar		3 Meetings and reports	3 meetings held on 09/02/21, 02/06/21 and 09/11/21
Study on agri-food imports and their role in the EU supply chains		Final deliverable	Q1/2021
Study on strategies to diversify the protein sources in feed used in different livestock production systems in the EU	Start of contract	2021	Opening of tenders on 29/10/21. Evaluation committee started its work. Start of contract in Q1/2022

Specific objective 4: Improve the farmers' position in the value chain notably through the CAP

Related to spending programme(s): EAGF, EAFRD

Result indicator 4.1: Proportion of proposed legislative revisions that include burden reduction measures

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

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

Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2021)
(N/A)	Positive trend	Positive trend	Inter-service consultation on a Commission proposal for a Regulation on geographical indications launched

Result indicator 4.2: Improving farmers' position in the food chain: Value added for primary producers in the food chain³⁹

Explanation: The total Gross Value Added (GVA) (at basic prices) is defined as the value of output less the value of intermediate consumption. This indicator measures the share of the primary production (agriculture) on the total value added generated by different participants of the food chain (primary production, food manufacturing, food distribution and food service activities).

Unit of measurement: % of total GVA

Source of data: European Commission, DG Agriculture and Rural Development, based on Eurostat data (Eurostat data codes: [nama 10 a10](#), [urt 10r 3gva](#), [nama 10r 3gva](#))

Baseline ⁴⁰ (2017)	Interim milestone (2022)	Target (2024)	Latest known results (2019)
26.8%	Increase	Increase	24.7%

³⁹ This indicator is also used in the Programme Statements (in values).

⁴⁰ Compared to DG AGRI's Strategic Plan, updated baseline value due to change in Eurostat database.

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

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

Unit of measurement: %

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

Baseline (2017)	Interim milestone (2022)	Target (2024)	Latest known results (2019)
49% Fruit and vegetables	Increase	Increase	46% Fruit and vegetables

Result indicator 4.4: Number of registered Geographical Indications

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

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

Baseline (2019)	Interim milestone (2022)	Target (2024)	Latest known results (2021)
3136	Increase	Increase	3 452

Result indicator 4.5: Number of Member States having transposed the UTP Directive⁴¹ into national law and established enforcement authorities


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

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

Baseline (2020)	Interim milestone (2021)	Target (2024)	Latest known results (2021)
0	Commission interim report on the state of the transposition and implementation of the Directive to EP, Council, EESC and CoR in 2021	27	26 (One of the 26 Member States notified only partial transposition) ⁴²

Main outputs in 2021

New policy initiatives

Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
 Revision of the EU geographical indications (GI) systems in agricultural products and foodstuffs, wines and spirit drinks; Legislative initiative/ Regulation of the European Parliament and of the Council (PLAN/2020/8659)	Adoption of a legal proposal	Second half of 2021	Impact Assessment Report: Regulatory Scrutiny Board October 2021 (positive opinion with reservations) Adoption envisaged Q1/2022

⁴¹ [Directive \(EU\) 2019/633](#) of the European Parliament and of the Council of 17 April 2019 on unfair trading practices in business-to-business relationships in the agricultural and food supply chain.

⁴² <https://eur-lex.europa.eu/legal-content/EN/NIM/?uri=CELEX%3A32019L0633>

Farm to Fork: Obtain data from Member States – outside fruit and vegetables and milk and milk products – on total annual numbers of recognised producer organisations and interbranch organisations	Proposal for secondary legislation	2021	Postponed to 2022
Farm to Fork: Legislative initiatives to enhance cooperation of primary producers to support their position in the food supply chain	Proposal	2021-2022	Amended CMO Regulation ⁴³ adopted on 02/12/21
Farm to Fork: Non-legislative initiatives to improve transparency in the food chain: forum for Best Practices in the Agri-food Supply Chain	Non-legislative proposal for market transparency measures	2021-2022	Launch (first meeting) of the forum for Best Practices in the Agri-food Supply Chain on 02/12/21
Initiatives linked to regulatory simplification and burden reduction			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Delegated and Implementing Acts for Regulation on Spirit Drinks – Geographical indications (PLAN/2019/5478, PLAN/2019/5482)	Adoption	Q1/2021	Commission Delegated Regulation (EU) 2021/1235 and Commission Implementing Regulation (EU) 2021/1236 adopted on 12/05/21 ⁴⁴ Entry into force 01/08/21

⁴³ [Regulation \(EU\) 2021/2117, published in OJ L 435, 6.12.2021, p. 262–314](#)

⁴⁴ The target originally foreseen in the Management Plan 2021 for DG AGRI could not be met because the process was more time-consuming than anticipated.

Evaluations and fitness checks			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Evaluation of Geographical Indications and Traditional Specialities Guaranteed protected in the EU (PLAN/2018/4906)	Finalisation and publication of the evaluation (SWD)	Q3/2021	SWD/2021/0427 adopted and published on AGRI Europa on 21/12/21 ⁴⁵
Public consultations			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Public consultation on strengthening the system of geographical indications	Completion of public consultation	Q1/2021	Public Consultation carried out from 15/01/21 to 09/04/21. Factual report and replies published on 15/06/21
Enforcement actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Management of the Union eAmbrosia registers PDO/PGI/TSG/GI and lists of GI protected under bilateral agreements within Glview	Legal registers kept updated	Legal registers updated regularly	All updates of status made in real time for e-applications or within 5 working days for manual updates
	GI published and protected under agreements updated in Glview	Glview complete for protected GI under agreements in force	1 628 non-EU GI protected under bilateral agreements 44 099 occurrences of EU GIs included in 36 bilateral agreements

⁴⁵ The target had to be postponed as more time was needed to address the comments received from the Regulatory Scrutiny Board.

Transposition of the UTP Directive ⁴⁶			On 27/07/21, the Commission initiated infringement proceedings against 12 Member States for non-transposition of the Directive
External communication actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
<i>Information and communication actions such as those indicated under objective 1 may also cover this specific objective</i>			<p>Unfair trading practices – webpage updated to align with the transposition of the Directive by Member States (April 2021)</p> <p>Commission publishes report on the state of play of the unfair trading practices Directive (November 2021)</p> <p>Extensive social media communication on GIs: 59 posts, 767 000 impressions; a cookbook campaign raised awareness amongst hundreds of thousands of social media users and led to more than 60 citizens sharing their own GI recipes online</p> <p>The 'quality labels' web section received more than 172 000 visits while the dedicated GI cookbook page was viewed over 23 000 times highlighting the relative popularity of this product.</p> <p>Release of a revamped</p>

⁴⁶ This entry was not included in the original Management Plan 2021 for DG AGRI.

			<p>publication on EU quality schemes in 23 languages (May 2021)</p> <p>High interest from stakeholders and networks for the GI recipe cookbook.</p>
Other important outputs			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Interim report on the state of transposition and implementation of the UTP Directive to be presented to EP, Council, EESC and CoR (PLAN/2021/11361)	Draft report	1 November 2021	COM/2021/652 final adopted on 27/10/21
EP Pilot Project on establishing an operational programme for the agricultural sectors: structuring the agri-food sectors to safeguard the handing-on of family farms and the sustainability of local agriculture	Interim deliverable(s)	2021	3 rd interim deliverable for the submitted on 19/11/21 and rejected on 14/01/22. Revised version to be received in 30 days. Final report due by 20/06/23.
Impact assessment for the GI review	Positive opinion Regulatory Scrutiny Board	Q3/2021	Received 25/10/21

Specific objective 5: In line with the Farm to Fork Strategy, improve the response of EU agriculture to societal demands on food and health, including safe, nutritious and sustainable food, food waste, as well as animal welfare through the CAP

Related to spending programme(s): EAGF, EAFRD

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

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

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

Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2021)
(N/A)	Positive trend	Positive trend	Positive trend confirmed

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

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

Unit of measurement: mg/PCU

Source of data: European Surveillance of Veterinary Antimicrobial Sales Consumption (ESVAC) project⁴⁷

Baseline ⁴⁸ (2018)	Interim milestone (2022)	Target (2030)	Latest known results (2018)
118,3 mg/PCU	Decrease	Decrease	118,3 mg/PCU The latest ESVAC report , shows that sales of antibiotics for use in animals in Europe fell by more than 34% between 2011 and 2018

⁴⁷ <https://bi.ema.europa.eu/analyticsSOAP/saw.dll?PortalPages>

⁴⁸ Compared to DG AGRI's Strategic Plan, the value was updated based on COM(2020) 846 [Annexes to the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Recommendations to the Member States as regards their strategic plan for the Common Agricultural Policy](#)

Result indicator 5.3: Sustainable use of pesticides: Reduce risks and impacts of pesticides⁴⁹

Explanation: The indicator shows changes in the potential risks from pesticide use for human health and the environment. The indicator is calculated by multiplying the quantities of active substances placed on the market in plant protection products by their hazard weighting. Index: 2015-2017 = 100

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

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

Baseline⁵⁰ (2015-2017)	Interim milestone (2022)	Target (2030)	Latest known results (2018)
100	Decrease	Decrease 50% reduction in categories E and F Annex IV Commission Directive (EU) 2019/782	83

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

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

Unit of measurement: %

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

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
5.4%	Increase	Increase	4.4%

⁴⁹ All references to pesticides refer to plant protection products only. Biocides are included in the term pesticides, but data on biocides are not included in this indicator.

⁵⁰ Compared to DG AGRI's Strategic Plan, the value was updated based on COM(2020) 846 [Annexes to the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Recommendations to the Member States as regards their strategic plan for the Common Agricultural Policy.](#)

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


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

Unit of measurement: %

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

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known results (2019)
65.5%	Increase	Increase	67%

Main outputs in 2021**New policy initiatives**

Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
 Organic Action plan (2021-2026) (PLAN/2020/8508)	Communication on an action plan for the development of the organic production	Q1/2021	COM(2021) 141 adopted on 25/03/21
EU marketing standards and "Breakfast Directives" – Modernisation of outdated standards, legislative simplification, alignment with the Lisbon treaty, sustainability dimension under Farm to Fork including the reduction of sugar content in fruit juices and jams, adapting some fruits and vegetables and banana standards, and a new standard for	Preparatory work and proposal for legislative act(s)	2021 – 2022	Inception Impact Assessment published on 19/01/21. Public consultation from 08/06 to 31/08/21. Expected adoption in 2022.

cider (PLAN/2020/8824) ⁵¹			
Technical revision of the EU legislation related to the olive oil marketing standards (PLAN/2019/5495)	Adoption of the revised Regulation (DA and IA)	Q2/2021	Discussions with delegates and experts from Member States still ongoing on the draft acts. Delay is expected and target date is now Q1/2022.
A comprehensive review of the Promotion Policy objectives and its regulatory framework (Reg. 1144/2014) will be carried out in 2021 with a view to enhancing its contribution to sustainable production and consumption, and in line with the evolving diets (PLAN/2020/8705)	Adoption of a legal proposal	End 2021/early 2022	Roadmap (inception impact assessment) published on 09/02/21. Public consultation open from 31/03 to 23/06/21. Conference on promotion policy review 12-13/07/21. Regulatory Scrutiny Board on 24/11/21 – negative opinion; resubmission 15/02/22
Evaluations and fitness checks			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Evaluation of the EU school fruit, vegetables and milk scheme	Start of contract	2021	Contract concluded and evaluation study ongoing. First interim report submitted by the contractor on 15/10/21. Second study (focussing on health/nutrition aspects) to be awarded in a separate open call for tenders.

⁵¹ The four separate entries relating to PLAN/2020/8824 included in the original Management Plan 2021 for DG AGRI are covered by this output.

Public consultations			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Combined evaluation roadmap / Inception impact assessment of the EU school fruit, vegetables and milk scheme (PLAN/2021/10573, PLAN/2021/10576)	Publication in Europa (have your say) for stakeholders' consultation	2021	Validation of the approach to carry out the impact assessment back to back with the evaluation. Assessment published on 29/06/2021 on Europa Have your Say; stakeholders' feedback received and presented at ISG on 09/09/21.
Public consultation on organic farming	Synopsis report	Q2/2021	SWD/2021/65 final of 25/03/21 - Stakeholder Consultation - Synopsis Report accompanying the Communication on an Action Plan for the Development of Organic Production (COM(2021) 141 final)
Open Public Consultation on Policy Options for the review of the Promotion Policy	Completion of public consultation	Q4/2021	Public consultation carried out from 31/03/21 to 23/06/21
External communication actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
<i>Information and communication actions such as those indicated under objective 1 may also cover this specific objective</i>			Food for Europe five podcasts on organics Extensive communication around Organic Action Plan with new web page ; video; visuals and factsheet. Ag press webinar on Organic Action Plan: 38 journalists #OrganicEU social media posts have been seen over 350 000 times while an online campaign led

			<p>around 30 000 people to listen to the podcasts.</p> <p>The web section on organic received 378 306 visits while the organic action plan page was viewed almost 35 234 times.</p> <p>Market brief imports of organics (June 2021)</p> <p>23/09/21: EU Organic Day – press, NextGenEU social media posts</p> <p>World milk day School Scheme posts and Statistics (May 2021)</p>
Other important outputs			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Develop the organic secondary legislation	10 delegated acts and 8 implementing acts	Q3/2021	12 delegated regulations and 7 implementing regulations adopted in 2021 ⁵²
<p>Liaise with DG SANTE and follow-up on their policy initiatives to ensure DG AGRI needs appropriately reflected and policies remain coherent</p>	<p>Reply to DG SANTE by CIS-NET</p> <p>Response to EP written questions (SANTE chef de file) with DG AGRI relevance</p> <p>Follow-up of meetings of (a) steering and inter-Service groups, (b) Standing Committee, and (c) Parliament or Council</p>	On time	Regular contact with SANTE on implementation of the farm to fork action plan, including in particular preparations of the legislative framework for sustainable food.

⁵² Various factors (political discussions, simplification) influenced the final approach taken with regard to the secondary legislation.

	Follow-up of DG SANTE and Food and Veterinary Office reports Coordination on policy development and implementation with in AGRI on DG SANTE initiatives		
Follow-up to the Commission Report on the developments of plant proteins in Europe	Improved market information about protein crops, support provided to CAP Strategic Plans, input for roadmaps of Horizon Europe programmes for plant proteins	Q4/2021	Partly completed. The work on 'Improved market information about protein crops' is still ongoing.
Evaluation Study of the CAP measures and instruments promoting animal welfare and reduction of antimicrobials use	Final deliverable	Q4/2021	Final report received on 06/12/21 and accepted on 08/12/21. Publication planned in Q1/2022.
Study on zero or low alcohol EU spirit drinks	Start of contract	2021	Contract signed on 20/12/21. Kick-off meeting with inter-service steering group on 18/01/22
EP Pilot Project on developing a tool-box for farmers of Integrated Pest Management practices from across the EU (IPM I)	Interim deliverable(s)	2021	3 rd deliverable accepted on 20/1/22. 4 th interim received on 19/1/2022 and final deliverable is due by 20/11/22.
EP Pilot Project on developing a tool-box for farmers of Integrated Pest Management practices	Start of contract	2021	Contract signed on 20/12/21. Kick-off meeting planned for 20/1/22. 1 st deliverable due by 19/2/22.

from across the EU (IPM II)			
Impact Assessment on Policy Options for the review of the Promotion Policy	Positive opinion Regulatory Scrutiny Board	Q3/2021	Negative opinion Regulatory Scrutiny Board 24/11/21 ⁵³

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

Related to spending programme(s): EAGF, EAFRD

Result indicator 6.1: Share of agricultural land under commitments targeting reduction of GHG and/or ammonia emissions⁵⁴

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

Unit of measurement: %

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

Baseline (2018)	Interim milestone (2022)	Target⁵⁵ (2025)	Latest known results (2020)
2.0%	Increase	2.55%	2.44%

⁵³ The impact assessment was resubmitted on 15/02/22 and received a positive opinion with reservations from the Regulatory Scrutiny Board on 15/03/22. The inter-service steering group was informed accordingly with the reply from the RSB. DG AGRI is preparing the draft legislative proposals. The target originally foreseen in the Management Plan 2021 for DG AGRI could not be met because the process was more time-consuming than anticipated.

⁵⁴ This indicator is also used in the Programme Statements.

⁵⁵ Compared to DG AGRI's Strategic Plan, the target value has been modified as a result of the extended programming period.

Result indicator 6.2: Share of agricultural land under management commitments:**a) Improving soils: Share of agricultural land under management commitments beneficial for soil management⁵⁶****b) Protecting water: Share of agricultural land under management commitments for water management⁵⁷****Explanation:** These indicators quantify the coverage, in terms of agricultural land, of management commitments beneficial for soil management (a) and for water quality (b), financed with CAP support**Unit of measurement:** %**Source of data:** European Commission, DG Agriculture and Rural Development, [CAP data explorer](#)

Baseline (2018)	Interim milestone (2022)	Target⁵⁸ (2025)	Latest known results (2020)
a) 11.9% b) 12.1%	Increase	a) 15.75% b) 16.82%	a) 13.5% b) 13.7%

Result indicator 6.3: Enhanced provision of ecosystem services: share of UAA covered with landscape features**Explanation:** Landscape features support biodiversity and ecosystem services. This indicator aims to estimate the area covered by landscape features in the agricultural land. Landscape features may include linear elements (e.g. hedgerows) and patches (e.g. trees, woodland, etc.), water & wet spots (ponds, water bodies, streams, etc.); moderately managed areas (e.g. field margins), etc.**Unit of measurement:** %**Source of data:** European Commission, JRC

Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
N/A	Increase	Increase	N/A ⁵⁹

⁵⁶ This indicator is also used in the Programme Statements.⁵⁷ This indicator is also used in the Programme Statements.⁵⁸ Compared to DG AGRI's Strategic Plan, the target value has been modified as a result of the extended programming period.⁵⁹ The indicator is still not available at EU level. Preparatory methodological work is still ongoing

Result indicator 6.4: Preserving species, habitats and landscape features: Share of agricultural land under management commitments supporting biodiversity conservation or restoration and/or landscape features, including hedgerows⁶⁰

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

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

Baseline (2018)	Interim milestone (2022)	Target ⁶¹ (2025)	Latest known results (2020)
14.9%	Increase	19.2%	17.0%

Main outputs in 2021			
New policy initiatives			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Completion of the step-wise process leading to effective sharing the IACS data for policy implementation purposes.	Adoption of guidance clarifying to Member States their obligations.	Q2/2021	<p>New version of the guidance was presented to Member States in April and progress on the file was further discussed in the Direct Payments committee in May 2021.</p> <p>Additional outcomes in the course of 2021:</p> <ul style="list-style-type: none"> - Publication of geospatial pillar in the Agri-food data portal (March 2021) <p>Final results of 'IACS data exploration and integration' presented to the Member States at the Expert Group on Direct Payments on 27/09/21</p>

⁶⁰ This indicator is also used in the Programme Statements.

⁶¹ Compared to DG AGRI's Strategic Plan, the target value has been modified as a result of the extended programming period.

Farm Sustainability Data Network	Preparatory works for a Commission proposal: Organise Working Group meetings, workshops, communication with Members States, initiate Decide entry, analyse IT needs and infrastructure, prepare draft of IT project	End 2021	Legislative initiative to convert the Farm Accountancy Data Network (FADN) in Farm Sustainability Data Network (FSDN) has started in 2021
Evaluations and fitness checks			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Evaluation of the impact of the CAP on climate change and greenhouse gas emissions (PLAN/2017/1023)	Finalisation and publication of the evaluation (SWD)	Q1/2021	SWD/2021/115 final adopted on 21/05/21 and published on AGRI Europa on 01/06/21 ⁶² .
Evaluation staff working document on the impact of the CAP on biodiversity, soil and water [also relevant for specific objective 8] (PLAN/2020/6815, PLAN/2018/4284, PLAN/2018/4340, PLAN/2019/5582)	Finalisation and publication of the evaluation (SWD)	Q3/2021	SWD/2021/424 adopted and published on AGRI Europa on 17/12/21 ⁶³

⁶² The target originally foreseen in the Management Plan 2021 for DG AGRI could not be met because the process was more time-consuming than anticipated.

⁶³ The target had to be postponed as more time was needed to address the comments received from the Regulatory Scrutiny Board.

Enforcement actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Assessment of Member States notifications and support to other relevant units on greening and cross-compliance, and appropriate follow-up in case of failure	Completeness of the notifications Collaboration with budget, audit and infringements units	All year (ongoing)	All letters out, with the exception of permanent grassland assessment (where data from 5 Member States missing)
External communication actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
<i>Information and communication actions such as those indicated under objective 1 may also cover this specific objective</i>			<p>Social media series on proposed 'eco-schemes' highlighted examples of good agricultural practices that could be considered</p> <p>Website section on 'Environmental sustainability in EU agriculture' updated to align the CAP with EU Green Deal ambition. The sustainability section totalled 63 172 views, and 115 580 page views.</p> <p>FADN: name change to Farm Sustainability Data Network – update with Banner (Audiovisual) (March 2021)</p> <p>FADN – September seminar outcomes on 'Conversion to Farm Sustainability Data Network'</p> <p>Development of a video to raise awareness about the Soil Health Horizon Europe Mission, which totalled 9 900 views. Social media</p>

			<p>promotion of Soil event (October 2021)</p> <p>Commission publishes list of potential eco-schemes (February 2021)</p> <p>World biodiversity day social media posts (May 2021)</p> <p>Bee day new video (updated with 2019 data) (May 2021)</p> <p>EU Pollinators week video (October 2021)</p> <p>COP 26: participants recognise need for sustainable food systems to ensure global food security and achieve climate objectives (November 2021)</p>
Other important outputs			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Provide support to Member States in implementation of current cross-compliance and greening and preparation of future CAP Strategic Plans ("geo-hubs")	<p>Replies to letters from Member States / stakeholders</p> <p>Bilateral meetings</p> <p>Organisation of Expert groups and Committees</p> <p>Facilitate Member States exchange of experience and of good practices</p>	All year (ongoing)	Support provided continuously via Geo Hubs, bilateral meetings, participation to webinars of the ENRD network, replies to letters from Member States. Besides guidance documents including a Q&A on eco-schemes, a set of GAEC fiches has been issued to help Member States' planning.

Continuous support to Member States in ensuring their Land Parcel Identification Systems are updated and contain reliable and adequate information, mapping all features relevant for policy implementation.	Analysis of Member States' Quality Assessment Reports received. Providing explanation and guidance in the Management Committee or bilaterally.	All year (ongoing)	Reports analysed by DG AGRI and feedback provided to Member States
COP-26 UNFCCC: further progress on adopting mitigation and adaptation measures in agriculture at global level	Participation in COP 26	2021	COP 26 held in Glasgow (31/10 – 13/11/21)
Green Deal: Liaise with DG CLIMA, DG ENV and DG FISMA and follow-up on their policy initiatives to ensure DG AGRI needs appropriately reflected and policies remain coherent	Participation in inter-service steering groups and timely replies to inter-service consultations	All year	Ongoing
Timely assessment of Annual Implementation Reports (AIR) in close cooperation with ESIF and other relevant DGs	Number of Reports	115 ⁶⁴	112 AIR accepted by 31/12/2021. 2 more were accepted after 01/01/22 and one has not been formally accepted yet.
Timely assessment of proposals for programme amendments	Number of proposals	300	177 amendments adopted ⁶⁵

⁶⁴ The original Management Plan 2021 contained an erroneous target of 120.

⁶⁵ Proposals for programme amendments are submitted by Member States as appropriate. The target can therefore be an estimate only.

Organisation of European Network for Rural Development/EU CAP network events	Number of events in 2021	1 Assembly meeting 2 Steering Group meetings 25 events (workshops, webinars, seminars)	1 Assembly meeting 2 Steering Group meetings 24 events (workshops, webinars, seminars)
Preparation of publications and communications of the European Network for Rural Development/EU CAP Network	Number of publications in 2021	1 EU Rural Review 1 Rural Connections magazine 1 Project Brochures 12 newsletters Website (unique page views per year): 600.000 Twitter followers: 6000 LinkedIn Group members: 1000	2 EU Rural Review 2 Rural Connections magazine 2 Project Brochures in the pipeline 12 newsletters Website (unique page views per year): 550 000 Twitter followers: 5 960 LinkedIn Group members: 1 002
Organisation of events of the BCO support facility	Number of events in 2021	5 (1 conference and 4 training sessions)	1 Annual Conference 31 training workshops 1 Regions week Workshop
Preparation of publications of the BCO support facility	Number of publications in 2021	8 publications Monthly Electronic newsletters 44 videos RDP and OP Factsheets RDP and OP dashboards Good practices database and publication	25 contributions to the EC Broadband Europe Monthly Electronic newsletters Annual Work Programme (public version) 2 brochures are postponed to Q1/2022 due to delays in CEF2 ⁶⁶ approval. 2 articles produced The factsheets have been dropped due to the longer length and greater cost

⁶⁶ Connecting Europe Fund 2

			<p>than originally planned, of the CEF and funding brochures.</p> <p>36 videos submitted & approved.</p> <p>Broadband Award winner videos postponed to 2022 due to postponement of the event itself.</p>
2021 Communication Plan of the BCO Support Facility as chef de file with the contributions of DGs CNECT and REGIO	A yearly communication strategy in place and implemented	1	Strategy (as part of the Annual Work Programme) adopted and being implemented
Deliverables under "Action Plan for Rural Broadband"	Number of actions/activities carried out	<p>1 updated dashboard of all Member States where broadband investments are supported by ESIF</p> <p>1 updated report with quantitative and qualitative analysis of BCOs</p> <p>Use of the rural proofing checklist whenever applicable (requests by Member States for programme modifications impacting broadband)</p> <p>Update of the "EU Funding for Broadband" brochure.</p>	<p>Dashboard submitted with Factsheets</p> <p>The rural proofing checklist was used for three programme modifications received with regard to broadband funding.</p>

Study for the development of a common framework for the quantitative advice of crop nutrient requirements and greenhouse emissions assessment at farm level	Final deliverable	Q4/2021	Final deliverable received on 06/12/21 and accepted on 9/12/21. Publication planned for Q1/2022
EP Pilot Project on the restructuration of the Honey Bee chain and Varroa Resistance Breeding & Selection Program	Final deliverable	Q2/2021	Final report received on 18/06/21 and accepted on 06/07/21. Publication in 2022

Specific objective 7: Preparation and implementation of the EU Forest Strategy		Related to spending programme(s): EAGF, EAFRD	
Result indicator 7.1: Number of committed actions within the Strategy implemented			
Source of data: European Commission, DG Agriculture and Rural Development			
Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2021)
(N/A)	Positive trend	Positive trend	Forest Strategy adopted in July 2021
Result indicator 7.2: Afforested land: Area supported for afforestation and creation of woodland, including agroforestry			
Explanation: This indicator quantifies afforestation and the creation of woodland, including agroforestry with CAP support.			
Unit of measurement: Hectares			
Source of data: European Commission, DG Agriculture and Rural Development			
Baseline ⁶⁷ (2018)	Interim milestone (2022)	Target ⁶⁸ (2025)	Latest known results (2020)
486 409	Maintain	Maintain	487 819

⁶⁷ The revised baseline (compared to DG AGRI's Strategic Plan) is due to technical modifications in the annual implementation reports.

⁶⁸ Compared to DG AGRI's Strategic Plan, the target value has been modified as a result of the extended programming period.

Result indicator 7.3: Supporting forest biodiversity: Share of forest land under management commitments to support biodiversity⁶⁹

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

Unit of measurement: %

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

Baseline (2018)	Interim milestone (2022)	Target ⁷⁰ (2025)	Latest known results (2020)
0.35%	Increase	1.80%	0.80%

Main outputs in 2021			
New policy initiatives			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
EU Forest Strategy	Adoption	Q1/2021	COM(2021)572 adopted on 16/07/21 ⁷¹
External communication actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
<i>Information and communication actions such as those indicated under objective 1 may also cover this specific objective</i>			Video developed to promote participation in #EUForests public consultation achieved over 19 000 views on social media and was also used by other DGs on social media. Ag-Press journalists participated in Commissioner press conference (16/07/21)

⁶⁹ This indicator is also used in the Programme Statements.

⁷⁰ Compared to DG AGRI's Strategic Plan, the target value has been modified as a result of the extended programming period.

⁷¹ The procedure was more time-consuming than anticipated due to various factors (coordination, political steering, alignment to other Green Deal initiatives).

Other important outputs			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Signature of Declaration and Resolutions of the 8 th Ministerial Conference on the Protection of Forests in Europe	Participation in the 8 th Ministerial Conference	Q2/2021	Conference held on 14-15/04/21 Bratislava Ministerial Declaration "The Future We Want: The Forests We Need" and Bratislava Ministerial Resolution "Adapting pan-European Forests to Climate Change" were signed
Study on EU forestry strategy	Start of contract	2021	Postponed to 2022

General objective 4: A stronger Europe in the world

Impact indicator: Share of EU in world trade in goods and services as well as investment⁷²

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

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

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

Baseline			Interim milestone	Target	Latest known value		
Goods average 2017-2019			(2022)	(2024)	Goods 2018-2020		
Services average 2016-2018					Services 2018-2020		
Investments average 2016-2018 ⁷³					Investments average 2018-2020		
<i>Goods</i>			<i>Goods</i>	<i>Goods</i>	<i>Goods</i>		
Imp.	Exp.	Total	Maintain	Maintain	Imp.	Exp.	Total
13.9%	15.7%	14.8%			13.9%	15.6%	14.8%
<i>Services</i>			<i>Services</i>	<i>Services</i>	<i>Services</i>		
Imp.	Exp.	Total	Maintain	Maintain	Imp.	Exp.	Total
21.4%	23.4%	22.4%			22.6%	23.6%	23.1%
<i>FDI stock</i>			<i>FDI stock</i>	<i>FDI stock</i>	<i>FDI stock</i>		
Imp.	Exp.	Total	Maintain	Maintain	Imp.	Exp.	Total
26.1%	31.2%	28.6%			26.1%	32%	29%

⁷² European Union preferential trade and investment agreements indicator turned into Share of EU in world trade in goods and services as well as investment as this impact indicator better demonstrates the impact of trade taking into account global competition

⁷³ There has been a change on the methodology for FDI and the baseline has been updated accordingly.

Impact indicator: Readiness of enlargement countries on economic criteria

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

Source of the data: European Commission

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

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

Baseline ⁷⁴ (2019)	Interim milestone (2022)	Target (2030)	Latest known results (2021)
2.64	Increase	Increase	2.68

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

Related to spending programme(s): N/A

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

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

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

Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2021)
(N/A)	Positive trend	Positive trend	No Commission proposal in preparation

⁷⁴ The baseline includes Western Balkans and Turkey. For the Western Balkans only the baseline would be 2.33 and the 2021 value 2.375. The value for this indicator increased slightly thanks to improvement in the functioning market economy criteria of Serbia. All other indicators remained the same.

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

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

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

Baseline ⁷⁵ (2019)	Interim milestone (2022)	Target (2024)	Latest known results (2021)
303 billion EUR	Maintain or increase ⁷⁶	Increase	328.1 billion EUR

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

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

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

Baseline (2019)	Interim milestone (2022)	Target (2024)	Latest known results (2021)
21 billion EUR	Maintain or increase ⁷⁷	Increase	23.0 billion EUR

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

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

Unit of measurement: Number of Action Areas

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

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

⁷⁵ DG AGRI's Strategic Plan original baseline was calculated for EU-28.

⁷⁶ The limited ambition of the interim milestone takes into account the uncertainties of the global post COVID-19 recovery.

⁷⁷ As above.

Main outputs in 2021			
New policy initiatives			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Progress on FTA negotiations with third countries.	Number of trade agreements negotiated, concluded or implemented.	Progress on all new and ongoing bilateral and FTA negotiations.	Negotiations on the EU-UK Trade and Cooperation Agreement (TCA) concluded on 24/12/20; TCA (applied provisionally since 01/01/21) entered into force on 01/05/21 Eastern and Southern Africa deepening: 6 th round (November 2021); Australia: 11th Round concluded (June 2021) New Zealand: 12 th Round concluded (October 2021) Chile: negotiations at technical level concluded for a modernised FTA and Wine and Spirit Agreement
Represent EU interests at key meetings of International Organisations in the policy area of agriculture.	Number of meetings attended.	Participate in all key meetings of WTO, FAO, OECD, G20, GFFA, etc., in line with the EU's negotiating mandate (if applicable).	FAO, G20, G7, GFFA: all relevant meetings attended and input provided on time. EU hosted high-level ministerial panel at GFFA in January 2021. G20 Ministerial communiqué negotiated ahead of schedule by July 2021. OECD: 100% of meetings attended (n=5); 80% of papers reviewed; 50% commented on. WTO: Attendance and/or provisions of input for all relevant WTO meetings (4 meetings of the WTO General Council;

			<p>4 meetings of the Council for Trade in Goods; 4 meetings of the Committee on Agriculture; 4 meetings of the Informal Committee on Agriculture, 13 meetings of the Committee on Agriculture - Special Session - Facilitators-led process; input for 18 meetings on Trade policy reviews; 2 meetings of the Committee on Market Access; 2 meetings of the Committee on Import Licensing).</p> <p>EU position and interests in WTO were fully preserved in the outcomes of these processes.</p>
<p>Represent EU agri-food interests in the implementation of the EU-UK Withdrawal Agreement</p>	<p>Participation in meetings with the UK on the implementation of the EU-UK Withdrawal Agreement and in particular the Protocol on Ireland / Northern Ireland.</p>	<p>Participation in all relevant meetings in line with EU objectives.</p>	<p>100% participation in relevant meetings. AGRI inputs provided in a timely manner. Monitoring correct implementation of TCA ongoing.</p>
<p>Finalise negotiations on WTO TRQ apportionment and adjust quantities of TRQs with licences to post-Brexit figures integrating the outcome of EU agreements with third countries</p>	<p>Organise and represent the Commission in all outstanding negotiation sessions on TRQ apportionment in line with EU negotiating mandate and objectives</p>	<p>Participation in all TRQ negotiation sessions</p>	<p>Organisation and attendance at (virtual) negotiations with a number of negotiating partners: 9 meetings held in the context of the ongoing negotiations. In addition, a number of meetings with the EP and Council were organised in connection to the validation of the international agreements</p>

			concluded. 2021 saw more agreements concluded, e.g. with Australia, US and NZ.
Contribute to the work of the AU-FAO Task Force on COVID-19 Impact on Food Security and Nutrition in Africa	Co-lead with the African Union the 1st workflow on dissemination of political declaration and sensibilisation	Task Force established in 2020, participate in all meetings to be organised in 2021 and in possible follow up activities	Proactive participation in all (virtual) meetings organised, work ongoing on the working group co- led with the AU.
Progress on implementation of the AU-EU Action Agenda for Rural Transformation	Number of actions accomplished under the AU-EU Action Agenda for Rural Transformation	5 out of 9 action areas	Currently at 5 out of 9 action areas (progress ongoing, timetable impacted by COVID-19)
Initiatives linked to regulatory simplification and burden reduction			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Alignment of remaining trade mechanism provisions spread currently in different Commission Regulations	Adoption of delegated and implementing regulations	2021	Adoption is delayed and postponed to 2022.
Amendment to Implementing Regulation (EU) No 543/2011 as regards checks on conformity to marketing standards for fruit and vegetables carried out by the United Kingdom (PLAN/2021/11560) ⁷⁸	Adoption of a Commission Implementing Regulation	Q4/2021	Commission Implementing Regulation (EU) 2021/1926 adopted on 05/11/21

⁷⁸ This entry was not included in the original Management Plan 2021 for DG AGRI.

Evaluations and fitness checks			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Evaluation with regard to the integration of the management of licences and certificates of agricultural tariff rate quotas in the "Single Window for Customs" initiative (in cooperation with DG TAXUD)	Report analysing the different IT options available and drafting a memorandum of understanding with the relevant counterparts (DG TAXUD, maybe DG SANTE)	Q4/2021	Internal report on contents of a business case analysing different IT options with regard to a DG AGRI electronic system for a Single window environment was elaborated, on the base of which the TRACES solution was chosen (DG SANTE). Based on the specifications defined in the business case, the memorandum of understanding will be negotiated in 2022 with DG TAXUD and DG SANTE.
External communication actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
<i>Information and communication actions such as those indicated under objective 1 may also cover this specific objective</i>			New EU-Africa web pages developed to inform about EU-AU rural transformation action agenda . Total page views for all the three webpages on this topic were 5 534. Numerous #EUTrade tweets, including promoting the EU agri-food trade report online every month. Tweets with #EUTrade hashtag have generated almost 190 000 impressions and over 500 interactions Ag press : Exclusive members content: special feature on Commissioner Wojciechowski's

			<p>participation in Expo Dubai Panel on 23/02/21</p> <p>Food for Europe podcasts #6 on CETA and # on WTO</p> <p>Event page: Fourth AU-EU ministerial conference (May 2021)</p> <p>International dimension of F2F Strategy conference Expo Dubai (October 2021)</p> <p>EU-Canada video on carbon farming (November 2021)</p>
Other important outputs			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Negotiation of international organic equivalency agreements	Council decision on negotiating directives	End 2021	Council Decision (EU) 2021/1345 authorising the opening of negotiations with Argentina, Australia, Canada, Costa Rica, India, Israel, Japan, New Zealand, South Korea, Tunisia and the United States with a view to concluding agreements on trade in organic products adopted on 28/06/21.
Amendment of Commission Implementing Regulation (EU) 2016/1239 and Commission Delegated Regulation (EU) 2016/1237 in order to abolish import / export licence obligation for rice	Adoption	2021	Commission Delegated Regulation (EU) 2021/1467 adopted on 06/07/21 Commission Implementing Regulation (EU) 2021/1466 adopted on 06/07/21

<p>As a consequence of Brexit and following WTO negotiations, amendment of the Commission Implementing Regulation (EU) 2019/386 laying down rules with regard to the apportionment of tariff rate quotas</p>	<p>Adoption</p>	<p>2021</p>	<p>Commission Regulation (EU) 2020/2099 adopted on 15/12/20 and entered into force on 01/01/21</p>
<p>Amendment of Commission Implementing Regulation (EU) 2020/761 in order to take account of the developments and make necessary modifications</p>	<p>Adoption</p>	<p>2021</p>	<p>Regulation (EU) 2021/254 adopted on 18/02/2021 Regulation (EU) 2021/760 adopted on 07/05/21; Regulation (EU) 2021/1401 adopted on 25/08/21 Regulation (EU) 2021/1406 adopted on 26/08/21 Regulation (EU) 2021/1928 adopted on 31/08/21</p>
<p>Follow-up of the work performed in the ISO, IGC and IOC. Preparation of the formal EU positions. Participation to the relevant meetings of the ISO, IGC and IOC⁷⁹.</p>	<p>Conclusion of negotiations of IOC trade standards and partial reform of the International Sugar Agreement.</p>	<p>Q4/2021</p>	<p>The IOC revised trade standard was adopted in the IOC 114th Council session of November 2021. The timetable for the implementation of the reform of the International Sugar Agreement, 1992 (ISA) was approved by consensus in the 59th Council meeting of the ISO. In accordance with this timetable, the ISO Council decided by consensus to recommend</p>

⁷⁹ International Sugar Organisation, International Grain Council and International Olive Council

			to its Members to initiate the process for the ratification of the amendments.
Study on EU agri-food exports via e-commerce to China	Final deliverable	Q4/2021	Final report received on 06/12/21 and approved on 08/12/21. Publication planned in Q1/2022.

Specific objective 9: Promote Europe's high quality agri-food standards worldwide (incl. strengthening the system of geographical indications)			Related to spending programme(s): EAGF, EAFRD
Result indicator 9.1: Number of third country markets targeted with agri-food promotion and information actions supported by the Commission			
Explanation: This indicator measures the increase in the number of countries, depending in particular on the number of new FTA to be concluded and implemented by 2024			
Source of data: European Commission, DG Agriculture and Rural Development			
Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2021)
52 ⁸⁰	Increase	Increase	55
Result indicator 9.2: Number of EU GI protected by third countries			
Explanation: This indicator shows the number of EU GI that are protected in trade agreements (or other analogous agreements) concluded with third countries			
Source of data: European Commission, DG Agriculture and Rural Development			
Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2021)
N/A	Increase	Increase	44 099 occurrences of protection of EU GIs in 3 rd countries

⁸⁰ Adjusted baseline to reflect the number of third country markets targeted with agri-food promotion and information actions supported by the Commission in 2020 (and not for the period 2016 – 2020).

Main outputs in 2021			
External communication actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
<i>Information and communication actions such as those indicated under objective 1 may also cover this specific objective</i>			Extensive social media communication on GIs: 59 posts have been seen over 767 000 times; a cookbook campaign raised awareness amongst hundreds of thousands of social media users and led to more than 60 citizens sharing their own GI recipes online The 'quality labels' web section received almost 75 000 visits while the dedicated GI cookbook page was viewed over 23 000 times highlighting the relative popularity of this product.
Other important outputs			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Commission "own initiatives" (promotion campaigns, participation at fairs, seminars in third countries) as foreseen in the 2021 Annual Work Programme under the promotion policy (Regulation 1144/2014)	Commission "own initiative" activities implemented in the following categories: <ul style="list-style-type: none">- Promotion campaigns- EU pavilions at international fairs- Seminars / Webinars in third countries- Development or updating of	100% implementation of all "own initiatives" planned in the annual work programme	Preparations for new promotion campaigns in South Korea, Thailand and Japan have started (launch in July 2021). Numerous activities have been implemented under the other ongoing campaigns, in Japan, GCC, China, Vietnam, Singapore and Mexico. EU-China agreement protecting geographical indications enters into force (March 2021) EU China agreement on GIs into force Twitter ,

	<p>market entry handbooks</p> <p>- High level missions</p>		<p>Facebook (March 2021)</p> <p>EU and Japan announce increased cooperation on sustainability and innovation in agriculture (September 2021)</p> <p>New page: Agri-food trade with Iran – (October 2021)</p> <p>Event page launched: 2022 High level mission to Singapore and Vietnam (November 2021)</p> <p>HLM Singapore & Vietnam posts on Twitter, Facebook, video (November 2021)</p> <p>COP 26 on food Twitter, Facebook, Instagram (November 2021)</p> <p>A promotion seminar has been organised online in Japan (April 2021).</p> <p>An update of the market-entry handbook for China released.</p>
<p>Annual work programme⁸¹ (AWP) and call for proposals under promotion policy</p>	<p>1 AWP and 2 calls</p>	<p>Coverage of the topic of this specific objective</p>	<p>On 28/01/21, two calls for proposals were published⁸².</p> <p>Launch of calls for proposals to promote European agri-food products at home and abroad</p> <p>EU agri-food promotion policy boosts competitiveness of the sector</p> <p>Evaluation of EU agri</p>

⁸¹ <https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/market-measures/promotion-eu-farm-products>

⁸² [Call for proposals for simple programmes; Call for proposals for multi programmes](#)

			<p>promotion policy in internal and third county markets (SWD/2020/399, (January 2021))</p> <p>Promotion of EU farm products: Commission report on implementation of EU promotion policy for agri-food products (January 2021)</p> <p>Commission launches public consultation on review of the promotion policy for EU agri-food products (March 2021)</p> <p>Event: The Agri-food Promotion Policy Review (April 2021)</p>
Negotiations on olive oil marketing standards in CODEX ALIMENTARIUS	Successful conclusions / substantial progress at the next CODEX meeting (2021)	October 2021	<p>Done/ongoing.</p> <p>Progress was made in the Codex Committee for Fats and Oils (October 2021) with consensus obtained on different parameters, but the discussion should continue on specific points. The standard will be at step 4 for the agreed parts and step 2-3-4 for the bracketed parts.</p>

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

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

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

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

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

Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2021)
21	23 (roll-over from IPARD II)	28 (5 additional entrustments)	21

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

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

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

Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2021)
2 977 (situation of IPARD II at 30/04/20)	6 559 (IPARD II final target + 0 of IPARD III)	7 900 (IPARD II final target + 20% target IPARD III)	6 439

Main outputs in 2021			
External communication actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
<i>Information and communication actions such as those indicated under objective 1 may also cover this specific objective</i>			Agriculture in EU enlargement (November 2021)
Other important outputs			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Roll-over of entrustment of budget implementation tasks from IPARD II to IPARD III	Number of IPARD (IPA rural development programmes) measures entrusted and implemented in pre-accession countries	32 by the end of the IPARD III programming period – 22 will be "rolled-over" from IPARD II and 10 new measures will be entrusted	21
Continuing implementation of IPARD II	Number of farms and agri-food processing enterprises supported by IPARD in modernisation	6559* by the end of the IPARD II programming period	6 439

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

General objective 6: A new push for European democracy

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

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

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

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

Specific objective 11: A long-term vision for rural areas is developed and put in place in order make the most of their potential and support them in facing up to their own unique set of issues, including demographic change

Related to spending programme(s):

Result indicator 11.1: Population change in rural regions

Explanation: This indicator measures the population distribution (and change) by urban-rural typology

Unit of measurement: share of total population in rural regions

Source of data: Eurostat (Eurostat online data code: [urt_gind3](#))

Baseline ⁸³ (2019)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
20.9	Reduce the decline	Reduce the decline	20.8

Result indicator 11.2: Actions identified under the long-term vision for rural areas launched or realised

Explanation: This indicator reflects the actions which will be determined once the Communication on the long term vision for rural areas will be adopted

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

Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2021)
(N/A)	Positive trend	Positive trend	30

⁸³ Compared to DG AGRI's Strategic Plan, updated baseline value due to change in Eurostat database.

Main outputs in 2021			
New policy initiatives			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
 Communication on the long-term vision for rural areas (PLAN/2020/7609)	Communication adopted	Q2/2021	Communication (COM(2021)345) adopted on 30/06/21
Evaluations and fitness checks			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Evaluation of the Common Agricultural Policy's impact on territorial development of rural areas: socioeconomic aspects (PLAN/2019/5259)	Finalisation and publication of the evaluation (SWD)	Q3/2021	SWD/2021/394 adopted on 10/12/21 and published on AGRI Europa on 13/12/21 ⁸⁴ .
Public consultations			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Public consultation on Long-term Vision for Rural Areas	Synopsis report	Q2/2021	Synopsis Report published on 30/06/21
External communication actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
<i>Information and communication actions such as those indicated under objective 1 may also cover this specific objective</i>			Dedicated webpages built in Commission's political priority section (landing page + ' Rural Areas In Numbers ') Ag press webinar on LTVRA (July 2021), 12 journalists Rural development #RuralDevEU stories once

⁸⁴ The target originally foreseen in the Management Plan 2021 for DG AGRI could not be met because the process was more time-consuming than anticipated.

			<p>a week on Twitter, Facebook and Instagram</p> <p>Flash Eurobarometer 491 survey on LTVRA Updated content on LEADER including download of visual '30 years of LEADER'</p> <p>New page on rural development policy measures (March 2021)</p> <p>Writing web stories about Rural Inspiration Award 2021 winners (Q1&Q2/2021)</p> <p>Promoting ENRD seminar with Commissioner and Timmermans (April 2021)</p> <p>Rural broadband videos (May 2021)</p> <p>Long-term vision for rural areas: Commission publishes public opinion survey on rural areas (June 2021)</p> <p>Event: Long-term vision for the EU's rural areas – rural perspectives for sustainable recovery (October 2021)</p> <p>News: The CAP contributes to a balanced development of EU rural areas (December 2021)</p>
Other important outputs			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Foresight exercise related to the rural vision	Foresight Rural 2040 finalised	Main results of the Foresight included in the Long Term Vision for Rural Areas and associated SWD	Foresight included in the Long Term Vision for Rural Areas and associated SWD (published on 30/06/21)

Green Paper on Ageing	Contribution to the preparatory work both at the ISG and for the Commissioners Project Group on "Demography"	Inputs on rural areas provided on time. Green Paper on Ageing to be adopted in 2021	Green Paper adopted on 27/01/21 includes references to demographic challenges in rural and remote areas Several meetings of the Demography Network launched by the Green Paper.
Conference on the Future of Europe	Contribution to the preparatory work when rural areas are explicitly addressed. Inputs from rural citizens included in the debate.	Consultation activities under the conference on the future of Europe launched, including consultation of rural stakeholders	The communication around the publication of the Long-Term Vision for Rural Areas, and all the accompanying events it organises, will be an integral part of the Conference on the Future of Europe process. All relevant agriculture and rural events organised by DG AGRI will be using the visual identity of the Conference to promote this initiative and fully exploit its potential. DG AGRI will consider any relevant opportunity to inform citizens and stakeholders about it and encourage them to contribute to the online debate on the conference platform. Specific information and outreach opportunities include AGRI media and online communication, important events such as the 2021 EU Agricultural Outlook conference and dissemination of information through CDGs, ENRD and EIP AGRI. AGRI colleagues

			<p>participated in various European Citizens' Panel Sessions organized under the Conference on the Future of Europe as observers and fact-checkers. AGRI colleagues prepared a number of thematic fiches for high level Commission representatives to facilitate their exchanges with citizens. Those thematic fiches focused on Environment and Climate, Health, Strong Economy, Social Justice and Jobs issues.</p> <p>Following the launch of the Conference, a high number of briefings for Commissioners were prepared.</p>
Conference on Long term Vision for Rural areas	Conference organised	March 2021	Conference organised in March 2021 by ENRD in close cooperation with the Commission.
	Presentation of the results of the online public consultation		Outcome of the public consultations and results of different stakeholder-held workshops were presented.

Specific objective 12: Attract young farmers and promote employment, growth, social inclusion and local development in rural areas

Related to spending programme(s): EAGF, EAFRD

Result indicator 12.1: Contributing to jobs in rural areas: Evolution of the employment rate in predominantly rural areas⁸⁵

Explanation: This indicator reflects employed persons aged 15–64 years and 20–64 years as a share of the total population of the same age group in rural areas

Unit of measurement: %

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

Baseline (2019)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
68.4% (15-64y) 73.3% (20-64y)	Increase	Increase	68.1% (15-64y) 73.0% (20-64y)

Result indicator 12.2: Contributing to growth in rural areas: Evolution of GDP per head in predominantly rural regions

Explanation: The indicator measures the Gross Domestic Product (GDP) per capita in predominantly rural regions, in Purchasing Power Standard (PPS)

Unit of measurement: Index of GDP in Purchasing Power Standard (PPS) in rural regions

Source of data: European Commission, DG Agriculture and Rural Development, based on Eurostat data (Eurostat online data codes: ([nama_10r_3popgdp](#), [nama_10r_3gdp](#)))

Baseline ⁸⁶ (2016)	Interim milestone (2022)	Target (2024)	Latest known results (2018)
72	Increase	Increase	72

Result indicator 12.3: Generational renewal: Number of young farmers setting up a farm with support from the CAP Rural Development

Explanation: The indicator quantifies the new young farmers setting up with CAP support

Unit of measurement: Number of farmers

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

Baseline (2018)	Interim milestone (2022)	Target ⁸⁷ (2025)	Latest known results (2020)
102 150	Increase	Increase	149 688

⁸⁵ This indicator is also used in the Programme Statements.

⁸⁶ The DG AGRI Strategic Plan set baseline year 2020 by mistake, as the reference year should be prior to 2020 to monitor progress over the period 2020–2024.

⁸⁷ Compared to the Strategic Plan, the target value has been modified as a result of the extended programming period.

Result indicator 12.4: Rural Europe attractiveness: Share of rural population benefiting from new or improved ICT services/infrastructures⁸⁸

Explanation: The indicator quantifies the share of population in rural areas potentially benefiting from enhanced accessibility, use and quality of information and communication technologies in rural areas, thanks to investment support under rural development programmes.

Unit of measurement: %

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

Baseline (2018)	Interim milestone (2022)	Target ⁸⁹ (2025)	Latest known results (2020)
1.07%	Increase	5.90%	1.80%

Result indicator 12.5: Rural Europe attractiveness: Share of rural population benefitting from improved access to services and infrastructure through CAP support⁹⁰

Explanation: The indicator quantifies the share of rural population covered by interventions aimed at improving access to services and infrastructure

Unit of measurement: %

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

Baseline (2018)	Interim milestone (2022)	Target ⁹¹ (2025)	Latest known results (2020)
14.3%	Increase	18.8%	21.2%

Main outputs in 2021

Evaluations and fitness checks

Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Evaluation of the impact of the CAP on generational renewal, local development and jobs in rural areas	Finalisation and publication of the evaluation (SWD)	Q1/2021	SWD/2021/78 adopted and published on AGRI Europa on 08/04/21

⁸⁸ This indicator is also used in the Programme Statements.

⁸⁹ Compared to DG AGRI's Strategic Plan, the target value has been modified as a result of the extended programming period.

⁹⁰ This indicator is also used in the Programme Statements.

⁹¹ Compared to DG AGRI's Strategic Plan, the target value has been modified as a result of the extended programming period.

(PLAN/2017/2311)			
Synthesis of RDP ex-post evaluations 2007-2013	Finalisation and publication of the evaluation (SWD)	Q2/2021	SWD to be published in Q1/2022 ⁹²
Evaluation of the impact of the CAP towards the general objective "balanced territorial development", focus on LEADER	Final deliverable	Q4/2021	Final deliverable received on 07/12/21 and accepted on 08/12/21. Published on 17/03/22
Contribution to policy analysis related to young farmers	Contributions to evaluations and studies	All year (ongoing)	Contributions provided throughout the year
Enforcement actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Assessment of Member States notifications regarding the payment for young farmers and support to other relevant units, and appropriate follow-up in case of failure	Completeness of the notifications Collaboration with budget, audit and infringements units	All year (ongoing)	Assessment of Member States notifications throughout the year
External communication actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
<i>Information and communication actions such as those indicated under objective 1 may also cover this specific objective</i>			Continued communication on social media highlighting rural broadband initiatives supported by EAFRD funds 30 years of LEADER visual (March 2021) Study on young farmers Twitter, Facebook (April 2021)

⁹² The target originally foreseen in the Management Plan 2021 for DG AGRI could not be met because the process was more time-consuming than anticipated.

Other important outputs			
Output description	Indicator	Target	Latest known results (situation on 31/12/2021)
Support to Member States in implementation of current payment for young farmers and preparation of future CAP Strategic Plans regarding generational renewal ("geo-hubs")	Replies to letters from Member States Bilateral meetings	All year (ongoing)	Support provided continuously via Geo Hubs, bilateral meetings, replies to letters from Member States
Contribution to the annual reports on direct payments regarding the payment for young farmers	Contributions to: - Annual implementation report	Mid 2021	Report published in July 2021
	- Fiche by Member State	September 2021	Finalised end 2021 ⁹³
	- Overview of Member States' decisions	End 2021	Q1/2022
EP Preparatory Action I on Smart rural areas in the 21 st century	Interim deliverable(s)	2021	Contractor prepares the 4 th interim deliverable. Final deliverable due by 17/06/22.
EP Preparatory Action II on Smart rural areas in the 21 st century	Interim deliverable(s)	2021	Third deliverable received on 20/12/21.

⁹³ The target originally foreseen in the Management Plan 2021 for DG AGRI could not be met because the process was more time-consuming than anticipated.

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 2021 (in Mio €) for DG AGRI				TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2021 (in Mio €) for DG AGRI							
		Commitment appropriations authorised	Commitments made	%		Payment appropriations authorised	Payments made	%			
		1	2	3=2/1		1	2	3=2/1			
Title 01 Research and Innovation					Title 01 Research and Innovation						
01	01 01	Support administrative expenditure of the "Research and Innovation" cluster	0.32	0.05	14.86 %	01	01 01	Support administrative expenditure of the "Research and Innovation" cluster	0.32	0.05	14.86 %
	01 02	Horizon Europe	0.00	0.00	0.00 %		01 02	Horizon Europe	0.00	0.00	0.00 %
Total Title 01			0.32	0.05	14.86 %	Total Title 01			0.32	0.05	14.86 %
Title 03 Single Market					Title 03 Single Market						
03	03 02	Single Market Programme	0.33	0.33	99.55 %	03	03 02	Single Market Programme	0.08	0.08	100.00 %
Total Title 03			0.33	0.33	99.55 %	Total Title 03			0.08	0.08	100.00 %
Title 08 Agriculture and Maritime Policy					Title 08 Agriculture and Maritime Policy						
08	08 01	Support administrative expenditure of the "Agriculture and Maritime Policy" cluster	3.60	3.12	86.77 %	08	08 01	Support administrative expenditure of the "Agriculture and Maritime Policy" cluster	9.33	8.38	89.78 %
	08 02	European Agricultural Guarantee Fund (EAGF)	41,394.11	40,694.65	98.31 %		08 02	European Agricultural Guarantee Fund (EAGF)	41,385.62	40,680.32	98.30 %
	08 03	European Agricultural Fund for Rural Development (EAFRD)	15,747.98	15,324.36	97.31 %		08 03	European Agricultural Fund for Rural Development (EAFRD)	14,744.25	14,578.35	98.87 %
	08 20	Pilot projects, preparatory actions, prerogatives and other actions	0.00	0.00	0.00 %		08 20	Pilot projects, preparatory actions, prerogatives and other actions	2.24	2.24	100.00 %
Total Title 08			57,145.68	56,022.13	98.03 %	Total Title 08			56,141.45	55,269.29	98.45 %
Title 14 External Action					Title 14 External Action						
14	14 20	Pilot projects, preparatory actions, prerogatives and other actions	5.34	4.24	79.29 %	14	14 20	Pilot projects, preparatory actions, prerogatives and other actions	4.24	4.24	100.00 %
Total Title 14			5.34	4.24	79.29 %	Total Title 14			4.24	4.24	100.00 %
Title 15 Pre-accession Assistance					Title 15 Pre-accession Assistance						
15	15 01	Support administrative expenditure of the "Pre-accession Assistance" cluster	0.23	0.23	99.91 %	15	15 01	Support administrative expenditure of the "Pre-accession Assistance" cluster	0.44	0.24	54.23 %
	15 02	Instrument for Pre-accession Assistance (IPA III)	90.90	0.00	0.00 %		15 02	Instrument for Pre-accession Assistance (IPA III)	180.54	180.25	99.84 %
Total Title 15			91.13	0.23	0.25 %	Total Title 15			180.98	180.49	99.73 %
Title 08 Agriculture and Maritime Policy					Title 08 Agriculture and Maritime Policy						
08	08 01	Support administrative expenditure of the "Agriculture and Maritime Policy" cluster	1.60	0.00	0.00 %	08	08 01	Support administrative expenditure of the "Agriculture and Maritime Policy" cluster	0.28	0.00	0.00 %
	08 03	European Agricultural Fund for Rural Development (EAFRD)	8,068.87	2,365.67	29.32 %		08 03	European Agricultural Fund for Rural Development (EAFRD)	415.13	65.48	15.77 %
Total Title 08			8,070.48	2,365.67	29.31 %	Total Title 08			415.41	65.48	15.76 %
Total NGEU Only			8,070.48	2,365.67	29.31 %	Total NGEU Only			415.41	65.48	15.76 %
Total DG AGRI			65,314.98	58,394.26	89.40 %	Total DG AGRI			56,745.42	55,521.72	97.84 %

The above tables present an overview of the execution of commitments and payments grouped per MFF title. As of 2021, the budget nomenclature has been modified to reflect the nomenclature of the Multi-annual Financial Framework (MFF) 2021-2027.

During 2021, the execution rate of commitment appropriations of DG AGRI decreased compared to 2020 reaching 89,40% in 2021 (97,17% in 2020). The execution rate of payment appropriations, however, has remained almost unchanged reaching 97,84% in 2021 (98,53% in 2020). The decrease in the rate of carrying out new commitment appropriations is caused by a very low rate of implementation for the Next Generation EU instrument (NGEU is a temporary recovery instrument designed to boost the recovery in 2021 to 2023), mainly due to a delay in submitting the amendments of the EAFRD programmes.

The total amount **committed** in 2021 amounts to **EUR 58.394,26** million and the total amount **paid** in 2021 amounts to **EUR 55.521,72** million.

Some detailed information on the implementation of the budget lines under title **08 "Agriculture and Maritime Policy"** can be found below.

- **08 02 European Agricultural Guarantee Fund (EAGF):** The bulk of EAGF expenditure is for the direct payments to EU farmers. This chapter includes also the appropriations

intended to finance various programs for the promotion of agricultural products, some market measures and to cover costs linked in particular with the financial depreciation or the sale of stocks of agricultural products. The amount committed in 2021 was EUR 40.694,65 million (EUR 41.396,35 million in 2020) representing 98,31% of the available appropriations. The amount paid in 2021 was EUR 40.680,32 million (compared to EUR 41.571,75 million in 2020), representing 98,30% of the available appropriations.

- **08 03 Rural Development:** This appropriation appears twice in the table, once to account for EAFRD funds and a second time to account for NGEU. It is intended to cover the financing of the 2014 to 2020 rural development programmes that have been actually extended until 2022. During the years 2021 and 2022, funding will be drawn from the Common Agricultural Policy's (CAP) budget allocation for 2021-2027, bolstered by an additional EUR 8 billion from the NextGenerationEU recovery instrument assigned to the EAFRD. The amount committed in 2021 from the CAP budget was EUR 15.324,36 million (EUR 14.688,10 million in 2020), representing 97,31% of the available commitment appropriations. Then, the committed amount from NGEU funds was EUR 2.365,57 million. The amount paid from CAP funds in 2021 remained at the same level as last year, reaching EUR 14.578,35 million (compared to EUR 14.578,87 million in 2020), and representing 98,87% of the available appropriations as the implementation of rural development programs is in full swing. The first payments made from NGEU funds amount up to EUR 65,48 million.
- **15 02 Pre Accession Assistance:** This appropriation is for funding the Instrument for Pre-accession Assistance related to rural development. There were no commitments made in 2021 since the new programmes for the 2021-2027 period have not been approved yet and there cannot be any new commitments for the IPA 2014-2020 programs (EUR 159,01 million were committed in 2020). EUR 180,25 million were paid in 2021 for IPA 2014-2020 (compared to 77,01 in 2020), representing 99,84% of the available appropriations. We can explain the increase in payments by the fact that the beneficiary candidate countries are motivated to use the funds committed in previous years in order not to lose the available credits when reaching the end of the programming period.

1.2 Unused balance of Commitments (table 3)

The unused balance on commitments, commonly known as budgetary RAL (Reste à Liquider), was approximatively EUR 38.731,05 million at the end of 2021 (EUR 35.860,71 million in 2020), of which EUR 35.896,31 million relates to the European agricultural fund for rural development, EUR 2.300,19 million relates to NextGenerationEU and EUR 482,53 million to pre-accession assistance. We should note that in the EAFRD, NextGenerationEU and pre-accession assistance the commitments are multi-annual. It means that the committed amounts can be used during more than one year – more precisely the rule N+3 applies for these cases.

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG AGRI									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
02	02 03	Connecting Europe Facility (CEF)	0.00	0.00	0.00	0.00%	0.10	0.10	0.39
Total Title 02			0.00	0.00	0.00	0.00%	0.10	0.10	0.39
03	03 02	Single Market Programme	0.33	0.08	0.25	74.63%	0.00	0.25	0.00
Total Title 03			0.33	0.08	0.25	74.63%	0.00	0.25	0.00
05	05 02	European Regional Development Fund (ERDF)	0.00	0.00	0.00	0.00%	0.07	0.07	0.28
	05 03	Cohesion Fund (CF)	0.00	0.00	0.00	0.00%	0.03	0.03	0.12
Total Title 05			0.00	0.00	0.00	0.00%	0.10	0.10	0.39
08	08 01	Support administrative expenditure of the "Agriculture and Maritime Policy" cluster	3.12	2.76	0.36	11.64%	0.00	0.36	5.74
	08 02	European Agricultural Guarantee Fund (EAGF)	44,748.45	44,719.94	28.51	0.06%	13.71	42.22	29.50
	08 03	European Agricultural Fund for Rural Development (EAFRD)	15,324.36	562.22	14,762.14	96.33%	21,134.17	35,896.31	35,151.87
	08 20	Pilot projects, preparatory actions, prerogatives and other actions	0.00	0.00	0.00	0.00%	8.02	8.02	10.30
Total Title 08			60,075.94	45,284.92	14,791.02	24.62%	21,155.91	35,946.92	35,197.41
10	10 01	Support administrative expenditure of the "Migration" Cluster	0.00	0.00	0.00	0.00%	0.00	0.00	0.20
Total Title 10			0.00	0.00	0.00	0.00%	0.00	0.00	0.20
14	14 20	Pilot projects, preparatory actions, prerogatives and other actions	4.24	4.24	0.00	0.00%	0.00	0.00	0.00
Total Title 14			4.24	4.24	0.00	0.00%	0.00	0.00	0.00
15	15 01	Support administrative expenditure of the "Pre-accession Assistance" cluster	0.23	0.03	0.20	88.10%	0.00	0.20	0.21
	15 02	Instrument for Pre-accession Assistance (IPA III)	0.00	0.00	0.00	0.00%	482.53	482.53	662.78
Total Title 15			0.23	0.03	0.20	88.10%	482.53	482.73	662.99
20	20 02	Other staff and expenditure relating to persons	0.00	0.00	0.00	89.36%	0.00	0.00	0.01
	20 04	Information and communication technology related expenditure	1.61	0.85	0.76	47.37%	0.00	0.73	0.00
Total Title 20			1.61	0.85	0.76	47.47%	0.00	0.73	0.01
Total Excluding NGEU			60,082.43	45,290.17	14,792.26	24.62%	21,638.63	36,430.86	35,861.91

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG AGRI									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
08	08 01	Support administrative expenditure of the "Agriculture and Maritime Policy" cluster	0.00		0.00	0.00%	0.00	0.00	0.00
	08 03	European Agricultural Fund for Rural Development (EAFRD)	2,365.67	65.48	2,300.19	97.23%	0.00	2,300.19	0.00
Total Title 08			2,365.67	65.48	2,300.19	97.23%	0.00	2,300.19	0.00
Total NGEU Only			2,365.67	65.48	2,300.19	97.23%	0.00	2,300.19	0.00

Total for DG AGRI	62,448.10	45,355.65	17,092.45	27.37 %	21,638.63	38,731.05	35,861.91
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1.3 Payment time limits (table 6a/b)

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

- For "direct management expenditure" (see table 6a), the average delay was 7 days in 2021 (compared to 8 days in 2020). Only three payments exceeded the legal payment deadline (2 payments in 2020), which represents 0,42% of the total number of payments (0,24% in 2020).

- For "rural development" (see table 6b), the average payment delay was 25 days (19 days in 2020). All payments were made on time, within the legal payment deadline, as it was the case also in 2020.

1.4 Revenue and income

Chapter	Revenue and income recognized			Revenue and income cashed from			Outstanding balance	
	Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total		
	1	2	3=1+2	4	5	6=4+5	7=3-6	
33	Other administrative revenue	38,078.29	0.00	38,078.29	38,078.29	0.00	38,078.29	0.00
40	Revenue from investments and accounts	0.00	5,678,826.22	5,678,826.22	0.00	5,678,826.22	5,678,826.22	0.00
62	Natural resources and environment	928,195,983.02	0.00	928,195,983.02	533,859,147.99	0.00	533,859,147.99	394,336,835.03
65	Neighbourhood and the world	10,576,858.59	0.00	10,576,858.59	286,979.55	0.00	286,979.55	10,289,879.04
67	Completion for outstanding recovery orders prior to 2021*	-82,035,432.84	377,403,324.98	295,367,892.14	-82,035,432.84	337,945,738.39	255,910,305.55	39,457,586.59
Total DG AGRI		856,775,487.06	383,082,151.20	1,239,857,638.26	452,148,772.99	343,624,564.61	795,773,337.60	444,084,300.66

The negative amount in column 1 of chapter 67 corresponds to the cancelation of transactions of 2020, using the old nomenclature in force in 2020. These transactions were then rebooked on line 62 using the new nomenclature in force in 2021.

The total income/revenue recognised for DG AGRI in 2021 corresponds to **EUR 856,77 million** (2020: EUR **584.95** million), while the total amount cashed within the year is **EUR 795,77 million**.

Out of the amount of EUR 856,77 million:

- EUR 708,81 million (EUR 556,74 million in 2020) relates to EAGF. This amount can be further broken down as follows: EUR 577,04 million is originated from financial corrections following the adoption of clearance decisions, EUR 123,53 million related to irregularities paid back to the EU budget and EUR 8,24 million is operational revenue from various sources.
- EUR 137,38 million relates to EAFRD and
- EUR 10,58 million relates to IPARD.

At the end of 2021, **EUR 444,08 million** is still owed to DG AGRI (EUR 383,08 million in 2020).

Annexes :

Table 1: Commitments

Table 2: Payments

Table 3: Commitments to be settled (RAL)

Table 4: Balance sheet

Table 5/5bis: Economic Outturn Account

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

Table 7: Income

Table 8/8bis: Recovery context

Table 9/9bis: Ageing balance of Recovery Orders

Table 10: Waivers of Recovery Orders

Table 11: Negotiated Procedures

Table 12: Summary of Contracts

Table 13: Building Contracts

Table 14: Secret Contracts

Table 15: FPA > 4 yrs

Table 16: Commitments co-delegation type 3 in 2021 for DG AGRI

2. DRAFT ANNUAL ACCOUNTS

2.1 Accounting principles and methods

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

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

Other items not included are:

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

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

2.2 Acronyms

- EAGF: European Agricultural Guarantee Fund;
- EAFRD: European Agriculture Fund for Rural Development;
- EAGGF : European Agricultural Guarantee and Guidance Fund;
- IPA : Instrument for Pre-Accession
- TRDI : Temporary Rural Development Instrument

2.3 Balance Sheet

TABLE 4 : BALANCE SHEET for DG AGRI

BALANCE SHEET	2021	2020
A.I. NON CURRENT ASSETS	3,595,125,050.81	3,720,095,955.50
A.I.1. Intangible Assets	15,167,862.84	13,157,526.36
A.I.5. Non-Current Pre-Financing	3,232,485,073.44	3,619,838,901.33
A.I.6. Non-Cur Exch Receiv & Non-Ex Recoverab	347,472,114.53	87,099,527.81
A.II. CURRENT ASSETS	2,736,073,224.22	2,755,058,563.52
A.II.2. Current Pre-Financing	1,715,781,526.95	1,556,534,543.75
A.II.3. Curr Exch Receiv & Non-Ex Recoverables	1,020,291,697.27	1,198,524,019.77
ASSETS	6,331,198,275.03	6,475,154,519.02
P.I. NON CURRENT LIABILITIES	-353,892,589.78	-169,585,621.46
P.I.2. Non-Current Provisions	-353,892,589.78	-169,585,621.46
P.II. CURRENT LIABILITIES	-60,390,930,276.86	-59,547,289,652.63
P.II.4. Current Payables	-15,711,735,454.65	-16,209,476,681.16
P.II.5. Current Accrued Charges & Defrd Income	-44,679,194,822.21	-43,337,812,971.47
LIABILITIES	-60,744,822,866.64	-59,716,875,274.09
NET ASSETS (ASSETS less LIABILITIES)	-54,413,624,591.61	-53,241,720,755.07
P.III.2. Accumulated Surplus/Deficit	450,299,690,587.74	395,733,291,512.94
Non-allocated central (surplus)/deficit*	-395,886,065,996.13	-342,491,570,757.87
TOTAL DG AGRI	0.00	0.00

Assets

Non-current assets

The Non-Current pre-financing, for which the period of settlement exceeds one year, amounts to EUR 3.232.485.073,44. It is composed as follows:

- EUR 2.828.143.772,63 are prefinancing paid to Member States in the framework of EAFRD programs (2014-2020 period);
- EUR 161.940.000,00 are prefinancing paid to candidate countries in the framework of pre-accession assistance programs IPA II (2014-2020 period);
- EUR 242.401.300,81 are advances for market measures, paid by Member States to final beneficiaries, financed by EAGF funds.

Non-Current (exchange/non-exchange) receivables: these are financial corrections amounts imposed on Member States, as a result of Conformity Clearance decisions taken by the Commission. An amount of EUR 320.708.397,58 concerns EAGF and an amount of EUR 26.763.716,95 is for EAFRD, and they are due in future instalments beyond the next twelve months.

Current assets

Current pre-financing: The balance of EUR 1.715.781.526,95 represents the amounts that beneficiaries are expected to use in the next 12 months. It is composed as follows:

- 1.569.819.253,84 are advances paid at Member States level, i.e. directly by Member States to beneficiaries. EUR 263,415,930.83 concern EAGF mainly for actions related to wine making, EUR 1,143,237,778.68 relate to projects funded from EAFRD 2014 -2020, EUR 65,766,286.83 relate to projects funded from EAFRD 2007-2013. It also includes EUR 97.399.257,50, which relate to the contribution for Financial Instruments;
- EUR 136.592.099,64 are prefinancing paid to Member States in the framework of EAFRD programs (2014-2020 period);
- EUR 7.212.399,06 are prefinancing paid to candidate countries in the framework of pre-accession assistance programs IPA I (2007-2013 period) that should be recovered at the formal closure of the underlying programs (for Croatia and North Macedonia);
- EUR 2.157.774,41 are prefinancing paid to beneficiaries of direct management contracts.

The increase between 2021 and 2020 is mainly due to the increase of the pre-financing of EAFRD 2014 – 2020 that Member States are expected to use within the next 12 months.

Current (exchange/non-exchange) recoverables: The balance of EUR 1.020.291.697,27 in this heading is composed of non-exchange recoverables of EUR 1.013.243.349,93 and exchange recoverables of EUR 7.048.347,34, which the Commission expects to recover within the next 12 months.

The non-exchange amount of EUR 1.013.243.349,93 owed by Member States and candidate countries to DG AGRI can be detailed as follows:

- EUR 868.962.879,80 is the net amount that the Commission expects to recover as a result of irregularities committed by final beneficiaries and detected by Member States and/or candidate countries themselves. It is composed of the balance at year-end of the Debtors' Ledgers accounts in the annual accounts of the Member States and/or candidate countries. The breakdown per fund is as follows: EAGF EUR 1.109.620.115,54, EAFRD EUR 579.041.039,30, IPA EUR 13.250.134,63 and TRDI EUR 9.880.797,72. A value reduction of a total of EUR 842.829.207,29 has been applied to these Debtor's Ledger balances.

- Other non-exchange receivables, which the Commission expects to recover within the next 12 months, for a total of EUR 144.280.470,13 are composed as follows:

- a) EUR 94.988.695,17 in relation to EAGF that is comprised of
 - i. EUR 40.251.380,82 correspond to financial corrections amounts imposed on Member States, as a result of Conformity Clearance decisions taken by the Commission;
 - ii. EUR 52.307.957,64 of irregularities committed by final beneficiaries and detected by Member States themselves; they were included in the declarations of November and December 2021 and were not cashed yet;
 - iii. EUR 2.429.356,71 is composed of residual amounts of financial corrections and irregularities, which were not yet fully compensated against a payment and are therefore still owed to the Commission.
- b) EUR 39.001.895,92 in relation to EAFRD that corresponds to financial corrections amounts due by Member States, as a result of Conformity Clearance decisions taken by the Commission,
- c) EUR 10.289.879,04 in relation to IPA that corresponds to irregularities amounts due by the respective Countries.

The exchange amount of EUR 7.048.347,34 relates to direct management, (see table 9b). It corresponds to the remaining balances of eight recovery orders linked to Article 8 of Regulation 4256/88, whose cashing dates have expired.

Liabilities

Non-current liabilities

Long-term provisions: This item for EUR 353.892.589,78 relates to the estimate of potential future expenses resulting from court cases awaiting judgement for which the risk of losing is considered high. It includes the following cases:

FUND	Case Number	Provision Closing Balance
EAGF	T-10/20	143,924,279.14
EAFRD	T-10/20	72,704.23
EAGF	T-221/21	142,346,933.97
EAFRD	T-221/21	717,836.30
EAGF	T-235/21	7,656,848.97
EAFRD	T-33/21	18,717,475.08
EAGF	T-450/21	5,010,303.63
EAGF	T-495/21	2,056,473.43
EAGF	T-516/21	29,055,667.01
EAGF	T-57/21	4,334,068.02
		353,892,589.78

Current liabilities

Accounts payable: this item for a total of EUR 15.711.735.454,65 concerns mainly amounts due to Member States for EAGF. The amount can be broken down as follows:

- The Commission should still reimburse an amount of EUR 15.650.281.188,41 to Member States following the submission of their declarations of EAGF expenditure for November 2021 and for one amount for which the payment has been temporarily suspended;
- An amount of EUR 30.040.999,35 is owed to Member States for costs claims of EAFRD programmes (period 2014-2020), whose payments are temporarily suspended or interrupted;
- An amount of EUR 31.358.638,85 is owed to Turkey. It is the closing balance of the respective programme IPA I 2007-2013;
- EUR 54.628,04 concerns open invoices from direct management.

Accrued charges: this item for EUR 44.679.194.822,21 includes an estimate of the amounts, which Member States, candidate countries and other beneficiaries have already incurred or have the right to receive and thus, are entitled to claim. However, the invoices / cost claims have not been received yet at year-end. It comprises mainly:

- EUR 25.232.253.402,42 relating to EAGF; it includes costs incurred in December 2021, the other rights of farmers for direct support and related to market measures that originate in 2021, and some amounts still due back to Member States as a result of decisions of the Court of Justice;
- EUR 19.241.170.271,16 relating to EAFRD 2014-2020 programming period;
- EUR 190.632.191,24 relating to IPA 2014-2020 programming period;
- EUR 15.138.957,39 for expenses under direct management.

2.4 Economic Outturn Account

TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE for DG AGRI

STATEMENT OF FINANCIAL PERFORMANCE	2021	2020
II.1 REVENUES	-928,844,447.26	-732,691,248.77
II.1.1. NON-EXCHANGE REVENUES	-933,136,497.07	-736,561,042.99
II.1.1.6. RECOVERY OF EXPENSES	-891,472,636.15	-708,512,588.64
II.1.1.8. OTHER NON-EXCHANGE REVENUES	-41,663,860.92	-28,048,454.35
II.1.2. EXCHANGE REVENUES	4,292,049.81	3,869,794.22
II.1.2.1. FINANCIAL INCOME	617,002.52	-44,531.27
II.1.2.2. OTHER EXCHANGE REVENUE	3,675,047.29	3,914,325.49
II.2. EXPENSES	56,814,749,011.31	55,299,090,323.57
II.2. EXPENSES	56,814,749,011.31	55,299,090,323.57
II.2.10. OTHER EXPENSES	223,170,180.26	187,383,394.79
II.2.1. EXP IMPL BY MEMBER STATES (SHARED)	56,280,290,061.86	54,928,584,658.08
II.2.2. EXP IMPL BY COMMISS&EX.AGENC. (DM)	36,019,203.65	30,586,781.02
II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM)	255,003,396.41	116,296,228.72
II.2.6. STAFF AND PENSION COSTS	-2,049,321.62	-2,094,103.60
II.2.8. FINANCE COSTS	22,315,490.75	38,333,364.56
STATEMENT OF FINANCIAL PERFORMANCE	55,885,904,564.05	54,566,399,074.80

Surplus/Deficit from activities

Exchange and Non-Exchange Revenue

Almost the entirety of the revenue results from non-exchange transactions (EUR 933,13 million); it corresponds essentially to recovery of expenses due to financial and conformity clearance decisions or irregularities. The revenue from other non-exchange transactions amounts up to EUR 41,66 million and corresponds mainly to restoring to profit old provisions for bad or doubtful debts that have been previously made but are no longer required.

Expenses:

A percentage of 99,54% of the expenses relates to shared management expenditure comprising EAGF, EAFRD and IPARD.

Under the heading "II.2.1 "Expenses implemented by MS", the EAGF amount corresponds to EUR 40.776,64 million and the EAFRD amount corresponds to EUR 15.503,64 million.

Annex 3 Financial Reports - DG AGRI - Financial Year 2021

Table 1 : Commitments

Table 2 : Payments

Table 3 : Commitments to be settled

Table 4 : Balance Sheet

Table 5 : Statement of Financial Performance

Table 5 Bis: Off Balance Sheet

Table 6 : Average Payment Times

Table 7 : Income

Table 8 : Recovery of undue Payments

Table 9 : Ageing Balance of Recovery Orders

Table 10 : Waivers of Recovery Orders

Table 11 : Negotiated Procedures

Table 12 : Summary of Procedures

Table 13 : Building Contracts

Table 14 : Contracts declared Secret

Table 15 : FPA duration exceeds 4 years

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2021 (in Mio €) for DG AGRI					
			Commitment appropriations authorised	Commitments made	%
			1	2	3=2/1
Title 01 Research and Innovation					
01	01 01	Support administrative expenditure of the "Research and Innovation" cluster	0,32	0,05	14,86 %
	01 02	Horizon Europe	0,00	0,00	0,00 %
Total Title 01			0,32	0,05	14,86 %
Title 02 European Strategic Investments					
02	02 03	Connecting Europe Facility (CEF)	0,00	0,00	0,00 %
Total Title 02			0,00	0,00	0,00 %
Title 03 Single Market					
03	03 02	Single Market Programme	0,33	0,33	99,55 %
Total Title 03			0,33	0,33	99,55 %
Title 05 Regional Development and Cohesion					
05	05 02	European Regional Development Fund (ERDF)	0,00	0,00	0,00 %
	05 03	Cohesion Fund (CF)	0,00	0,00	0,00 %
Total Title 05			0,00	0,00	0,00 %
Title 07 Investing in People, Social Cohesion and Values					
07	07 01	Support administrative expenditure of the "Investing in People, Social Cohesion and Values" cluster	0,00	0,00	0,00 %
Total Title 07			0,00	0,00	0,00 %
Title 08 Agriculture and Maritime Policy					
08	08 01	Support administrative expenditure of the "Agriculture and Maritime Policy" cluster	3,60	3,12	86,77 %
	08 02	European Agricultural Guarantee Fund (EAGF)	41.394,11	40.694,65	98,31 %
	08 03	European Agricultural Fund for Rural Development (EAFRD)	15.747,98	15.324,36	97,31 %
	08 20	Pilot projects, preparatory actions, prerogatives and other actions	0,00	0,00	0,00 %
Total Title 08			57.145,68	56.022,13	98,03 %
Title 10 Migration					
10	10 01	Support administrative expenditure of the "Migration" Cluster	0,00	0,00	0,00 %
Total Title 10			0,00	0,00	0,00 %
Title 11 Border Management					
11	11 01	Support administrative expenditure of the "Border Management" cluster	0,04	0,04	100,00 %
Total Title 11			0,04	0,04	100,00 %
Title 14 External Action					
14	14 20	Pilot projects, preparatory actions, prerogatives and other actions	5,34	4,24	79,29 %
Total Title 14			5,34	4,24	79,29 %
Title 15 Pre-accession Assistance					
15	15 01	Support administrative expenditure of the "Pre-accession Assistance" cluster	0,23	0,23	99,91 %
	15 02	Instrument for Pre-accession Assistance (IPA III)	90,90	0,00	0,00 %
Total Title 15			91,13	0,23	0,25 %

Title 20 Administrative expenditure of the European Commission					
20	20 02	Other staff and expenditure relating to persons	0,08	0,00	4,86 %
	20 04	Information and communication technology related expenditure	1,57	1,57	100,00 %
Total Title 20			1,66	1,58	95,27 %
Total Excluding NGEU			57.244,50	56.028,59	97,88 %

Title 08 Agriculture and Maritime Policy					
08	08 01	Support administrative expenditure of the "Agriculture and Maritime Policy" cluster	1,60	0,00	0,00 %
	08 03	European Agricultural Fund for Rural Development (EAFRD)	8.068,87	2.365,67	29,32 %
Total Title 08			8.070,48	2.365,67	29,31 %
Total NGEU Only			8.070,48	2.365,67	29,31 %

Total DG AGRI			65.314,98	58.394,26	89,40 %
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* 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).

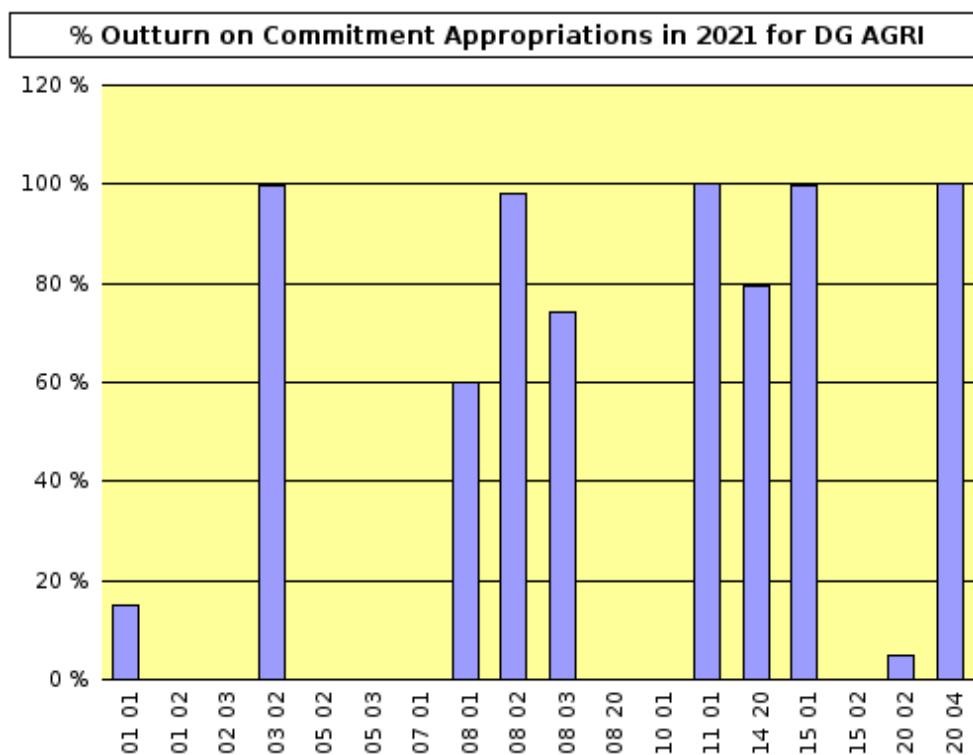


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS in 2021 (in Mio €) for DG AGRI					
			Payment appropriations authorised *	Payments made	%
			1	2	3=2/1
Title 01 Research and Innovation					
01	01 01	Support administrative expenditure of the "Research and Innovation" cluster	0,32	0,05	14,86 %
	01 02	Horizon Europe	0,00	0,00	0,00 %
Total Title 01			0,32	0,05	14,86%
Title 02 European Strategic Investments					
02	02 03	Connecting Europe Facility (CEF)	0,26	0,26	100,00 %
Total Title 02			0,26	0,26	100,00%
Title 03 Single Market					
03	03 02	Single Market Programme	0,08	0,08	100,00 %
Total Title 03			0,08	0,08	100,00%
Title 05 Regional Development and Cohesion					
05	05 02	European Regional Development Fund (ERDF)	0,18	0,18	100,00 %
	05 03	Cohesion Fund (CF)	0,08	0,08	100,00 %
Total Title 05			0,26	0,26	100,00%
Title 07 Investing in People, Social Cohesion and Values					
07	07 01	Support administrative expenditure of the "Investing in People, Social Cohesion and Values" cluster	0,46	0,46	100,00 %
Total Title 07			0,46	0,46	100,00%
Title 08 Agriculture and Maritime Policy					
08	08 01	Support administrative expenditure of the "Agriculture and Maritime Policy" cluster	9,33	8,38	89,78 %
	08 02	European Agricultural Guarantee Fund (EAGF)	41.385,62	40.680,32	98,30 %
	08 03	European Agricultural Fund for Rural Development (EAFRD)	14.744,25	14.578,35	98,87 %
	08 20	Pilot projects, preparatory actions, prerogatives and other actions	2,24	2,24	100,00 %
Total Title 08			56.141,45	55.269,29	98,45%
Title 10 Migration					
10	10 01	Support administrative expenditure of the "Migration" Cluster	0,20	0,20	100,00 %
Total Title 10			0,20	0,20	100,00%
Title 11 Border Management					
11	11 01	Support administrative expenditure of the "Border Management" cluster	0,10	0,07	68,00 %
Total Title 11			0,10	0,07	68,00%
Title 14 External Action					
14	14 20	Pilot projects, preparatory actions, prerogatives and other actions	4,24	4,24	100,00 %
Total Title 14			4,24	4,24	100,00%
Title 15 Pre-accession Assistance					
15	15 01	Support administrative expenditure of the "Pre-accession Assistance" cluster	0,44	0,24	54,23 %
	15 02	Instrument for Pre-accession Assistance (IPA III)	180,54	180,25	99,84 %
Total Title 15			180,98	180,49	99,73%

Title 20 Administrative expenditure of the European Commission					
20	20 02	Other staff and expenditure relating to persons	0,10	0,00	0,45 %
	20 04	Information and communication technology related expenditure	1,57	0,85	53,72 %
Total Title 20			1,67	0,85	50,67%
Total Excluding NGEU			56.330,01	55.456,24	98,45%

Title 08 Agriculture and Maritime Policy					
08	08 01	Support administrative expenditure of the "Agriculture and Maritime Policy" cluster	0,28	0,00	0,00 %
	08 03	European Agricultural Fund for Rural Development (EAFRD)	415,13	65,48	15,77 %
Total Title 08			415,41	65,48	15,76%
Total NGEU Only			415,41	65,48	15,76%

Total DG AGRI			56.745,42	55.521,72	97,84 %
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* 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).

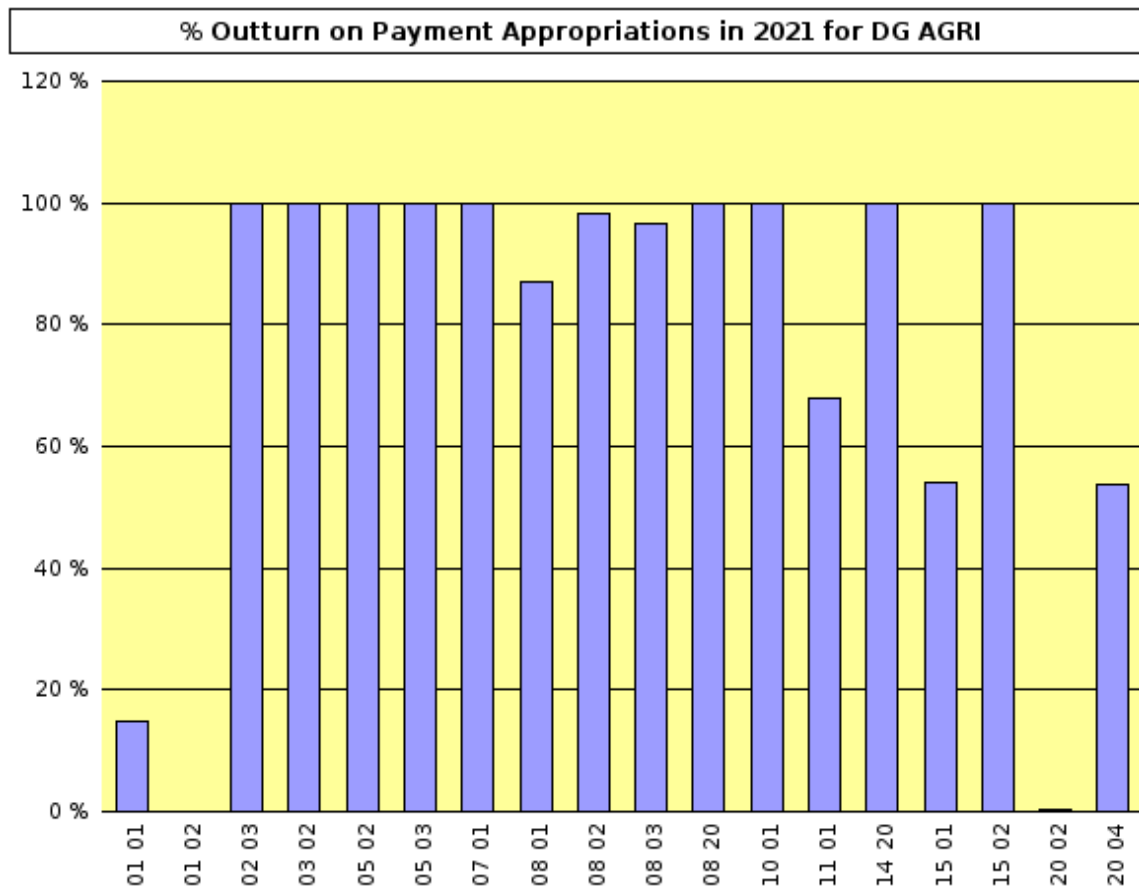


TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG AGRI									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
01	01 01	Support administrative expenditure of the "Research and Innovation" cluster	0,05	0,05	0,00	0,00%	0,00	0,00	0,00
	01 02	Horizon Europe	0,00		0,00	0,00%	0,00	0,00	0,00
Total Title 01			0,05	0,05	0,00	0,00%	0,00	0,00	0,00
TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG AGRI									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
02	02 03	Connecting Europe Facility (CEF)	0,00	0,00	0,00	0,00%	0,10	0,10	0,39
Total Title 02			0,00	0,00	0,00	0,00%	0,10	0,10	0,39
TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG AGRI									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
03	03 02	Single Market Programme	0,33	0,08	0,25	74,63%	0,00	0,25	0,00
Total Title 03			0,33	0,08	0,25	74,63%	0,00	0,25	0,00
TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG AGRI									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
05	05 02	European Regional Development Fund (ERDF)	0,00	0,00	0,00	0,00%	0,07	0,07	0,28
	05 03	Cohesion Fund (CF)	0,00	0,00	0,00	0,00%	0,03	0,03	0,12
Total Title 05			0,00	0,00	0,00	0,00%	0,10	0,10	0,39
TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG AGRI									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
07	07 01	Support administrative expenditure of the "Investing in People, Social Cohesion and Values" cluster	0,00	0,00	0,00	0,00%	0,00	0,00	0,46
Total Title 07			0,00	0,00	0,00	0,00%	0,00	0,00	0,46
TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG AGRI									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
08	08 01	Support administrative expenditure of the "Agriculture and Maritime Policy" cluster	3,12	2,76	0,36	11,64%	0,00	0,36	5,74
	08 02	European Agricultural Guarantee Fund (EAGF)	44.748,45	44.719,94	28,51	0,06%	13,71	42,22	29,50
	08 03	European Agricultural Fund for Rural Development (EAFRD)	15.324,36	562,22	14.762,14	96,33%	21.134,17	35.896,31	35.151,87
	08 20	Pilot projects, preparatory actions, prerogatives and other actions	0,00	0,00	0,00	0,00%	8,02	8,02	10,30
Total Title 08			60.075,94	45.284,92	14.791,02	24,62%	21.155,91	35.946,92	35.197,41

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG AGRI									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
10	10 01	Support administrative expenditure of the "Migration" Cluster	0,00	0,00	0,00	0,00%	0,00	0,00	0,20
Total Title 10			0,00	0,00	0,00	0,00%	0,00	0,00	0,20
TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG AGRI									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
11	11 01	Support administrative expenditure of the "Border Management" cluster	0,04	0,01	0,03	82,58%	0,00	0,03	0,06
Total Title 11			0,04	0,01	0,03	82,58%	0,00	0,03	0,06
TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG AGRI									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
14	14 20	Pilot projects, preparatory actions, prerogatives and other actions	4,24	4,24	0,00	0,00%	0,00	0,00	0,00
Total Title 14			4,24	4,24	0,00	0,00%	0,00	0,00	0,00
TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG AGRI									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
15	15 01	Support administrative expenditure of the "Pre-accession Assistance" cluster	0,23	0,03	0,20	88,10%	0,00	0,20	0,21
	15 02	Instrument for Pre-accession Assistance (IPA III)	0,00	0,00	0,00	0,00%	482,53	482,53	662,78
Total Title 15			0,23	0,03	0,20	88,10%	482,53	482,73	662,99
TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG AGRI									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
20	20 02	Other staff and expenditure relating to persons	0,00	0,00	0,00	89,36%	0,00	0,00	0,01
	20 04	Information and communication technology related expenditure	1,61	0,85	0,76	47,37%	0,00	0,73	0,00
Total Title 20			1,61	0,85	0,76	47,47%	0,00	0,73	0,01
Total Excluding NGEU			60.082,43	45.290,17	14.792,26	24,62%	21.638,63	36.430,86	35.861,91
TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG AGRI									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
08	08 01	Support administrative expenditure of the "Agriculture and Maritime Policy" cluster	0,00		0,00	0,00%	0,00	0,00	0,00
	08 03	European Agricultural Fund for Rural Development (EAFRD)	2.365,67	65,48	2.300,19	97,23%	0,00	2.300,19	0,00
Total Title 08			2.365,67	65,48	2.300,19	97,23%	0,00	2.300,19	0,00
Total NGEU Only			2.365,67	65,48	2.300,19	97,23%	0,00	2.300,19	0,00
Total for DG AGRI			62.448,10	45.355,65	17.092,45	27,37 %	21.638,63	38.731,05	35.861,91

Breakdown of Commitments Remaining to be Settled (in Mio EUR) in 2021 AGRI

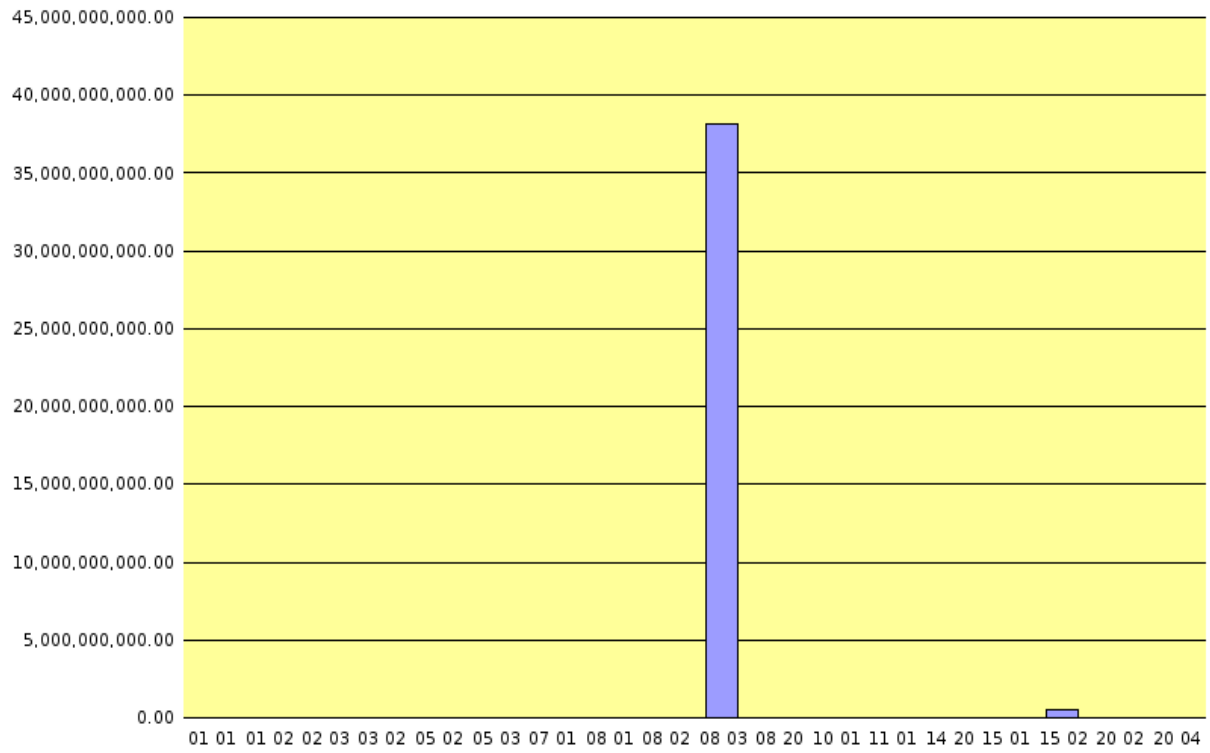


TABLE 4 : BALANCE SHEET for DG AGRI

BALANCE SHEET	2021	2020
A.I. NON CURRENT ASSETS	3.595.125.050,81	3.720.095.955,50
A.I.1. Intangible Assets	15.167.862,84	13.157.526,36
A.I.5. Non-Current Pre-Financing	3.232.485.073,44	3.619.838.901,33
A.I.6. Non-Cur Exch Receiv & Non-Ex Recoverab	347.472.114,53	87.099.527,81
A.II. CURRENT ASSETS	2.736.073.224,22	2.755.058.563,52
A.II.2. Current Pre-Financing	1.715.781.526,95	1.556.534.543,75
A.II.3. Curr Exch Receiv & Non-Ex Recoverables	1.020.291.697,27	1.198.524.019,77
ASSETS	6.331.198.275,03	6.475.154.519,02
P.I. NON CURRENT LIABILITIES	-353.892.589,78	-169.585.621,46
P.I.2. Non-Current Provisions	-353.892.589,78	-169.585.621,46
P.II. CURRENT LIABILITIES	-60.390.930.276,86	-59.547.289.652,63
P.II.4. Current Payables	-15.711.735.454,65	-16.209.476.681,16
P.II.5. Current Accrued Charges & Defrd Income	-44.679.194.822,21	-43.337.812.971,47
LIABILITIES	-60.744.822.866,64	-59.716.875.274,09
NET ASSETS (ASSETS less LIABILITIES)	-54.413.624.591,61	-53.241.720.755,07
P.III.2. Accumulated Surplus/Deficit	450.299.690.587,74	395.733.291.512,94
Non-allocated central (surplus)/deficit*	-395.886.065.996,13	-342.491.570.757,87
TOTAL DG AGRI	0,00	0,00

It should be noted that the balance sheet and statement of financial performance presented in Annex 3 to this Annual Activity Report, represent only the assets, liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and statement of financial performance they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

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

TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE for DG AGRI

STATEMENT OF FINANCIAL PERFORMANCE	2021	2020
II.1 REVENUES	-928.844.447,26	-732.691.248,77
II.1.1. NON-EXCHANGE REVENUES	-933.136.497,07	-736.561.042,99
II.1.1.6. RECOVERY OF EXPENSES	-891.472.636,15	-708.512.588,64
II.1.1.8. OTHER NON-EXCHANGE REVENUES	-41.663.860,92	-28.048.454,35
II.1.2. EXCHANGE REVENUES	4.292.049,81	3.869.794,22
II.1.2.1. FINANCIAL INCOME	617.002,52	-44.531,27
II.1.2.2. OTHER EXCHANGE REVENUE	3.675.047,29	3.914.325,49
II.2. EXPENSES	56.814.749.011,31	55.299.090.323,57
II.2. EXPENSES	56.814.749.011,31	55.299.090.323,57
II.2.10. OTHER EXPENSES	223.170.180,26	187.383.394,79
II.2.1. EXP IMPL BY MEMBER STATES (SHARED)	56.280.290.061,86	54.928.584.658,08
II.2.2. EXP IMPL BY COMMISS&EX.AGENC. (DM)	36.019.203,65	30.586.781,02
II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM)	255.003.396,41	116.296.228,72
II.2.6. STAFF AND PENSION COSTS	-2.049.321,62	-2.094.103,60
II.2.8. FINANCE COSTS	22.315.490,75	38.333.364,56
STATEMENT OF FINANCIAL PERFORMANCE	55.885.904.564,05	54.566.399.074,80

Explanatory Notes (facultative):

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It should be noted that the balance sheet and statement of financial performance presented in Annex 3 to this Annual Activity Report, represent only the assets, liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and statement of financial performance they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

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

TABLE 5bis : OFF BALANCE SHEET for DG AGRI

OFF BALANCE	2021	2020
OB.1. Contingent Assets	0,00	0,00
GR for pre-financing	0,00	0,00
OB.2. Contingent Liabilities	-79.258.580,89	-66.171.948,62
OB.2.3. CL legal cases AGRI	-79.258.580,89	-66.171.948,62
OB.2.5. CL legal cases COHESION		0,00
OB.3. Other Significant Disclosures	-36.908.672.984,38	-17.072.982.566,00
OB.3.2. Comm against app. not yet consumed	-19.246.408.053,38	-17.072.982.566,00
OB.3.3.1 Structural operations	-17.662.264.931,00	0,00
OB.4. Balancing Accounts	36.987.931.565,27	17.139.154.514,62
OB.4. Balancing Accounts	36.987.931.565,27	17.139.154.514,62
OFF BALANCE	0,00	0,00

Explanatory Notes (facultative):

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

It should be noted that the balance sheet and statement of financial performance presented in Annex 3 to this Annual Activity Report, represent only the assets, liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and statement of financial performance they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

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

TABLE 6: AVERAGE PAYMENT TIMES in 2021 for AGRI

Legal Times									
Maximum Payment Time (Days)	Total Nbr of Payments	Nbr of Payments within Time Limit	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)	Late Payments Amount	Percentage
30	726	722	99,45 %	7,26	4	0,55 %	37,25	3.482.437,94	9,46%
45	563	559	99,29 %	26,95	4	0,71 %	66,00	73.655.633,51	0,51%
60	66	65	98,48 %	20,82	1	1,52 %	134,00	140.000,00	1,32%
90	67	67	100,00 %	38,07				0,00	0,00%

Total Number of Payments	1422	1413	99,37 %		9	0,63 %		77.278.071,45	0,53 %
Average Net Payment Time	17,41			17,14			60,78		
Average Gross Payment Time	27,38			26,89			103,44		

Suspensions							
Average Report Approval Suspension Days	Average Payment Suspension Days	Number of Suspended Payments	% of Total Number	Total Number of Payments	Amount of Suspended Payments	% of Total Amount	Total Paid Amount
0	68	215	15,12 %	1422	5.033.248.581,17	34,22 %	14.710.059.254,10

DG	GL Account	Description	Amount (Eur)

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

The payment times of DG AGRI are presented in detail in tables 6a and 6b and the information in table 6 is not relevant for DG AGRI and was not reconciled with tables in the tabs 6a 6b.

Exercice 2021

Tableau 6a: Délais de paiement au 31/12/2021

Ligne budgétaire	Libellé	Unité	NB paiements	Workfl. SI2	Délai AGRI	Délai total Commission.	Nombre trans. > délai autor.	% sur total trans.
08.010101	Support expenditure for the 'European Agricultural Guarantee Fund'	AGRI-B1	2	0	7	10		
08.020603	EAGF - Operational technical assistance	AGRI-B1MAR	10	1	13	17		
08.029902	Completion of previous measures under the 'European Agricultural Guarantee Fund'	AGRI-B1MAR	46	1	10	15		
08.039902	Completion of the 'European Agricultural Fund for Rural Development'	AGRI-B2	6	1	21	26		
20.020605	Further training and management training	AGRI-C2	56	1	6	10		
08.010101	Support expenditure for the 'European Agricultural Guarantee Fund'	AGRI-C3	5	2	5	10		
08.020603	EAGF - Operational technical assistance	AGRI-C3	74	3	8	12		
08.010101	Support expenditure for the 'European Agricultural Guarantee Fund'	AGRI-C4	21	3	14	18		
08.010200.02	Technical assistance - headquarters	AGRI-C4	8	2	28	32		
08.020603	EAGF - Operational technical assistance	AGRI-C4	15	3	7	10		
08.039902	Completion of the 'European Agricultural Fund for Rural Development'	AGRI-C4	4	1	25	30		
08.039902	Completion of the 'European Agricultural Fund for Rural Development'	AGRI-E2	30	2	11	16		
08.039902	Completion of the 'European Agricultural Fund for Rural Development'	AGRI-E4	3	3	24	28		
08.020603	EAGF - Operational technical assistance	AGRI-G2	1	5	49	54	1	100,0 %
14.200401	International Organisations of Vine and Wine	AGRI-G2	1	1	129	134	1	100,0 %
14.200306	International organisations and agreements	AGRI-G4	3	0	21	26	1	33,3 %
08.020603	EAGF - Operational technical assistance	AGRI-H1	2	1	3	7		
15.010102	Technical assistance - headquarters	AGRI-H1	4	2	8	12		
08.029902	Completion of previous measures under the 'European Agricultural Guarantee Fund'	AGRI-H1MAR	5	2	7	11		
08.010101	Support expenditure for the 'European Agricultural Guarantee Fund'	AGRI-ORCO	50	1	3	8		
08.010101	Support expenditure for the 'European Agricultural Guarantee Fund'	AGRI-R3	69	1	5	10		
08.010200.02	Technical assistance - headquarters	AGRI-R3	7	2	9	13		
08.020603	EAGF - Operational technical assistance	AGRI-R3	155	1	4	8		
08.029902	Completion of previous measures under the 'European Agricultural Guarantee Fund'	AGRI-R3	71	1	4	9		
08.039902	Completion of the 'European Agricultural Fund for Rural Development'	AGRI-R3	73	1	5	9		
DG AGRI			721	2	7	11	3	0,42%

TABLE 6b: AVERAGE PAYMENT TIMES in 2021 for AGRI - only Rural Development

	2017	2018	2019	2020	2021
EAFRD average time to pay*	34 days	31 days	24 days	19 days	25 days
EAGF average time to pay**	N/A	N/A	N/A	N/A	N/A
EAFRD % of payments made on time	100	100	100	100	100
EAGF % of payments made on time	100	100	100	100	100
* Deadline is 45 days.					
** According to the legislation in force, the payments are executed on the 3rd working day of each month.					

TABLE 7 : SITUATION ON REVENUE AND INCOME in 2021 for DG AGRI

Chapter	Revenue and income recognized			Revenue and income cashed from			Outstanding balance	
	Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total		
	1	2	3=1+2	4	5	6=4+5		
33	Other administrative revenue	38.078,29	0,00	38.078,29	38.078,29	0,00	38.078,29	0,00
40	Revenue from investments and accounts	0,00	5.678.826,22	5.678.826,22	0,00	5.678.826,22	5.678.826,22	0,00
62	Natural resources and environment	928.195.983,02	0,00	928.195.983,02	533.859.147,99	0,00	533.859.147,99	394.336.835,03
65	Neighbourhood and the world	10.576.858,59	0,00	10.576.858,59	286.979,55	0,00	286.979,55	10.289.879,04
67	Completion for outstanding recovery orders prior to 2021*	-82.035.432,84	377.403.324,98	295.367.892,14	-82.035.432,84	337.945.738,39	255.910.305,55	39.457.586,59
Total DG AGRI		856.775.487,06	383.082.151,20	1.239.857.638,26	452.148.772,99	343.624.564,61	795.773.337,60	444.084.300,66

* The negative amount in column 1 of chapter 67 corresponds to the cancellation of transactions of 2020, using the old nomenclature in force in 2020. These transactions were then rebooked on line 62 using the new nomenclature in force in 2021.

**TABLE 8 : RECOVERY OF PAYMENTS in 2021 for DG AGRI
(Number of Recovery Contexts and corresponding Transaction Amount)**

Year of Origin (commitment)	Total undue payments recovered		Total transactions in recovery context(incl. non-qualified)		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
2019			2	13.539,72		
No Link			400	826.037.449,33		
Sub-Total			402	826.050.989,05		

EXPENSES BUDGET	Irregularity		OLAF Notified		Total undue payments recovered		Total transactions in recovery context(incl. non-qualified)		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES							473	254.688.116,82		
NON ELIGIBLE IN COST CLAIMS	5	4.406,53			5	4.406,53	8	16.374,10	62,50%	26,91%
CREDIT NOTES	2	11.848,40			2	11.848,40	45	828.178,79	4,44%	1,43%
Sub-Total	7	16.254,93			7	16.254,93	526	255.532.669,71	1,33%	0,01%
GRAND TOTAL	7	16.254,93			7	16.254,93	928	1.081.583.658,76	0,75%	0,00%

**TABLE 8bis : RECOVERY OF PAYMENTS in 2021 for DG AGRI
(Number of Recovery Contexts and corresponding Transaction Amount)**

DIRECT PAYMENT CIRCUIT ONLY

Year of Origin (commitment)	Total undue payments recovered		Total transactions in recovery context(incl. non-qualified)		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
2016			1	24.538,57		
2019			2	13.539,72		
Sub-Total			3	38.078,29		

EXPENSES BUDGET	Irregularity		OLAF Notified		Total undue payments recovered		Total transactions in recovery context(incl. non-qualified)		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES							2	19.744,00		
NON ELIGIBLE IN COST CLAIMS	5	4.406,53			5	4.406,53	8	16.374,10	62,50%	26,91%
CREDIT NOTES	2	11.848,40			2	11.848,40	45	828.178,79	4,44%	1,43%
Sub-Total	7	16.254,93			7	16.254,93	55	864.296,89	12,73%	1,88%
GRAND TOTAL	7	16.254,93			7	16.254,93	55	864.296,89	12,73%	1,88%

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2021 for DG AGRI

	Number at 1/1/2021 1	Number at 12/31/2021	Evolution	Open Amount (Eur) at 1/1/2021 1	Open Amount (Eur) at 12/31/2021	Evolution
1998	1	1	0,00 %	72.045,00	72.045,00	0,00 %
1999	6	6	0,00 %	3.317.928,06	3.301.436,82	-0,50 %
2003	1	1	0,00 %	3.674.865,52	3.674.865,52	0,00 %
2018	13	6	-53,85 %	18.343.199,82	8.637.750,11	-52,91 %
2019	5		-100,00 %	56.902.842,98		-100,00 %
2020	105	1	-99,05 %	300.771.269,82	23.771.489,14	-92,10 %
2021		113			404.626.714,07	
	131	128	-2,29 %	383.082.151,20	444.084.300,66	15,92 %

TABLE 9b: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2021 for DG AGRI

DIRECT PAYMENT CIRCUIT ONLY						
	Number at 1/1/2021 1	Number at 12/31/2021	Evolution	Open Amount (Eur) at 1/1/2021 1	Open Amount (Eur) at 12/31/2021	Evolution
1998	1	1	0,00 %	72.045,00	72.045,00	0,00 %
1999	6	6	0,00 %	3.317.928,06	3.301.436,82	-0,50 %
2003	1	1	0,00 %	3.674.865,52	3.674.865,52	0,00 %
	8	8	0,00 %	7.064.838,58	7.048.347,34	-0,23 %

TABLE 10 :Recovery Order Waivers >= 60 000 € in 2021 for DG AGRI

Waiver Central Key	Linked RO Central Key	RO Accepted Amount (Eur)	LE Account Group	Commission Decision	Comments
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Total DG AGRI	
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Number of RO waivers	
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Justifications:

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

TABLE 11 : Negotiated Procedures in 2021 for DG AGRI

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

TABLE 12 : Summary of Procedures in 2021 for DG AGRI

Internal Procedures > € 60,000

Procedure Legal base	Number of Procedures	Amount (€)
Open procedure (FR 164 (1)(a))	3	117.723.200,47
Total	3	117.723.200,47

Additional Comments:

TABLE 13 : BUILDING CONTRACTS in 2021 for DG AGRI

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

TABLE 14 : CONTRACTS DECLARED SECRET in 2021 for DG AGRI

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

TABLE 15 : FPA duration exceeds 4 years - DG AGRI

None of your FPA (if any) exceeds 4 years

TABLE 16 : Commitments co-delegation type 3 in 2021 for DG AGRI

ABAC Local Key	Validated amount	Budget line	Co-deleg.	User reference
SI2.856185	1.500,00	01.010102.01	AGRI:HR	R.5 - ENGAGEMENT PROVISIONNEL STAFF EXTERNE INTERIMAIRES BUDGET ADMINISTRATIF 'RECHERCHE' DG AGRI 2021
SI2.842009	505.083,00	01.010102.01	AGRI:PMO	R.5 - PROVISION FOR CONTRACT AGENTS - 'RECHERCHE' DG AGRI 2021
SI2.852273	25.000,00	08.010200.01	AGRI:HR	R.5 - PROVISION FOR INTERIMAIRES - 2021
SI2.842119	1.600.000,00	08.010200.01	AGRI:PMO	R.5 - PROVISION FOR CONTRACT AGENTS - 2021
SI2.842124	225.000,00	08.010200.01	AGRI:PMO	R.5 - PROVISION FOR SECONDED NATIONAL EXPERTS - 2021
SI2.3232386	10.000,00	15.010101.03	AGRI:PMO	15.010101.03 AGRI:PMO AGRI-E5
SI2.3237893	17.500,00	15.010101.03	AGRI:PMO	15.010101.03 AGRI>INTPA TO AGRI:PMO AGRI-E5
SI2.842764	356.722,00	20.020601.01	AGRI:PMO	R.5 - FRAIS DE MISSIONS 2021
SI2.842776	112.000,00	20.020602.01	AGRI:PMO	R.5 - FRAIS DE RÉUNIONS ET GROUPES D'EXPERTS 2021
SI2.842884	55.000,00	20.020603	AGRI:PMO	0 R.5 - FRAIS DE COMITÉS 2021
Total AGRI:PMO	2.881.305,00			
Total AGRI:HR	26.500,00			
Total co-deleg. T3	2.907.805,00			

ANNEX 4: Financial Scorecard

DG AGRI

The Annex 4 of each Commission service summarises the annual result of the standard financial indicators measurement. Annexed to the Annual Activity Report 2021, 10 standard financial indicators are presented below, each with its objective and result for the Commission service and for the EC as a whole (for benchmarking purposes)⁹⁴:

- | | |
|--|---|
| <ul style="list-style-type: none">- Commitment Appropriations (CA) Implementation- CA Forecast Implementation- Payment Appropriations (PA) Implementation- PA Forecast Implementation- Global Commitment Absorption | <ul style="list-style-type: none">- Timely Payments- Timely Decommitments- Invoice Registration Time- Accounting Data Quality- Management Data Quality |
|--|---|

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

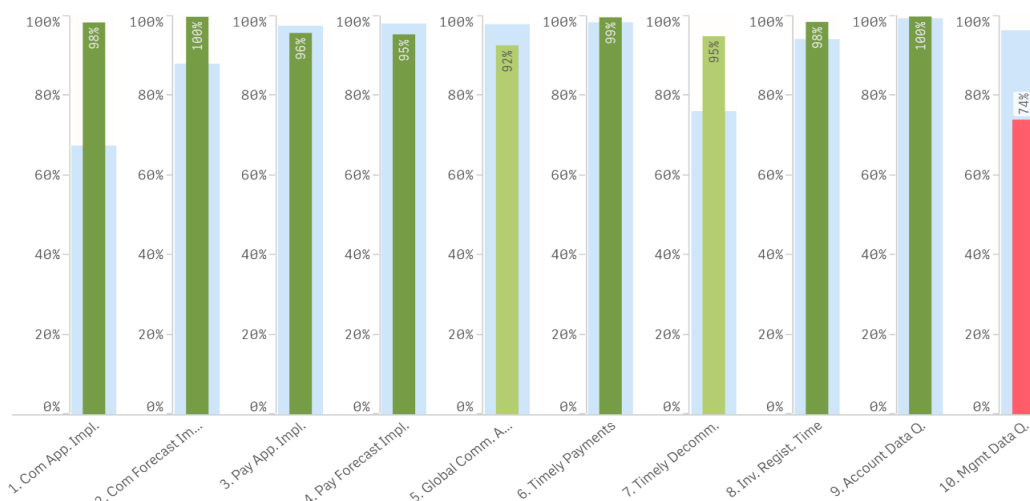
- 100 – >95% of the target: dark green
- 95 – >90% of the target: light green
- 90 – >85% of the target: yellow
- 85 – >80% of the target: light red
- 80 – 0% of the target: dark red

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

⁹⁴ If the EC service did not perform any transaction in the area measured by the indicator or the information is not available in the central financial system, the indicator is not calculated (i.e. displayed as “-”) in this Annex.

The detailed definitions of the indicators are available on the internal DG BUDG site (BudgPedia) and managed by unit BUDG.C5 Financial Reporting.

AGRI Indicator Scores 2021



For each indicator the light blue bar denotes the EC Score.

Indicator	Objective	Comment ⁹⁵	AGRI Score	EC Score
1. Commitment Appropriations Implementation	Ensure efficient use of commitment appropriations expiring at the end of Financial Year		98%	67%
2. Commitment Forecast Implementation	Ensure the cumulative alignment of the commitment implementation with the commitment forecast in a financial year		100%	88%
3. Payment Appropriations Implementation	Ensure efficient use of payment appropriations expiring at the end of Financial Year		96%	97%
4. Payment Forecast Implementation	Ensure the cumulative alignment of the payment implementation with the payment forecast in a financial year		95%	98%

⁹⁵ An explanation behind the indicator result can be provided, e.g. the comment about the achievement itself, reference to the whole Commission performance (better or worse), reasons behind this achievement. The comment is mandatory for the 'Timely payments' indicator. For the rest of indicators the comment is mandatory only if the score is equal or below the target of 80%.

5. Global Commitment Absorption ⁹⁶	Ensure efficient use of already earmarked commitment appropriations (at L1 level)		92%	98%
6. Timely Payments	Ensure efficient processing of payments within the legal deadlines	For direct management, the performance regarding timely payments remained excellent with 99.58% processed within the binding deadlines imposed by the Financial Regulation. Regarding shared management, all the payments in 2021 were made in time and within the deadlines fixed in the case of EAFRD (45 days) and EAGF (3 rd working day of each month)	99%	98%
7. Timely Decommittments	Ensure efficient decommitment of outstanding RAL at the end of commitment life cycle	For direct management, the outstanding commitments are centrally monitored in one of DG AGRI's financial units to ensure efficient and timely decommitment. Regarding shared management, all the decommitments in EAGF were timely executed, and there were no EAFRD decommitments in application of the N+3 rule since the derogations requested by the MS were accepted	95%	76%
8. Invoice Registration Time	Monitor the accounting risk stemming from late registration of invoices in the central accounting system ABAC	The registration time for invoices under direct management is centrally monitored in one of DG AGRI's financial units to ensure timely registration in the central system. Regarding shared management, EAGF does not use invoices in ABAC and in the case of EAFRD the invoices are automatically booked by the system at the moment of receipt of the payment claim.	98%	94%
9. Accounting Data Quality	Ensure the good data quality of ABAC transactions with the focus on fields having a primary impact on the accounts	For direct management, the internal controls applied to the financial transactions in the financial unit DG AGRI, R2 ensure the quality of the accounting data.	100%	99%
10. Management Data Quality	Ensure the good data quality of ABAC transactions with the focus on fields having a primary impact on the management decisions	This indicator relates to direct management. In the third quarter of 2021, DG AGRI proceeded to an exercise of "technical mass closure" of a high number of historical legal commitments. However, due to a miscommunication between DG AGRI and DG BUDG, these legal commitments were not closed in due time. This resulted in a significant materiality on this DQ indicator. Had this "technical mass closure" of 3.332 legal commitments been executed as planned by the end of 2021, the actual indicator score would be higher at 97 %.	74%	96%

⁹⁶ Due to technical limitation, the indicator does not take into account the Com L1 Consumption between the FDC ILC date and the FA FDI allowed as an exception in the external actions for Com L1 of type GF, i.e. with Financing Agreement, under the FR2018 Article 114.2. As a result, the actual Indicator score may be slightly higher than the one reported for DGs using the GF commitments.

ANNEX 5: Materiality criteria

General Principle

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

Assurance model for expenditure implemented under shared management

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

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

Assessment of management and control systems in the Member States

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

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

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

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

- For most of the agriculture budget, each year Member States are required to send detailed information to the Commission in relation to the more than 900 000 on-the-spot checks carried out. For the large part⁹⁷, 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

⁹⁷ This is presently not always the case for statistics for certain measures under Rural Development where there is a limited overlap between reporting period and financial year.

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

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

The third assurance element is comprised of **the Commission's own conformity audits** on Member States management and control systems. DG AGRI's conformity clearance procedure can exclude from EU financing expenditure made in the 24 months prior to the notification to the Member States of a deficiency and up to the moment the identified deficiencies are remedied. Around 120 such audits are opened each year⁹⁸ on the basis of a detailed risk analysis and enable the Commission to obtain direct assurance as to the effectiveness of the Paying Agencies' management and control systems.

Materiality criteria

DG AGRI estimates the error rate on the basis of control statistics for each Paying Agency (or measure for market measures, ABB O2) and for each ABB activity and also takes into account all available information and audit results (Certification Bodies, Commission and European Court of Auditors), including on-the-spot missions; this information is used as the best estimate of the possible risk for expenditure in the reporting year. In the event that the error rates reported by Member States are not accurate or found not to be reliable or are not available, the assurance and audit directorate either re-calculates them when it has sufficient information to do so or, alternatively, adjusts them upwards by flat rates in line with the results of the assessment of the functioning of the management and control systems. This results in **an error rate at Paying Agency level adjusted and validated by the management of DG AGRI (adjusted error rate)**.

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

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

⁹⁸ This number does not take into account any effect of the COVID-19 pandemic restrictions.

Comparing the corrective capacity with the amount at risk gives a solid indication of the remaining financial risk to the EU budget when all corrective actions are taken into account ("estimated overall risk at closure", presented for DG AGRI as "Estimated final amount at risk" in table under sub-section 2.1.1).

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

In the first place, for each ABB, the statistical data sent by the Paying Agencies on the results of the administrative and on-the-spot checks carried out is collected, compiled and checked for consistency and completeness. The error rate per Paying Agency used as the basis for the subsequent assessment is the error rate found in the random on-the-spot check sample, and after deduction of the errors found as a result of administrative controls. On that basis, a "**reported error rate**" is calculated, which represents the error rate that remains in the non-controlled population (= the aid applications/payment claims which have not been controlled on –the spot by the Paying Agencies). This **reported error rate** is used for calculating a first estimate of the amount at risk. It is noted that the vast majority of this statistical data relates to checks carried out in respect of the financial year which is the subject of the report.

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

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

- ✓ DG AGRI's own audits over the previous three years (including conformity audits and accreditation audits); older reports in cases where available information indicates that no or insufficient remedial actions have been implemented. This includes the auditors' professional judgement on the evolution of the control environment in the Paying Agency.
- ✓ The opinion which the Certification Bodies have delivered on the legality and regularity of the expenditure for which reimbursement has been requested from the Commission, including the reliability of the control statistics reported by the Paying Agencies and the quality of the underlying controls, is also examined.

- ✓ ECA's previous three annual reports are also taken into account; older reports in cases where available information indicates that no or insufficient remedial actions have been implemented. In the event that a DG AGRI audit has taken place more recently than the ECA's audit, it is possible that the assessment arising from the latter is replaced by the DG AGRI more recent appreciation of the situation.
- ✓ Information furnished by the operational units within the DG regarding the reliability of Member States' statistics or other information obtained pertaining to deficiencies in their management and control systems, or remedial action taken by Member States.
- ✓ Other relevant evidence including elements signalled by:
 - the Anti-Fraud Correspondent of DG AGRI;
 - the director of the Paying Agency in his/her Management Declaration.

In determining the extent of the adjustment to make to the reported error rate, DG AGRI applies the **professional judgement** of its auditors, and in particular the criteria for estimating the seriousness and extent of the identified deficiencies established in its "Guidelines on the calculation of the financial corrections in the framework of the conformity and financial clearance of accounts procedures"⁹⁹. 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 ABB03 and ABB04, 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 process¹⁰⁰. The professional judgement of the audit services of the DG is applied particularly when weighing contradictory information or considering abnormal statistical results. This results in an additional error rate top-up to the reported error rate and the calculation of an **adjusted error rate** and the corresponding amount at risk.
- For ABB02, the same approach is followed but per measure instead of per Paying Agency.

⁹⁹ 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.

¹⁰⁰ For 2021, the auditors also assessed any effects on COVID-19 restrictions on the assurance and concluded that they were in a position to make assessment.

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

Step 3: DG AGRI materiality criteria

Article 74(9) of the Financial Regulation provides that

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

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

- Paying Agencies with an **adjusted error rate** above 5% shall in general be subject to a reservation.
- For Paying Agencies with an **adjusted error rate** between 2% and 5%, professional judgement shall be applied in assessing whether the risk is sufficiently covered by mitigating factors and thus whether a financial reservation is necessary. The operational units of DG AGRI are integrated into the decision-making process for determining the existence of mitigating factors. The mitigating factors are disclosed in all cases where a reservation is deemed not to be necessary. They shall include notably whether the necessary remedial actions have been implemented by the Member State/Paying Agency concerned and whether there is an ongoing conformity clearance procedure covering the expenditure for the financial year of the AAR.

- A *de minimis* approach for deciding on reservations shall be applied. Given the amounts at stake for the CAP with expenditure of ± EUR 55 billion, a *de minimis* threshold of EUR 1 million is applied. All cases for which the amount at risk is below that threshold are not subject to a reservation (unless on reputational grounds). Reservations made for the preceding year shall not be issued for the financial year concerned by the AAR if the amount at risk for that financial year is below the EUR 1 million threshold.
- For market measures, a flexible approach may also be taken when deciding on reservations, notably where the **adjusted error rate** is calculated on a purely risk based sample. For most market schemes, the legislation does not require that a random sample is selected for on-the-spot checks. The latter are, rather, risk based. Extrapolating the result of the risk sample to the uncontrolled population would therefore result in overstating the error rate and amount at risk. In such cases, it shall be evaluated if there are elements which mitigate against applying a reservation even where the **adjusted error rate** is above 5%.
- If the **adjusted error rate** is below 2%, generally no reservation is made.

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

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

As from 2019¹⁰¹, a 'de minimis' threshold for financial reservations has been introduced. Quantified AAR reservations related to residual error rates above the 2% materiality threshold, are deemed not substantial for segments representing less than 5% of a DG's total payments and with a financial impact below EUR 5 million. In such cases, quantified reservations are no longer needed. The implementation of this 'de minimis' threshold applies at the level of the AAR reservations, i.e. not at all affecting the detailed reservations at the level of the Paying Agency(ies)/Operational Programme(s). Given the amounts involved, it is not likely that this threshold will have an impact on the AAR reservations of DG AGRI for 2021.

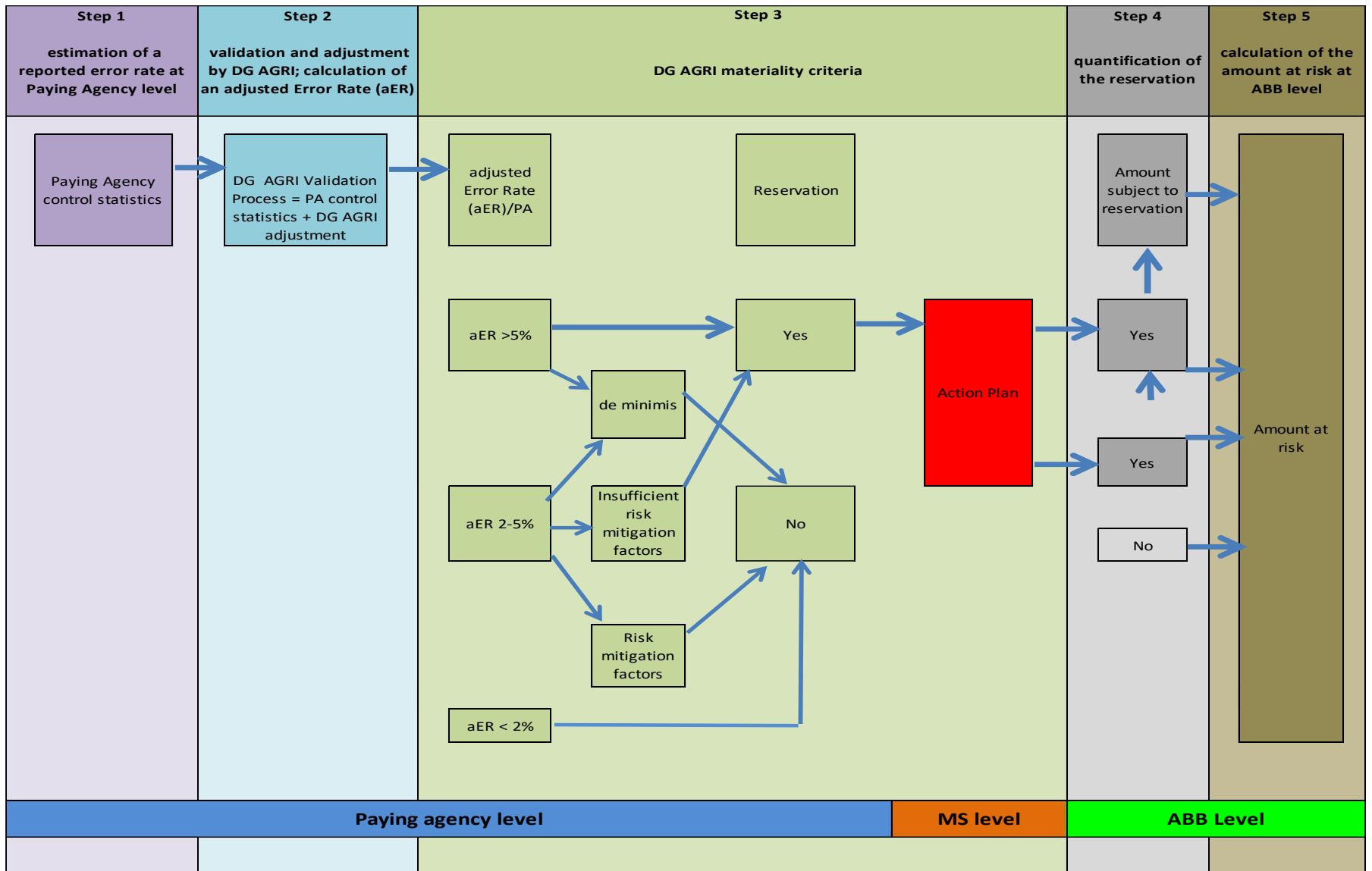
¹⁰¹ Agreement of the Corporate Management Board of 30/4/2019.

Step 4: Quantification of the reservation

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

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

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



DG AGRI'S DECISION PROCESS FOR MAKING RESERVATIONS

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

EXPENDITURE IN SHARED MANAGEMENT¹⁰²

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

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

Main risks	Mitigating controls	Coverage frequency and depth of controls	Possible Cost-effectiveness indicators (3Es)
<p>The actions financed¹⁰³ do not adequately reflect the policy objectives or priorities.</p>	<p>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.</p>	<p>Coverage / Frequency: 100%. Depth: checklist, guidelines and lists of requirements in the relevant regulatory provisions.</p>	<p>Effectiveness: % of actions adopted/ approved*, % of financial allocation approved* Benefits: adopted actions have a clear intervention logic, allowing the Commission to evaluate their impact [non-quantifiable individually] Efficiency: average cost of analysis and adoption/approval of an action, average time to adopt / approve an action* Economy (costs): estimation of cost of staff involved in the validation of the spending proposals put forward by the Member States (for 2014-2022).</p>

¹⁰² DG AGRI uses the Internal Control Template for shared management covering 99.1 % of its total expenditure and other management modes fall under the 'de minimis' threshold.

¹⁰³ For CAP: the programmes, measures and schemes supported under the Market measures, Direct Aids and Rural development pillars (EAGF and EARDP).

Stage 2 – Implementation of operations (Member States):

A. Setting up of the systems

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

Main risks It may happen (again) that...	Mitigating controls	Coverage frequency and depth of controls	Possible Cost- effectiveness indicators (3Es)
<p>The process of designation (and accreditation) of national authorities in the Member States (MS) is not effective and, as a result, the management and control systems are not compliant with the applicable rules.</p>	<p>Supervision by Commission (for 2014-2022): - 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>For 2014-2022: Effectiveness: % of authorities designated/accredited, number of authorities for which serious system weaknesses were found following accreditation reviews/audits Benefits:(part of) the amounts associated with unreliable systems for which the Commission audit work revealed substantial compliance problems (for 2014-2022) [not quantifiable] Efficiency: time needed to address the deficiencies detected [where applicable], number of authorities for which serious weaknesses found by accreditation reviews/audits (% of total checked) Economy (costs): estimation of cost of COM staff involved in the audits of samples of national designations/ accreditations (for 2014-2022)</p>

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

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

Main risks It may happen (again) that...	Mitigating controls	Coverage frequency and depth of controls	Possible Cost- effectiveness indicators (3Es)
<p>Periodic expenditure declarations submitted to the Commission include expenditure which is irregular or noncompliant with EU and/or national eligibility rules and legislation.</p>	<p>Management verifications: first level checks by designated / accredited programme authorities or bodies.¹⁰⁴</p> <p>Certification, audit opinion and annual report by the relevant authorities or bodies designated / accredited.¹⁰⁵</p> <p>MS recoveries from final beneficiaries (CAP)</p>	<p>Coverage: fixed in sector-specific rules</p> <p>Depth:</p> <ul style="list-style-type: none"> - <u>management verifications:</u> performance of first-level checks (administrative and on the spot controls). - <u>certification:</u> [limited] additional verification (desk checks and on-the-spot), with where appropriate additional checks. - <u>audit opinion:</u> system audits on the checks already carried out, where necessary with re-performance of on-the-spot checks; where applicable, audits of operations (on a statistical basis) and additional substantive testing on expenditure 	<p>Effectiveness: error rates as reported by the Member States, annual audit opinions (or certificate opinions) of the Member States, MS recoveries (if applicable)</p> <p>Efficiency: time to lift interruption of payments (where applicable)</p>

¹⁰⁴ For CAP: Paying Agencies (PA)

¹⁰⁵ For CAP: Certifying Bodies (CB)

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

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

Main risks It may happen (again) that...	Mitigating controls	Coverage frequency and depth of controls	Possible Cost-effectiveness indicators (3Es)
<p>The management verifications and subsequent audits/controls by the Member States have failed to detect and correct ineligible costs or calculation errors.</p> <p>The audit work carried out by the audit / certifying authorities is not sufficient to obtain adequate assurance on the submitted declarations.</p> <p>The Commission services have failed to take appropriate measures to safeguard EU funds, based on the information it received.</p>	<p>Commission checks of periodic MS expenditure declarations.</p> <p>Commission assessment of management and control systems in the Member States, in particular of work done and/or reported by the AA/PA/CB, namely:</p> <ul style="list-style-type: none"> - assessment of annual control/audit/certification report - calculation of projected error rate (where applicable) - estimation of a residual error rate (RER) - assessment of systems audits reports from AA/CB - assessment of annual summaries (where applicable) - own Commission audits - technical and bilateral meetings with MS <p>Interruptions and suspensions of payments</p> <p>Financial corrections (implemented by Commission) Annual</p>	<p>Coverage: verification of information provided in the annual (audit/control/certification) report and annual audit opinions.</p> <p>Depth: desk checks and/or on-the-spot audits based on risk assessment; <u>verification of the quality and reliability of the information based on Commission's own audit work; 'validation' and where necessary adjusting of error rates reported by MS to calculate a cumulative residual error risk (RER);</u> <i>[at closure: where applicable</i></p>	<p>Effectiveness: best estimate of (residual) risk of error per MS, number of programmes/MS/PA with a reported error rate assessed as reliable (and not subject to an adjustment), Number, amount and % (with respect to total commitment) of interruptions / suspensions of payments, corrections made resulting from Commission audit work, % of the expenditure for which the Commission can rely on the work of the AA (where applicable)</p> <p>Benefits: errors prevented [unquantifiable], errors detected or corrected (amount of financial corrections); alternatively, the impact of the Commission's adjustments made on the error rates reported by the MS following its own audit work and the total amount of expenditure for which the Commission has assurance</p>

Main risks It may happen (again) that...	Mitigating controls	Coverage frequency and depth of controls	Possible Cost-effectiveness indicators (3Es)
	financial clearance procedure and multi-annual conformity clearance procedure (CAP)	<i>scrutiny of closure report and closure opinion, if needed with audits on sample of OPS]</i>	Efficiency: cost of control/financial management of the Commission checks and assessment (% of total appropriations), Time-to-payment (or % of payments within delays), Time to notify interruption to MS [where applicable] Economy (costs): cost of Commission financial officers checking MS expenditure (financial circuits); estimation of cost of Commission staff involved in the assessment of management and control systems in MS, including analysis of AA/CB report, own audit work ¹⁰⁶ , and drafting of interruption letters

¹⁰⁶ 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

ANNEX 7: Specific annexes related to "Financial Management"

This Annex explains in detail the complex relationship between the Directorate General for Agriculture and Rural Development, and the Member States¹⁰⁷ and the UK (comprising 76 Paying Agencies at the end of financial year 2021).

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

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

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

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

¹⁰⁷ As of 1 February 2020, the United Kingdom is no longer a member of the European Union. In accordance with [Article 137 \(1\) second subparagraph](#) of the Withdrawal Agreement between the EU and the UK, from claim year 2020 (financial year 2021) the EU direct payment and market measures legislation does not apply to the UK, consequently there are no payments made from the EU budget (except reimbursement of financial discipline). However, the EU rural development legislation continues to apply to the UK for financial year 2021.

Part 2: Functioning of the Paying Agencies

- 2. Financial clearance exercise for financial year 2021
- 2.1: Compliance with the accreditation criteria
- 2.2: Management Declaration from the Directors of the Paying Agencies and related opinions from the Certification Bodies
- 2.3: Legality and regularity of expenditure
- 2.4: Overall conclusions of the Certification Bodies' work

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

- 3.1: ABB02: Market Measures
- 3.2: ABB03: Direct Payments
- 3.3: ABB04: Rural Development
- 3.4: Root causes of the error rate

Part 4: Conformity Clearance Procedure and Net Financial corrections

Part 5: Debt management by the Member States

Part 6: Cross-compliance

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

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

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

Part 10: Interruptions, reductions and suspensions

Part 11: Fraud prevention, detection and correction

Part 12: European Court of Auditors: Special Reports

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

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

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

Moreover, the directors of the Paying Agencies are required to provide an annual Management Declaration which covers the completeness, accuracy and veracity of the accounts as well as a declaration that a system is in place which provides reasonable assurance on the legality and regularity of the underlying transactions. For those Member States with only one Paying Agency, this Management Declaration from the director of the Paying Agency, together with the certificate and opinion of the Certification Body (see Part 2), constitutes, by definition, the annual summary referred to in Article 63(5), point (b) of the Financial Regulation¹⁰⁸.

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 2021 covered 93% of EAGF expenditure (93.5% in financial year 2020). IACS is also used to manage and control Rural Development area and animal-related measures, which in financial year 2021 accounted for 47.3% of payments under the EAFRD (50.6% in financial year 2020). For both Funds together, the IACS covered 80.9% (82.9% in financial year 2020) of total expenditure.

¹⁰⁸ Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union.

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

Level 3: Audits by Certification Bodies and controls after payment

The Paying Agencies' annual accounts, the functioning of their internal control procedures and the legality and regularity of the expenditure for which reimbursement has been requested from the Commission, are to be verified and certified by the Certification Bodies. The report of the Certification Bodies also includes a detailed review of the Paying Agencies' compliance with the accreditation criteria and key and ancillary control requirements as well as a verification of the error rates reported in the Management Declarations. In addition, all aid measures under EAGF other than direct payments covered by the IACS are subject to ex-post controls under Articles 79 to 88 of Regulation (EU) No 1306/2013¹⁰⁹. As regards EAFRD, ex-post checks are carried out for investment operations according to Article 52 of Commission Implementing Regulation (EU) No 809/2014¹¹⁰.

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

¹⁰⁹ Regulation (EU) No 1306/2013 of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy.

¹¹⁰ 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. The requirement for ex-post checks was subject to flexibilities offered to the Member States with Regulations (EU) 2020/532 and 2021/725 during the COVID-19 pandemic.

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.

In order to determine which measures and/or Paying Agencies to audit each year, DG AGRI carries out, in accordance with the audit strategy, a comprehensive risk assessment, which includes both quantitative and qualitative analysis of risks. In the preparation of the audit work programme, the Member States, related Paying Agencies, Certification Bodies and the specific part of the control system to be audited in a 3-year time period are selected on the basis of risk mapping using all available information and the following main elements:

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

What is the Central Risk Analysis?

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

For the CRA, the following indicators are taken into account:

- 1) materiality (amounts of declared expenditure),
- 2) latest audit year (period elapsed since the latest audit of the measure in question),
- 3) inherent risk to the measure in question,
- 4) control system risks (risk associated with the control system),
- 5) Paying Agency risk (risk related to the Paying Agency),
- 6) Certification Body risk (risk related to the reliability of the Certification Body work)
- 7) the OLAF risk (related to OLAF denunciations and irregularities) and
- 8) the European Court of Auditors (ECA) risk (related to the findings from the ECA).

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

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

Explanatory Box: Annex 7-1-1

In 2014, the DG AGRI Assurance and audit Directorate adopted an audit strategy with a multi-annual perspective for the period 2014-2020, which was updated in 2019. The audit strategy will be revised in 2022 to take into account the new CAP legislative framework applicable as from 1 January 2023..

DG AGRI audit strategy

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

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

other ways of addressing specific risks or situations in particular Paying Agencies or Member States.

In addition, it anticipated the impact of the extended role given by the CAP Horizontal Regulation on the financing, management and monitoring of the Common Agricultural Policy (Regulation (EU) No 1306/2013) to the Certification Bodies. As 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. 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 rebalanced its audit activities towards checking the reliability of the opinion of the Certification Bodies. Conformity clearance procedures continue to be used in cases where insufficient assurance, for instance because the work of the Certification Body is not in accordance with guidelines, creates a risk to the EU budget.

As from autumn 2018, full coverage of the Certification Body's work is ensured during the conformity audits.

DG AGRI's audit work, in the first instance, reviews the work of the Certification Body for the administrative checks and the on-the-spot checks, including the evaluation of the whole internal control system of the Paying Agency, thus covering its compliance with the accreditation criteria. Where the Certification Body's work can be relied upon i.e. conclusions can be confirmed, no further work is carried out by DG AGRI. Audit work is only carried out for topics that are not covered by the Certification Body or where its work has been found unsatisfactory.

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

The audit strategy was subject to a three-yearly review in 2019, in which main developments and experiences gained were integrated into the audit strategy. The main developments taken into account were related to audit approach as DG AGRI in its audit can base more and more of its assurance on the work of the Certification Bodies, updates in audit coverage and updates of cross-cutting risks. It will be revised in 2022 to take into account the new CAP legislative framework applicable as from 1 January 2023.

Explanatory Box: Annex 7-1-2

Part 2: Functioning of the Paying Agencies**2. Financial clearance exercise for financial year 2021**

The rules on the financing of the CAP provide for an annual financial clearance exercise covering the completeness, accuracy and veracity of the Paying Agencies' accounts. By 15 February (with possible extension to 1 March) following the end of the financial year in question, Member States are required to send the annual accounts of their Paying Agencies to the Commission. The annual accounts should be accompanied by an audit opinion from the Certification Body of each Paying Agency, stating whether it has obtained reasonable assurance that the accounts are complete, accurate and true, that the agency's internal control procedures have operated satisfactorily and, since 2015, that the expenditure for which reimbursement was requested from the Commission is legal and regular. The Commission has until 30 April to review this information and communicate its findings to the Member States. Where the information received is considered acceptable, the Commission has, until 31 May, to adopt a decision clearing the accounts of the Paying Agencies concerned.

The financial year 2021 for the EAGF and EAFRD Funds runs from 16 October 2020 to 15 October 2021. By 1 March 2022, all the accounts of the 76 Paying Agencies, operating during financial year 2021, were submitted.

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

With the separation of the financial clearance mechanism as from financial year 2019 onwards, only accounts with a material misstatement or accounts of Paying Agencies with a deficient internal control system are disjoined. On this basis one Paying Agency's accounts for financial year 2021 was disjoined (for financial year 2020 two Paying Agencies' accounts were disjoined and the accounts of all Paying Agencies were cleared for financial year 2019).

2.1 Compliance with the accreditation criteria

2.1.1 Status of the Paying Agencies' accreditation

At 16 October 2020, the Member States and the UK had 76 operating accredited Paying Agencies. The German Paying Agency Hamburg-Jonas (DE02) ceased operations on 16.10.2020¹¹¹. At the same time, a new Paying Agency in Sardinia, which was fully accredited as of financial year 2021, initiated the payments for EAFRD measures. Thus, the total number of accredited Paying Agencies that declared expenditure in financial year 2021 remained at 76.

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

Status of Paying Agencies' accreditation	At the beginning of financial year 2021	At the end of financial year 2021
Fully accredited	71	73
Accreditation under probation	5 ¹¹²	3 ¹¹³
Provisionally accredited	0	0
Total Member States: 27 + the UK	76	76

Table: Annex 7 – 2.1.1-1

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

In the context of the financial clearance exercise for financial year 2021, the Certification Bodies are required – besides certifying the accounts of the Paying Agencies – to report on and certify whether the Paying Agencies' internal control systems operated satisfactorily.

Taking into consideration the EAGF/EAFRD split, 145 opinions (69 Paying Agencies dealing with both Funds and 7 Paying Agencies dealing only with one Fund – 4 dealing exclusively with EAGF and 3 exclusively with EAFRD) covering the internal control systems, should be received.

¹¹¹ The accreditation of the Paying Agency was withdrawn on 31 May 2021 after its last accounts were cleared. However, it was not operational in financial year 2021.

¹¹² DE17 - Rheinland-Pfalz, IT01 - AGEA, IT26 – ARCEA, SE01 - SJV and SK01 - APA.

¹¹³ IT01 – AGEA, SE01 –SJV- and MT01 – APA (the accreditation of the Paying Agencies DE17 - Rheinland-Pfalz, IT26 – ARCEA and SK01 - APA Agencies was restored on 15.10.2021; and the accreditation of SE01 – SJV Paying Agency was also restored in November 2021).

Permission¹¹⁴ was requested for 9 Paying Agencies to submit the accounts or audit opinions and related reports after the deadline of 15 February 2022¹¹⁵. All requests were accepted and all audit opinions and reports were received by the ultimate deadline of 1 March 2022.

By 31 March, all audit opinions received had been assessed. In all cases, the Certification Body concluded that the internal control system of the Paying Agencies operated at least satisfactorily at overall system level (i.e. IACS, Non-IACS)¹¹⁶. Furthermore, in a few cases the Certification Body established non-compliance with a specific accreditation criterion. In other cases, the deficiencies found relate to more than one accreditation criterion.

As regards the audit opinion on **EAGF**, one qualified opinion was issued by the Certification Body for financial year 2021 related to the legality and regularity of expenditure (RO02 – PIAA). In addition, **seven** opinions included an emphasis of matter paragraph. **Four** out of the seven emphasis of matter opinions also relate to legality and regularity of expenditure (BE03 – Rég. Wallonne, ES16 – La Rioja, FR20 – France Agrimer and PT01 – IFAP). Of the remaining three cases, **two** relate to the accounts of the Paying Agency and to the deficiencies reported on debt management (GB09 – RPA and NL04 – RVO) and **one** to the alternative reverification methods used due to the COVID-19 pandemic related restrictions.

As regards NL04 – RVO, the debt management issue relates to the non-application of the so-called “50/50” rule, as per Article 54(2) of Regulation (EU) No 1306/2013, to one specific debt case with a significant outstanding amount.

In **five** cases, the Certification Body qualified its opinion on the **EAFRD** accounts. In all cases, the issues reported relate to material errors as regards legality and regularity of expenditure in the specific population (BG01 – State Fund Agriculture, DE18 – Saarland AAL, GB05 – DARD, IT26 – ARCEA and SK01 – APA) or to a limitation of scope on specific expenditure (SK01 – APA). All but one (GB05 – DARD) had material error found by the Certification Body in the legality and regularity of EAFRD Non-IACS expenditure.

To be noted that no limitation of scope due to COVID-19 related restrictions resulted in a qualified opinion as regards the assurance on the financial year 2021 expenditure of the EU Agricultural Funds.

Furthermore, in another **ten** cases the Certification Body, without qualifying its opinion, draws attention to specific deficiencies and weaknesses in the Paying Agency’s internal

¹¹⁴ According to the provisions of Article 63(7) of the Financial Regulation (EU, Euratom) 2018/1046 (previously Article 59(5) of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union) and Article 7(3) of Regulation (EU) No 1306/2013, the deadline of 15 February may exceptionally be extended by the Commission to 1 March.

¹¹⁵ DE17 – Rheinland-Pfalz; ES03 – Asturias; ES05 – Canary Islands; ES07 – Castilla La Mancha; ES08 – Castilla y León; ES15 – Pais Vasco; ES17 – Valencia; SE01 – SJV; PT03 – IFAP.

¹¹⁶ Ratings of “works well”, “works” or “works partially”.

control system in an emphasis of matter paragraph. In **seven** Paying Agencies, the shortcomings are mainly related to the legality and regularity of the expenditure, as follows: BE03 - Région Wallonne, ES04 - Islas Baleares, ES07 - Castilla La Mancha, ES13 - Murcia, ES16 - La Rioja, GB06 - SGRPID and NL04- RVO). Of the remaining **three** cases, **one** (GB09 - RPA) relates to deficiencies found in debt management, **another** to the deficiencies found in the procedures for advances and the **last one** to the COVID-19 pandemic related restrictions that affected the reverification procedures (FR05 - ODEADOM).

As regards the Paying Agencies under probation during financial year 2021, the Certification Bodies reflected in their audit reports the state of play of the implementation of the accreditation action plans by the Paying Agencies (DE17 - Rheinland-Pfalz, IT01 - AGEA, IT26 - ARCEA, MT01 - MRRPA, SE01 - APA and SK01 - APA), on the progress made and on the points still to be implemented. No issues were mentioned in this specific respect in the audit opinions for financial year 2021.

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

CERTIFICATION BODIES' OPINION ON THE PAS' ANNUAL ACCOUNTS - FY 2021					
Is the opinion on the annual accounts unqualified?					
	PA	Name	EAGF	EAFRD	Remarks
1	AT01	AMA	Y	Y	
2	BE02	ALV	Y	Y	
3	BE03	Rég. Wallonne	Y	Y	Emphasis of matter: The opinion does not take into consideration: for EAGF the impact of DG AGRI enquiry AA/2021/001/BE on IACS area related measures; and for EAFRD the impact of a possible financial correction related to the lack of application of the "reasonable cost" criterion (affecting Non-IACS measures 4 and 6.1)
4	BG01	State Fund Agriculture	Y	N	Qualified - EAFRD: Material error in legality and regularity of expenditure in EAFRD Non-IACS (measure 7 - <i>Basic services and rural renewal</i>) corresponding to EUR 18,7 million and 5.26% of the total expenditure declared.
5	CY01	CAPO	Y	Y	
6	CZ01	SAIF	Y	Y	
7	DE01	BLE	Y	Y	
8	DE03	Baden-Württemberg MLR	Y	Y	
9	DE04	Bayern StMLF	Y	Y	
10	DE07	Brandenburg MLUV	Y	Y	
11	DE11	Mecklenburg-Vorpommern MELFF	Y	Y	
12	DE12	Niedersachsen	Y	Y	
13	DE15	Nordrhein-Westfalen	Y	Y	
14	DE17	Rheinland-Pfalz	Y	Y	
15	DE18	Saarland AAL	Y	N	Qualified - EAFRD: Material error in legality and regularity of the EAFRD Non-IACS corresponding to 6.13 % of the related net expenditure.
16	DE19	Sachsen	Y	Y	
17	DE20	Sachsen-Anhalt	Y	Y	
18	DE21	Schleswig-Holstein	Y	Y	
19	DE26	Hessen	Y	Y	
20	DE27	Thüringen	Y	Y	
21	DK02	DAFA	Y	Y	
22	EE01	PRIA	Y	Y	
23	ES01	Andalucía	Y	Y	
24	ES02	Aragón	Y	Y	
25	ES03	Asturias	Y	Y	

CERTIFICATION BODIES' OPINION ON THE PAS' ANNUAL ACCOUNTS - FY 2021					
Is the opinion on the annual accounts unqualified?					
	PA	Name	EAGF	EAFRD	Remarks
26	ES04	Islas Baleares	Y	Y	Emphasis of matter related to the financial errors detected in Measure 4 <i>Investments in physical assets</i> / Sub-measure 4.1. <i>Investments in agricultural holdings</i> and in the Measure 1 <i>Transfer of knowledge</i> / Sub-measure 1.1 <i>Vocational training and acquisition of skills</i> (EAFRD Non IACS) in the audit of legality and regularity. The Certification Body's extrapolated error (2.012 %) slightly exceeds materiality for EAFRD Non-IACS expenditure.
27	ES05	Islas Canarias	Y	Y	
28	ES06	Cantabria	Y	Y	
29	ES07	Castilla La Mancha	Y	Y	Emphasis of matter related to the financial error detected in <i>Investments in forest technologies and in the transformation, mobilization and commercialization of forest products</i> (Submeasure 8.6) of the EAFRD Non-IACS population in the audit of legality and regularity. The Certification Body's extrapolated error (2.15 %) slightly exceeds materiality for EAFRD Non-IACS expenditure.
30	ES08	Castilla y León	Y	Y	
31	ES09	Cataluña	Y	Y	
32	ES10	Extremadura	Y	Y	
33	ES11	Galicia	Y	Y	
34	ES12	Madrid	Y	Y	
35	ES13	Murcia	Y	Y	Emphasis of matter related to the financial errors identified in Measure 4 <i>Investments in physical assets</i> -Sub-measure 4.1. <i>Support for investments in farms</i> (EAFRD Non-IACS) in the audit of legality and regularity. The Certification Body's extrapolated error (2.6 %) exceeds materiality for EAFRD Non-IACS expenditure.
36	ES14	Navarra	Y	Y	
37	ES15	País Vasco	Y	Y	
38	ES16	La Rioja	Y	Y	Emphasis of matter related to a) financial errors identified in <i>Green harvesting, Wine investment and promotion</i> measures leading to a material extrapolated error in the EAGF-Non IACS population (3.5 %), b) financial errors identified in measures 1.2, 4.1.1 and 16 leading to a material extrapolated error in the EAFRD Non-IACS population (2.043 %).
39	ES17	C. Valenciana	Y	Y	
40	ES18	FEGA	Y	Y	
41	FI01	MAVI	Y	Y	
42	FR05	ODEADOM	Y	N/A	Emphasis of matter: Due to the COVID-19 pandemic related travel bans, the reverifications were carried out on a documentary basis.
43	FR18	ODARC	N/A	Y	
44	FR19	ASP	Y	Y	
45	FR20	France Agrimer	Y	N/A	Emphasis of matter: The key controls relating to the establishment of fixed prices for the <i>Restructuring, Wine Promotion, FOP and Private wine storage</i> measures have been thoroughly tested. Conclusions were reached except for 1 item.
46	GB05	DARD	Y	N	Qualified - EAFRD: The Certification Body did not obtain sufficient or appropriate audit evidence to confirm that the payments made by the Paying Agency for the <i>Organic Farming</i> measure (EAFRD IACS) are free from material error as regards legality and regularity of expenditure. The impact corresponds to EUR 726 000 and 2.27% of the total expenditure declared. Limitation of scope of the opinion for this amount.
47	GB06	SGRPID	Y	Y	Emphasis of matter: The audit work on the <i>Beef Efficiency Scheme</i> (EAFRD IACS) identified cases where penalties for non-compliance were not applied by the Paying Agency. The maximum error is EUR 492 966,25 in the current financial year (FY2020: EUR 1 million).
48	GB07	WAG	Y	Y	
49	GB09	RPA	Y	Y	Emphasis of matter: A known error relating to an irrecoverable debt amounting to EUR 1.5 million was identified within the EAGF/EAFRD debtors' table.
50	GR01	OPEKEPE	Y	Y	
51	HR01	PAAFRD	Y	Y	
52	HU02	ARDA	Y	Y	
53	IE01	DAFM	Y	Y	
54	IT01	AGEA	Y	Y	
55	IT02	SAISA	Y	N/A	
56	IT05	Veneto (AVEPA)	Y	Y	
57	IT07	Toscana (ARTEA)	Y	Y	
58	IT08	Emilia-Romagna (AGREA)	Y	Y	
59	IT10	ARPEA	Y	Y	
60	IT23	OPR Lombardia	Y	Y	
61	IT24	OPPAB	Y	Y	
62	IT25	APPAG	Y	Y	

CERTIFICATION BODIES' OPINION ON THE PAS' ANNUAL ACCOUNTS - FY 2021					
Is the opinion on the annual accounts unqualified?					
	PA	Name	EAGF	EAFRD	Remarks
63	IT26	ARCEA	Y	N	Qualified - EAFRD: An overall error of EUR 1.5 million related to the legality and regularity of 4 EAFRD Non-IACS payments leading to a material extrapolated error (2.66%) in EAFRD Non-IACS expenditure.
64	IT27	ARGEA	N/A	Y	
65	LT01	NMA	Y	Y	
66	LU01	Min. Agric.	Y	Y	
67	LV01	RSS	Y	Y	
68	MT01	MRRRA PA	Y	Y	
69	NL04	RVO	Y	Y	Emphasis of matter related to a) an EAGF debt case for which Article 54(2) of Reg. 1306/2013 ("50/50" rule) should have been applied by the Paying Agency; b) an EAFRD known error of EUR 1.5 million as regards the appropriate use of Simplified Cost Option; c) an amount of EUR 6.3 million paid by the Paying Agency under M20 (<i>Technical Assistance</i>) in December 2021 and included in the annual accounts for FY2021 (instead of FY2022).
70	PL01	ARMA	Y	Y	
71	PT03	IFAP	Y	Y	Emphasis of matter: As regards the legality and regularity of EAGF IACS expenditure the upper error limit slightly exceeds the materiality threshold. Taking into account the measures already implemented by the Paying Agency the Certification Body considers that the maximum level of risk is less than 2%.
72	RO01	RIFA	N/A	Y	Emphasis of matter: The verification and monitoring of de minimis aid and of the securities accepted by the Agency do not ensure proper compliance with EU regulations. The Paying Agency should take steps to address these recurrent deficiencies which pose a risk to the Fund.
73	RO02	PIAA	N	N/A	Qualified - EAGF: Material error in the legality and regularity of expenditure in the EAGF IACS population corresponding to 2.41 % of the related expenditure.
74	SE01	SJV	Y	Y	
75	SI01	AAMRD	Y	Y	
76	SK01	APA	Y	N	Qualified - EAFRD: a) Limitation of scope for EAFRD Non-IACS population as projects amounting to EUR 7.5 million are under investigation by the national authorities and thus the financial risk for FY 2021 could not be confirmed; b) Material error in the legality and regularity of expenditure corresponding to EUR 3 million and to 2.05% of the total expenditure declared.

Table: Annex 7 – 2.1.1-2

2.1.3 The Commission's accreditation audits

The Commission regularly performs accreditation audits. The selection of these audits is based on a detailed risk assessment, to check whether the Paying Agencies (continue to) respect the accreditation criteria. The accreditation criteria are checked by the Certification Bodies during their certification audit as also reflected in their opinions (see point 2.1.2). DG AGRI conducted three audits during the year to GRO1- OPEKEPE, ES05 – Canarias and SK01 – APA.

Moreover, the accreditation enquiries for Paying Agencies IT01 - AGEA, IT26 – ARCEA, BG01 – SFA and IT27 – ARGEA, initiated in 2020, were followed up by DG AGRI during financial year 2021. The accreditation issues found in the audits of BG01 – SFA, GRO1 – OPEKEPE and ES05 – Canarias led to the implementation of corrective and improvement plans in those Paying Agencies' systems and procedures, following DG AGRI's recommendations. The effectiveness of these corrective measures will be assessed by DG AGRI under the relevant ongoing enquiries.

As regards IT27 – ARGEA, the Competent authority granted full accreditation as from financial year 2021 onwards. However, based on DG AGRI audit carried out in 2020 and the Certification Body's report for financial year 2021, not all corrective actions have been

implemented. DG AGRI will continue to monitor and follow up under the relevant audit enquiry.

The serious deficiencies identified in previous years in the Paying Agencies DE17 - Rheinland-Pfalz and IT26 – ARCEA regarding compliance with the accreditation criteria and in financial year 2020, as regards Paying Agencies IT01 – AGEA and SE01 – SJV, which led to their accreditation being put on probation¹¹⁷, were closely monitored and followed up by DG AGRI through regular progress reports on the implementation of their accreditation action plans, provided by the respective Competent Authorities.

The accreditation of the Paying Agencies DE17 - Rheinland-Pfalz and of IT26 – ARCEA were restored by the relevant Competent Authorities on 15.10.2021, following their own assessment on the Paying Agencies' compliance with the accreditation criteria. The assessment of the effectiveness of the corrective actions by DG AGRI is on-going under the relevant enquiries.

As regards Paying Agency SK01 – APA, its accreditation was put on probation as of 15.10.2020 for a period of 12 months¹¹⁸, and was restored by the Competent Authority on 15.10.2021. In addition, the Paying Agency's financial year 2020 accounts were not proposed for clearance due to serious deficiencies that undermined the functioning of the internal control system.

Following the results of the accreditation audit mission carried out by DG AGRI in September 2021, an extension of the probation period for 4 months (until 15 February 2022) was recommended to allow for the full implementation of the accreditation action plan. However, the accreditation of the Paying Agency was restored as from 15 October 2021. The Paying Agency continued with the implementation of a Transformation Plan including 5 accreditation corrective actions that were considered by the Commission as still ongoing when accreditation was restored. DG AGRI continues to monitor the implementation of these corrective actions which have been transferred to a Transformation Plan drawn up by the Competent Authority in September 2021 in order to transform the Paying Agency by the end of 2022.

It is to be noted that as part of the financial management, in relation to the above mentioned internal control system weaknesses of the Slovak Paying Agency DG AGRI interrupted and consequently suspended payments declared under EAFRD Non-IACS measures already in calendar year 2020. The interruption and subsequent suspension of these payments increased in the first two quarters of year 2021. Furthermore, as a consequence of the overall assessment of the Paying Agency's internal control system for

¹¹⁷ DE17 - Rheinland-Pfalz, - under probation until 15.10.2021; IT01 – AGEA – Still under probation; IT26 – ARCEA – Under probation until 15.10.2021 and SE01 – SJV – Under probation until 24.11.2021.

¹¹⁸ Following fraud allegations in Rural Development projects (EAFRD Non-IACS projects).

the rural development projects the Competent Authority decided to suspend the payments to all the investment projects as of 1 August 2021.

The assessment of the implementation of the accreditation corrective actions is followed up through the implementation of the Transformation Plan and the related conformity enquiry. The remaining financial impact of the deficiencies as regards financial year 2021 expenditure will be determined at the finalisation of the ongoing conformity audits.

Moreover, following the results of the clearance of accounts exercise for financial year 2020, and as requested by DG AGRI, the Maltese Competent Authority put the Paying Agency MT01 – MRRA under probation as of 1.7.2021 for a period of 12 months to address the accreditation deficiencies identified. The implementation of the accreditation action plan is followed based on the progress reports provided by the Competent Authority on a quarterly basis.

2.1.4 The Certification Bodies' main findings on accreditation for financial year 2021

In the opinion of the Certification Body, the Paying Agency GRO1 - OPEKEPE has serious deficiencies as regards its compliance with several accreditation criteria under EAGF and EAFRD Non-IACS for the authorization procedure. The related issues are already followed-up by DG AGRI under its ongoing accreditation related conformity enquiry.

As mentioned above for the Paying Agencies under probation during financial year 2021, the Certification Bodies reflected in their audit reports on the state of play of the implementation of the accreditation action plans (DE17 - Rheinland-Pfalz, IT01 – AGEA, IT26 – ARCEA, MT01 – MRRA PA, SE01 – APA and SK01 – APA), the progress made and the points still to be implemented.

In respect of DE17 - Rheinland-Pfalz, the accreditation was restored by the end of financial year 2021. However, the Certification Body reports on an outstanding action to integrate the financial and debt management systems as regards the completion of the action plan. This corrective measure will need to be closely monitored by the Competent Authority and consequently by DG AGRI.

For IT01 – AGEA, the probation of the Paying Agency was extended after the end of financial year 2021 at the request of the Competent Authority as not all corrective actions could be implemented. In the financial year 2021 Certification Body report still weaknesses are reported for *Organizational Structure, Procedures for debts, Human Resources, Delegation, Control Activities, Ongoing Monitoring* and *Monitoring Via Internal Audit Service*, affecting the relevant parts of the Paying Agency's internal control system. As a consequence, DG AGRI still considers that the full accreditation cannot be restored at the time of this report and it applies a reinforced scrutiny for following up the implementation of the accreditation action plan.

For IT26 - ARCEA, although the full accreditation of the Paying Agency was restored by the end of 2021 the Certification Body still reports on weaknesses *in Delegation and Control Activities* and a major finding as regards EAFRD Non-IACS, where the control system deemed to be reinforced. The deficiencies are followed up through DG AGRI ongoing conformity enquiries.

As regards MT01 - MRRRA, whose accreditation is still under probation until 30 June 2022, although no major findings were reported as regards its accreditation, weaknesses for *Control Activities, Communication, Ongoing Monitoring* persist as per the Certification Body report. Furthermore, the implementation of several corrective actions under the accreditation action plan is delayed and the effectiveness of the actions to address the deficiencies is not confirmed by the audit body. DG AGRI is closely following the implementation of the accreditation action plan with the Maltese authorities.

In the case of SE01 – SJV, the accreditation of the Paying Agency was restored on 24 November 2021. No deficiencies or major findings were reported by the Certification Body for 2021 as regards accreditation.

Finally, for SK01 - APA, whose accreditation was also restored on 14 October 2021, weaknesses in *Human Resources, Control Activities* and *Ongoing Monitoring* still persisted in financial year 2021, affecting the relevant parts of the Paying Agency's internal control system. Although the deficiencies did not undermine the functioning of the internal control system of the Paying Agency as per the overall evaluation of the Certification Body, the payments under the EAFRD Non-IACS system were suspended by the Slovak authorities as of 1 August 2021. Furthermore, both the reservation in the Management Declaration of the Director of the Paying Agency and the qualified opinion of the Certification Body as regards the legality and regularity of the EAFRD Non-IACS expenditure reflects on the accreditation deficiencies that persisted in 2021. DG AGRI follows closely the implementation of the remaining accreditation corrective actions through its ongoing conformity enquiries (*as referred to above*).

Finally, weaknesses were also reported as regards BE02 – Région Wallonne, BG01 – SFA, CY01 – CAPO, DE03 – Baden Württemberg, DE11 – Mecklenburg-Vorpommern, DE18 – Saarland, ES04 – Islas Baleares, ES07 – Castilla la Mancha, ES12 – Madrid, ES13 – Murcia, ES16 – La Rioja, ES17 – Valencia, ES18 – FEAGA, FR05 – ODEADOM, FR18 – ODARC, FR19 – ASP, FR20 – FranceAgrimer, GB06 – SGRPID, GB07 – WAG, GB09 – RPA, HR01 – PAAFRD, IT07 – ARTEA, IT08 – Emilia Romagna, IT10 – ARPEA, IT23 – OPR Lombardia, IT24 – OPPAB, IT25 – APPAG, IT27 – ARGEA, NLO4 – RVO and PL01 – ARMA, for most of them affecting both Funds if applicable. These deficiencies and weaknesses, as well as the state of play of

the serious accreditation issues reported by the Certification Body in financial year 2020¹¹⁹, are followed up by DG AGRI in the context of the annual clearance exercise.

2.1.5 Conclusion on the opinion on the Internal Control System

The opinions of the Certification Bodies' reports received are that the Internal Control Systems of all the Paying Agencies function at least satisfactorily at overall system level (i.e. IACS, Non-IACS)¹²⁰.

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 2021, the Directors of all Paying Agencies submitted to the Commission their Management Declarations on the completeness, accuracy and veracity of the accounts, on the proper functioning of the internal control systems and on the legality and regularity of the underlying transactions.

There were 5 reservations made, involving 2 Paying Agencies, as follows:

For BG01 – SFA, a reservation was made by the Director of the Paying Agency as regards EAGF and EAFRD expenditure related to the financial risk identified under conformity enquiries.

For SK – APA, a reservation was made by the Director of the Paying Agency as regards EAFRD Non-IACS expenditure due to weaknesses in the Paying Agency's management and control system pertaining to previous years, which led to ineligible expenditure paid during part of the financial year. The financial impact exceeded 2% of the total payments made for EAFRD Non-IACS. Corrective measures were put in place to remedy these deficiencies in the context of the accreditation Action Plan. Also the Slovak authorities had decided not to make any payments for EAFRD Non-IACS measures as from 1 August 2021 and thus did not declare any expenditure for the remaining part of the financial year..

According to the guidelines on the Management Declaration, in the event that any deficiency is identified in the context of establishing the Management Declaration which does not fulfil the criteria for justifying a reservation but which, in the opinion of the Director of the Paying Agency nonetheless constitutes an issue which should be brought to

¹¹⁹ IT26, MT01, SE01 and SK01.

¹²⁰ As regards SK01 – APA see the evaluation in point 2.1.4.

the attention of the Commission services, this should be disclosed in the Management Declaration or in a document attached to it.

The declaration of **7** Paying Agencies: FR20 - France AgriMer, GB05 - DARD, GB06 - SGRPID, GB07 - WAG, GB09 - RPA, PT03 - IFAP and SE01 - SJV, included such a document or observations, for the reasons summarised below:

For FR20 - France AgriMer, error rates exceeding 2 in the measures Restructuring of vineyards and Wine promotion in third countries were mentioned under the observations.

For GB05 - SGRPID, the high error rates and related risk to the Fund identified by the Certification Body under EAFRD IACS measures (including Organic Farming), as well as the corrective actions underway were mentioned.

For GB06 - DARD, the Paying Agency's monitoring of the on-the-spot controls for Food Processing, Marketing and Cooperation Scheme, the lack of application of penalties within the Beef Efficiency Scheme and the estimated financial risk, as well as the errors in the EAFRD IACS control statistics for claim year 2020 were mentioned in the observations.

For GB07 - WAG, the impact of the COVID-19 pandemic, mistakes in the EAFRD control statistics not affecting the error rate and the corrective actions regarding the EAFRD Socio-Economic and Small grants schemes were mentioned.

For GB09 - RPA, the impact of the COVID-19 pandemic, the weaknesses affecting the expenditure as regards the Facilitation Fund scheme; the weaknesses in the debt management system and the delays in the provision of inspection reports were mentioned in the observations, among other issues.

For PT01 - IFAP, for the EAGF direct payments the action plan drawn up to correct deficiencies is considered completed; EAFRD control error rates above 2% for certain types of EAFRD measures (corrective measures are underway); as regards EAGF — Market measures — Fruit and Vegetables OP the full implementation of corrective actions and the reinforcement of the monitoring procedures of the debtors' ledger were mentioned in the observations, among other issues.

For SE01 - SJV, the corrective actions that were put in place by the Paying Agency as regards the management of project and business aid in the rural development programme, the weaknesses identified by the Commission under the School Milk scheme and the full implementation of the accreditation Action Plan and restoration of the accreditation were mentioned under observations.

In addition, 54 of 76 Paying Agencies applied the derogations provided for in Article 2 of Regulation (EU) 2020/531 and/or Articles 2 to 9 of Regulation (EU) 2020/532, and/or Articles 1 to 3 of Regulation (EU) 2021/725 and duly mentioned this in their management declarations as required.

COVID-19 has posed challenges as regards control and audit in relation to the 2021 expenditure. However, as mentioned above as regards the audit of the Certification Bodies, the COVID-19 restrictions did not lead to decreased assurance provided in the audit opinion. Thus, the use of the tools and resources by both the Paying Agencies in performing the controls and the Certification Bodies in conducting the audits, as detailed in section 2.1.1.2.1 of the report, allowed to obtain assurance on the CAP expenditure for the 2021 EU financial year.

Paying Agency			PAYING AGENCY DIRECTOR'S MANAGEMENT DECLARATION - FY 2021					Reservation/Additional remark
			Is the Management Declaration free of reservations?				For Member States applying Article 2 of Regulation (EU) No 2020/531 and/or Articles 2 to 9 of Regulation (EU) No 2020/532 and/or Articles 1, 2 and 3 of Regulation (EU) No 2021/725]	
			EAGF IACS	EAGF NIACS	EAFRD IACS	EAFRD NIACS		
1	AT01	AMA	Y	Y	Y	Y	Y	
2	BE02	ALV	Y	Y	Y	Y	Y	
3	BE03	Rég. Wallonne	Y	Y	Y	Y	Y	
4	BG01	State Fund Agriculture	N	N	N	N	Y	The reservation is related to the financial risk identified under the conformity enquiries NAC/2020/008 and PAY/2020/003.
5	CY01	CAPO	Y	Y	Y	Y	Y	
6	CZ01	SAIF	Y	Y	Y	Y	Y	
7	DE01	BLE	N/A	Y	N/A	Y	N	
8	DE03	Baden-Württemberg MLR	Y	Y	Y	Y	Y	
9	DE04	Bayern StMLF	Y	Y	Y	Y	Y	
10	DE07	Brandenburg MLUV	Y	Y	Y	Y	Y	
11	DE11	Mecklenburg-Vorpommern MELFF	Y	Y	Y	Y	Y	
12	DE12	Niedersachsen	Y	Y	Y	Y	Y	
13	DE15	Nordrhein-Westfalen	Y	Y	Y	Y	N	
14	DE17	Rheinland-Pfalz	Y	Y	Y	Y	N	
15	DE18	Saarland AAL	Y	Y	Y	Y	Y	
16	DE19	Sachsen	Y	Y	Y	Y	Y	
17	DE20	Sachsen-Anhalt	Y	Y	Y	Y	Y	
18	DE21	Schleswig-Holstein	Y	Y	Y	Y	Y	
19	DE26	Hessen	Y	Y	Y	Y	Y	
20	DE27	Thüringen	Y	Y	Y	Y	N	
21	DK02	DAFA	Y	Y	Y	Y	Y	
22	EE01	PRIA	Y	Y	Y	Y	Y	
23	ES01	Andalucia	Y	Y	Y	Y	N	
24	ES02	Aragón	Y	Y	Y	Y	N	
25	ES03	Asturias	Y	Y	Y	Y	Y	
26	ES04	Islas Baleares	Y	Y	Y	Y	Y	
27	ES05	Islas Canarias	Y	Y	Y	Y	Y	
28	ES06	Cantabria	Y	Y	Y	Y	N	
29	ES07	Castilla La Mancha	Y	Y	Y	Y	Y	
30	ES08	Castilla y León	Y	Y	Y	Y	Y	
31	ES09	Cataluña	Y	Y	Y	Y	N	
32	ES10	Extremadura	Y	Y	Y	Y	Y	
33	ES11	Galicia	Y	Y	Y	Y	Y	
34	ES12	Madrid	Y	Y	Y	Y	N	

Paying Agency			PAYING AGENCY DIRECTOR'S MANAGEMENT DECLARATION - FY 2021					Reservation/Additional remark
			Is the Management Declaration free of reservations?				For Member States applying Article 2 of Regulation (EU) No 2020/531 and/or Articles 2 to 9 of Regulation (EU) No 2020/532 and/or Articles 1, 2 and 3 of Regulation (EU) No 2021/725]	
			EAGF IACS	EAGF NIACS	EAFRD IACS	EAFRD NIACS		
35	ES13	Murcia	Y	Y	Y	Y	Y	
36	ES14	Navarra	Y	Y	Y	Y	Y	
37	ES15	País Vasco	Y	Y	Y	Y	N	
38	ES16	La Rioja	Y	Y	Y	Y	N	
39	ES17	C. Valenciana	Y	Y	Y	Y	N	
40	ES18	FEGA	N/A	Y	N/A	Y	N	
41	FI01	MAVI	Y	Y	Y	Y	N	
42	FR05	ODEADOM	Y	Y	N/A	N/A	Y	
43	FR18	ODARC	N/A	N/A	Y	Y	N	
44	FR19	ASP	Y	N/A	Y	Y	Y	
45	FR20	France Agrimer	N/A	Y	N/A	N/A	Y	Observations: a) For the <i>Restructuring of the vineyard measure</i> delays in cross-checks occurred and error rate exceeds 2 % b) for <i>Wine promotion in third countries measure</i> as the error rate exceeds 2 % corrective actions are taken by the Paying Agency.
46	GB05	DARD	Y	Y	Y	Y	Y	Observations: The high error rates and related risk to the Fund identified by the Certification Body under EAFRD IACS measures (including <i>Organic Farming</i>) are noted and corrective actions are underway.
47	GB06	SGRPID	Y	Y	Y	Y	Y	Observations: a) The Paying Agency will improve the monitoring of the quantity and quality of on-the-spot controls for <i>Food Processing, Marketing and Cooperation Scheme</i> ; b) As regards the review of application of penalties within the <i>Beef Efficiency Scheme</i> the Paying Agency estimates the financial risk at GBP 935 000; c) Compilation errors in the EAFRD IACS control statistics for CY 2020.
48	GB07	WAG	Y	Y	Y	Y	Y	Observations: a) The COVID-19 pandemic restrictions resulted in reduced on-the-spot checks and limited internal audit coverage; b) There are issues affecting the EAFRD control statistics; c) For the Helix projects and as regards findings on Glastir small grants scheme corrective actions are underway.
49	GB09	RPA	Y	Y	Y	Y	Y	Observations: a) The COVID-19 pandemic restrictions impacted the PA's operation and the level of controls; b) Although system improvement is underway, the weaknesses still affected the FY2021 expenditure as regards the <i>Facilitation Fund</i> scheme in the value of EUR 1.2 million; and as regards <i>HLS capital claim</i> the revenue element concerning FY2021 is considered as an error until the full investigation started in relation to the error in the FY2020 accounts is completed c) The are weaknesses in the debt management system and corrective actions are underway; d) There are delays in the provision of inspection reports and actions to address this weakness are taken.
50	GR01	OPEKEPE	Y	Y	Y	Y	N	
51	HR01	PAAFRD	Y	Y	Y	Y	Y	
52	HU02	HST	Y	Y	Y	Y	N	
53	IE01	DAFM	Y	Y	Y	Y	Y	
54	IT01	AGEA	Y	Y	Y	Y	Y	
55	IT02	SAISA	N/A	Y	N/A	N/A	N	
56	IT05	Veneto (AVEPA)	Y	Y	Y	Y	Y	
57	IT07	Toscana (ARTEA)	Y	Y	Y	Y	Y	
58	IT08	Emilia-Romagna (AGREA)	Y	Y	Y	Y	Y	

Paying Agency			PAYING AGENCY DIRECTOR'S MANAGEMENT DECLARATION - FY 2021					Reservation/Additional remark
			Is the Management Declaration free of reservations?				For Member States applying Article 2 of Regulation (EU) No 2020/531 and/or Articles 2 to 9 of Regulation (EU) No 2020/532 and/or Articles 1, 2 and 3 of Regulation (EU) No 2021/725]	
			EAGF IACS	EAGF NIACS	EAFRD IACS	EAFRD NIACS		
59	IT10	ARPEA	Y	N/A	Y	Y	Y	
60	IT23	OPR Lombardia	Y	Y	Y	Y	Y	
61	IT24	OPPAB	Y	N/A	Y	Y	Y	
62	IT25	APPAG	Y	N/A	Y	Y	N	
63	IT26	ARCEA	Y	N/A	Y	Y	Y	
64	IT27	ARGEA	N/A	N/A	Y	Y	Y	
65	LT01	NMA	Y	Y	Y	Y	Y	
66	LU01	Min. Agric.	Y	Y	Y	Y	N	
67	LV01	RSS	Y	Y	Y	Y	Y	
68	MT01	MRRA PA	Y	Y	Y	Y	Y	
69	NL04	RVO	Y	Y	Y	Y	Y	
70	PL01	ARMA	Y	Y	Y	Y	Y	
71	PT03	IFAP	Y	Y	Y	Y	Y	Observations: a) EAGF direct payments: the Action Plan drawn up to correct deficiencies identified in the conformity enquiries AA/2018/018/PT and NAC/2019/003/PT is considered completed; b) Where reported error rates above 2% required corrective actions the ongoing Action Plan on EAFRD IACS was updated; Corrective actions will continue to be applied for measures with error rates exceeding 2 % even if the overall error rate for EAFRD Non-IACS decreased; In overall relevant actions were taken to reduce the EAFRD error rate c) As regards EAGF — Market measures — <i>Fruit and Vegetables OP</i> the corrective actions were completed and for the Wine sector measures there was no need to issue an action plan; d) The Paying Agency reinforces the monitoring procedures of the debtors' ledger; e) The system for the <i>Restructuring and conversion of vineyards scheme in Azores</i> is aligned to the one in use by the mainland.
72	RO01	RIFA	N/A	N/A	Y	Y	Y	
73	RO02	PIAA	Y	Y	N/A	N/A	N	
74	SE01	SJV	Y	Y	Y	Y	Y	Observations: a) Corrective actions were put in place by the Paying Agency as regards the management of project and business aid in the rural development programme - reasonableness of costs and public procurement; b) Weaknesses were identified by the Commission under the <i>School Milk</i> scheme - covered in the ongoing enquiry; c) The accreditation Action Plan was fully implemented within 14 months and the accreditation was restored.
75	SI01	AAMRD	Y	Y	Y	Y	Y	
76	SK01	APA	Y	Y	Y	N	N	The reservation is related to the significant weaknesses in the Paying Agency's management and control system pertaining in previous years, which led to ineligible expenditure paid during part of the financial year. The financial impact exceeded 2% of the total payments made for EAFRD Non-IACS. In the context of the accreditation Action Plan corrective measure were put in place to remedy these deficiencies.

Table: Annex 7 – 2.2.1-1

2.2.2 Opinion of the Certification Bodies on the Management Declaration

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

CERTIFICATION BODIES' OPINION ON THE PAs' MANAGEMENT DECLARATION - FY 2021							
Paying Agency			Is the Management Declaration confirmed by the Audit Opinion?				Reservation/Remarks
			EAGF IACS	EAGF NIACS	EAFRD IACS	EAFRD NIACS	
1	AT01	AMA	Y	Y	Y	Y	
2	BE02	ALV	Y	Y	Y	Y	
3	BE03	Rég. Wallonne	Y	Y	Y	Y	Emphasis of matter: The opinion does not take into consideration: for EAGF the impact of DG AGRI enquiry AA/2021/001/BE on IACS area related measures; and for EAFRD the impact of a possible financial correction related to the lack of application of the "reasonable cost" criterion (affecting Non-IACS measures 4 and 6.1).
4	BG01	State Fund Agriculture	Y	Y	Y	Y	
5	CY01	CAPO	Y	Y	Y	Y	
6	CZ01	SAIF	Y	Y	Y	Y	
7	DE01	BLE	N/A	Y	N/A	Y	
8	DE03	Baden-Württemberg MLR	Y	Y	Y	Y	
9	DE04	Bayern StMLF	Y	Y	Y	Y	
10	DE07	Brandenburg MLUV	Y	Y	Y	Y	
11	DE11	Mecklenburg-Vorpommern MELFF	Y	Y	Y	Y	
12	DE12	Niedersachsen	Y	Y	Y	Y	
13	DE15	Nordrhein-Westfalen	Y	Y	Y	Y	
14	DE17	Rheinland-Pfalz	Y	Y	Y	Y	
15	DE18	Saarland AAL	Y	Y	Y	N	Qualified - EAFRD Non-IACS: The error rates presented in the Management Declaration could not be confirmed due to the results obtained after verifying the legality and regularity of the expenditure.
16	DE19	Sachsen	Y	Y	Y	Y	
17	DE20	Sachsen-Anhalt	Y	Y	Y	Y	
18	DE21	Schleswig-Holstein	Y	Y	Y	Y	
19	DE26	Hessen	Y	Y	Y	Y	
20	DE27	Thüringen	Y	Y	Y	Y	
21	DK02	DAFA	Y	Y	Y	Y	
22	EE01	PRIA	Y	Y	Y	Y	
23	ES01	Andalucia	Y	Y	Y	Y	
24	ES02	Aragón	Y	Y	Y	Y	Emphasis of matter: a) It concerns the extrapolated error obtained for legality and regularity of EAGF Non-IACS expenditure. b) The error rate (7.20%) reported in the Management Declaration for EAFRD IACS exceeds 2%. Corrective measures were put in place by the Paying Agency to remedy the deficiencies identified.
25	ES03	Asturias	Y	Y	Y	Y	
26	ES04	Islas Baleares	Y	Y	Y	Y	
27	ES05	Islas Canarias	Y	Y	Y	Y	Emphasis of matter: It concerns the error rate (3.09%) reported in the Management Declaration for EAFRD Non-IACS, which exceeds 2%. This error rate is a consequence, as confirmed by the Paying Agency, of errors found in 2 isolated cases (included in Measures 5 and 7) with no systemic nature.
28	ES06	Cantabria	Y	Y	Y	Y	
29	ES07	Castilla La Mancha	Y	Y	Y	Y	
30	ES08	Castilla y León	Y	Y	Y	Y	
31	ES09	Cataluña	Y	Y	Y	Y	Emphasis of matter: a) For the EAGF Non-IACS population the Paying Agency has to implement an action plan to improve the control system for the <i>Green harvesting and Wine investment measures</i> where the error rates of the Paying Agency exceed materiality and to improve its supervision in the context of the <i>Operational Programs</i> so that the type of error identified do not occur again b) For the EAFRD IACS population the error rate reported (4.54%) in the Management Declaration exceeds 2%. During FY 2020 the Paying Agency established an action plan to reduce the error rate (FY2020 - 5.06%), which is still to be completed.
32	ES10	Extremadura	Y	Y	Y	Y	
33	ES11	Galicia	Y	Y	Y	Y	
34	ES12	Madrid	Y	Y	Y	Y	Emphasis of matter: a) It concerns the error rates reported in the EAGF Non-IACS and EAFRD IACS populations, which exceed 2%. The increase in error rates derive from errors detected in the <i>Investments in the wine sector</i> and <i>Promotion of wine in third-country markets</i> (EAGF Non-IACS) and in measures 11 and 13 (EAFRD IACS) b) It also concerns the error rate reported on the <i>First afforestation of agricultural land</i> measure, where an action plan is ongoing to reduce the error rate.

CERTIFICATION BODIES' OPINION ON THE PAs' MANAGEMENT DECLARATION - FY 2021							
Paying Agency			Is the Management Declaration confirmed by the Audit Opinion?				Reservation/Remarks
			EAGF IACS	EAGF NIACS	EAFRD IACS	EAFRD NIACS	
35	ES13	Murcia	Y	Y	Y	Y	
36	ES14	Navarra	Y	Y	Y	Y	
37	ES15	País Vasco	Y	Y	Y	Y	
38	ES16	La Rioja	Y	Y	Y	Y	
39	ES17	C. Valenciana	Y	Y	Y	Y	
40	ES18	FEGA	N/A	Y	N/A	Y	
41	FI01	MAVI	Y	Y	Y	Y	
42	FR05	ODEADOM	Y	Y	N/A	N/A	
43	FR18	ODARC	N/A	N/A	Y	Y	Emphasis of matter: In the EAFRD Non-IACS control system the Certification Body noted certain weaknesses.
44	FR19	ASP	Y	N/A	Y	Y	Emphasis of matter: a) As regards IACS the Certification Body's reconciliations could only be performed partially as the control statistics are subject to updates; b) For EAFRD IACS and EAFRD Non-IACS , the extrapolated error for legality and regularity of expenditure exceeds materiality - 3.01% (EAFRD IACS) and 3.17% (EAFRD Non-IACS) respectively.
45	FR20	France Agrimer	N/A	Y	N/A	N/A	
46	GB05	DARD	Y	Y	Y	Y	
47	GB06	SGRPID	Y	Y	Y	Y	
48	GB07	WAG	Y	Y	Y	Y	
49	GB09	RPA	Y	Y	Y	Y	
50	GR01	OPEKEPE	Y	Y	Y	Y	
51	HR01	PAAFRD	Y	Y	Y	Y	
52	HU02	ARDA	Y	Y	Y	Y	
53	IE01	DAFM	Y	Y	Y	Y	
54	IT01	AGEA	Y	Y	Y	Y	
55	IT02	SAISA	N/A	Y	N/A	N/A	
56	IT05	Veneto (AVEPA)	Y	Y	Y	Y	
57	IT07	Toscana (ARTEA)	Y	Y	Y	Y	
58	IT08	Emilia-Romagna (AGREA)	Y	Y	Y	Y	
59	IT10	ARPEA	Y	N/A	Y	Y	
60	IT23	OPR Lombardia	Y	Y	Y	Y	
61	IT24	OPPAB	Y	N/A	Y	Y	
62	IT25	APPAG	Y	N/A	Y	Y	
63	IT26	ARCEA	Y	N/A	Y	N	Qualified - EAFRD: An overall error of EUR 1.5 million related to the legality and regularity of 4 EAFRD Non-IACS payments led to a material extrapolated error in EAFRD Non-IACS (2.66%) expenditure.
64	IT27	ARGEA	N/A	N/A	Y	Y	
65	LT01	NMA	Y	Y	Y	Y	
66	LU01	Min. Agric.	Y	Y	Y	Y	
67	LV01	RSS	Y	Y	Y	Y	
68	MT01	MRRRA PA	Y	Y	Y	Y	
69	NL04	RVO	Y	Y	Y	Y	
70	PL01	ARMA	Y	Y	Y	Y	
71	PT03	IFAP	Y	Y	Y	Y	Emphasis of matter: It confirms the observations of the management declaration, including the high error rates in certain EAFRD measures and the ongoing remedial actions by the Paying Agency.
72	RO01	RIFA	N/A	N/A	Y	Y	
73	RO02	PIAA	Y	Y	N/A	N/A	Emphasis of matter - EAGF: a) The error rates reported in the Management Declaration can be slightly higher for certain measures; b) The Paying Agency needs to strengthen the debt management internal control system; c) and ensure a proper compilation of the monthly declaration of expenditure.
74	SE01	SJV	Y	Y	Y	Y	
75	SI01	AAMRD	Y	Y	Y	Y	
76	SK01	APA	Y	Y	Y	N	Qualified - EAFRD Non-IACS: For the legality and regularity of expenditure and due to scope limitation; The maximum level of risk for the EAFRD Non-IACS population is higher than 2%, thus the control statistics and error rates reported in the Management Declaration cannot be confirmed.

Table: Annex 7 – 2.2.2-1

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

Reservations were included in the Management Declaration for the previous financial year for **BG01 – SFA**, because of 3 conformity enquiries related to EAGF Non-IACS and EAFRD Non-IACS measures, for **AT01 – AMA**, related to the financial risk identified under an enquiry related to EAGF IACS measures and for **LT01 – NMA**, related to the Annual Activity Report of DG AGRI for 2019 as regards EAFRD expenditure with high error rate. The related DG AGRI conformity enquiries have already been closed or the Paying Agency's remedial actions have addressed the deficiencies.

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

As mentioned in section 2, the Certification Bodies have to provide an opinion on the Paying Agencies' Management Declarations based on their work on the legality and regularity of the expenditure and the calculated incompliance rate. A detailed assessment is included in sub-section 2.3.3.

Based on the applicable guidelines, the Certification Bodies assessed comprehensively the Management Declaration for financial year 2021, including the control statistics and delivered their audit opinions in this respect. In the vast majority of the cases, the Certification Bodies issued a qualified opinion on the Management Declaration when there was a qualified opinion on the legality and regularity of the expenditure.

It is noted that for 4 Paying Agencies (DE17 – Rheinland Pfalz, IT01 – AGEA, IT26 – ARCEA and MT01 – MRRA) under probation in 2021, neither the Management Declaration of the Director of the Paying Agency nor the Certification Body Opinion on the Management Declaration refer to the accreditation deficiencies that affected the functioning of the internal control system of the Paying Agencies.

2.3 Legality and regularity of the expenditure

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

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

The opinion on legality and regularity should certify whether the expenditure effected in the Member States during the financial year is legal and regular. Moreover, through their audit

work on legality and regularity, the Certification Bodies should confirm the level of errors in the management and control systems of the Paying Agencies in their opinion on the Management Declaration. This is done through a review of the control results, which include the results of the eligibility checks (administrative and on-the-spot controls) carried out by the Paying Agency and the Management Declaration of the Paying Agency.

The opinion is given at the level of each Paying Agency, covering both Funds (EAGF and EAFRD) and the following four populations, organised as per the main internal control systems of the Paying Agency:

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

To deliver an audit opinion, the Certification Bodies should test the annual accounts (audit objective 1) through a statistical sample and should test the legality and regularity of expenditure declared (including the administrative and on-the-spot eligibility checks – audit objective 2) through another statistical sample¹²¹. The audit starts with the review and assessment of the internal control system of the Paying Agency, including compliance testing. The second and key part of the audit work is the substantive testing on legality and regularity: through testing of transactions, the Certification Bodies are requested to confirm the level of errors found in the initial eligibility checks performed by the Paying Agency and, if not confirmed, to give a qualified opinion.

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

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

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

- As regards audit objective 1: an *error rate* related to the errors found in the payments made to the beneficiaries based on comparing their results to the accounts of the Paying Agency, which will support the basis for the Certification Body's' opinion on the annual accounts of the Paying Agencies (see sub-section 2.1.2).

¹²¹ Dual-purpose testing between the two audit objectives is possible.

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

For the purpose of assessing the reliability of the Paying Agencies' reported error rates stemming from their control results and for **estimating an adjusted error rate**, the general approach is that DG AGRI considers the incompliance rate (projected incompliance rate and known errors) established by the Certification Bodies. In accordance with Article 127 of the Financial Regulation¹²², it should be considered whether the Certification Body has performed, in the professional judgement of DG AGRI auditors, its work to the necessary standard and whether reliance (and to what extent) can be placed on its work. The above does not exclude the application of adjustments based on DG AGRI audits, for example, where DG AGRI auditors have found deficiencies not detected by the Certification Body, in particular if such deficiencies could not have been identified by the Certification Body due to the nature and extent of their work. The level of reliance that could be placed on the Certification Body's work is also taken into account when proposing adjustments. In some limited cases if relevant, DG AGRI auditors may also use the error rate for audit objective 1 (most likely error) established by the Certification Body when determining the extent of the adjustment (top-up) to be made to the error rate reported by the Paying Agency.

Explanatory box: Annex 7 – 2.3.1-1

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

The reliability of the Certification Bodies' work has been assessed in the framework of the 2021 financial clearance exercise, through dedicated Certification Body audits and through conformity audits, which, in view of the single audit approach, have as a starting point the work carried out by the Certification Bodies. These conformity audits cover the Certification Bodies' work on legality and regularity and on the internal control system. Where assurance cannot be obtained from the Certification Bodies' work on certain areas/issues, the checks are extended to the work of the Paying Agency.

The results are outlined in the subsequent sub-sections.

¹²² Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union.

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

DG AGRI visited all Certification Bodies for all Paying Agencies at least once by 2019. The work programme for 2021 was based on the risk analysis of the Certification Bodies' work. It is noted that with the review of the DG AGRI audit strategy in 2019, the single audit approach was confirmed as the main audit approach for the audits carried out. Therefore, a new risk factor relating to the reliance that can be placed on the Certification Body's work was incorporated in the Central Risk Analysis (CRA see Explanatory box Annex 7-1-1) performed for selecting the audits to be carried out. In case of high Certification Body risk where a conformity mission is not envisaged or in case of newly appointed Certification Bodies, dedicated audits on the review of the Certification Body's work on legality and regularity (including their audit strategy) are planned.

Audit programme implemented in 2021

In 2021, 11 out of the 12 audits planned and listed in Table 2.3.1-1 below, were carried out. The audit to ES04 (Islas Baleares) was postponed to the 1st semester of 2022. The majority of the audits (9) were performed jointly with the conformity Units and covered the audit strategy of the Certification Bodies and the re-verifications of on-the-spot and administrative controls depending on the state of play of the Certification Body's work at the time of the mission. For two cases (BE02 – Flanders and EE01 - Estonia), a full scope Legality and Regularity audit was carried out.

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

It should be noted that, where possible in view of the COVID-19 restrictions audits for 2021 were carried out as on-the-spot missions as a result 6 out the 11 Legality and Regularity where carried out on the spot while the remaining as remote audits.

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

List of Paying Agencies and related Certification Bodies audited on audit strategy and sampling in 2021				
Paying Agency		Certification Body	Audit Field code	Comment
BE02	ALV	Deloitte Ltd	Audit strategy and sampling	Single audit (Full scope LAR)
CY01	COAP	Deloitte Ltd	EAGRD IACS	Joint audit
DE11	Mecklenburg-Vorpommern	Deloitte Ltd	EAGF IACS	Joint audit
EE01	PRIA [ARIB]	IAD of the ministry for rural affairs	Audit strategy and sampling	Single audit (Full scope LAR)
ES04*	Islas Baleares	Intervención General, Consejería de Hacienda y Administración Pública, Comunidad Autónoma de las Islas Baleares PriceWaterhouseCoopers	EAFRD NIACS	Joint audit

ES07	Castilla-La Mancha	Intervención General, Consejería de Hacienda y Administración Pública, Comunidades de Castilla-La Mancha PriceWaterhouseCoopers	EAGF NIACS	Joint audit
ES15	País Vasco	Oficina de Control Económico del Departamento de Hacienda y Finanzas del Gobierno Vasco Grant Thornton	EAGF NIACS	Joint audit
ES16	La Rioja	Intervención General de la Comunidad de La Rioja PriceWaterhouseCoopers	EAGF IACS & EAFRD IACS	Joint audit
FI01	MAVI	BDO Audit	EAFRD IACS	Joint audit
GR01	OPEKEPE	SOL CROWE	EAFRD IACS	Joint audit
HU02	Hungarian State Treasury	KPMG	EAFRD IACS	Joint audit
LU01	Ministère de l'Agriculture	KPMG	EAGF NIACS, EAFRD IACS&NIACS	Umbrella

* Audit to ES04 was postponed to 2022

Table: Annex 7 – 2.3.1-1

Summary of the main findings of these audits and monitoring activities

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

There are still some cases where the re-verifications of the Paying Agencies' controls were not performed at the optimal time (4 cases out of 11 audits in 2021) due to delays in obtaining the information from the Paying Agency or due to their late appointment by the Member State's Competent Authority. However, it should be noted that, in several cases of delays in the on-the-spot checks by the Paying Agencies, the restrictions in place in Member States due to the COVID-19 pandemic caused some additional delays in the timing of the Certification Bodies' re-verification controls.

Concerning the re-verifications, it was noted that 2 Certification Bodies accompany the first level Paying Agency's control for animal-related measures, even though a re-verification at a later stage is still feasible.

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

For 2021, the audit work of the visited Certification Bodies was of a high standard and in most of the cases well documented (i.e. only 2 cases were identified where the Certification Body's documentation and audit trail could be improved). The Certification Bodies were concluding correctly on the eligibility since the majority of them use the lists of Key and Ancillary controls as a benchmark in their testing. Due to the huge volume of work, not all measures and not all key controls can be tested in one financial year. As a result, a considerable number of the Certification Bodies have developed rotation plans to make sure they audit all measures/all key controls over a period of 3-5 years.

In 2021, it was observed that the Certification Bodies' check on the eligibility criteria were in general more comprehensive than in previous years. In some limited cases (2 out of the 11 audits compared to 6 cases out of 15 missions in 2020) where the checks were not always sufficient (i.e. did not cover all eligibility requirements), the recommendations issued were immediately taken into account. This led to further improvement in the audit work of some Certification Bodies, which was confirmed also in the financial clearance exercise. Thus in 2021, DG AGRI is in a position to acquire the necessary assurance from the CB's work on Legality and Regularity and this is reflected in the AAR adjusted error rate where a very large part of the adjustments were based on the Certification Bodies' assessment.

For the 2021 legality and regularity audits, it was concluded that full or partial reliance could be placed on 10 out of the 11 Certification Bodies for their work on the audited population in the scope of the mission. Following the assessment of the certification reports during the financial clearance exercise, this level of reliance is increased for some of these Certification Bodies, based on the corrective measures implemented and the progress reported already in the certification report for financial year 2021. Where reliable, this allowed DG AGRI to take fully the work of the Certification Bodies into account in the adjusted error rate for all four populations.

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

A complete review of the results of the Certification Bodies' work and assessment of the work on legality and regularity took place in the financial year 2021 financial clearance assessment, which started in February 2022.

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

EAGF IACS population

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

Opinion on the legality and regularity of the expenditure	Number of Paying Agencies	Related Paying Agencies
Unqualified	61	-
Qualified opinion	1	RO02,
Opinion with an emphasis of matter	3	BE03, FR05, PT03,
Total Member States: 27	65 ¹²³	
Opinion on the Paying Agency's Management Declaration	Number of Paying Agencies	Related Paying Agencies
Unqualified	65	-
Qualified opinion	0	-
Opinion with an emphasis of matter	3	BE03, FR19, RO02
Total Member States: 27 + the UK	69 ¹²⁴	

Table: Annex 7 – 2.3.1-2

For RO02 - PIAA, the Certification Body qualified its opinion on the legality and regularity of expenditure for EAGF IACS due to material errors and issued an emphasis of matter in the opinion on the Management declaration, as based on its audit work, it could not confirm the control statistics for the Scheme on agricultural practices beneficial for climate and the environment (Greening Payment) and one of Voluntary Coupled Support. Moreover, deficiencies were identified on the Paying Agency's debt management internal control system and on the compilation procedure of the expenditure's monthly declaration.

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

For FR19 - ASP, the Certification Body issued an emphasis of matter in the opinion on the Management Declaration since the reconciliations of the control statistics could only be performed partially as they were subject to several updates.

¹²³ The Certification Body's audit opinion on the accounts for the 4 Paying Agencies in UK does not cover the Legality and Regularity of expenditure.

¹²⁴ The Certification Body's audit opinion on the Paying Agency's Management Declaration for the 4 Paying Agencies in UK covers the recoveries of EAGF.

For BE03 – Wallonia, the Certification Body issued an emphasis of matter in the opinion for EAGF IACS and in the opinion on the Management Declaration as regards the possible impact of the conformity audit carried out on the EAGF area IACS measures for which results were communicated on February 2022 by DG AGRI.

For PT03 - IFAP, the Certification Body issued an emphasis of matter in the opinion on the the legality and regularity of expenditure for EAGF IACS due to material errors identified.

EAGF Non-IACS population¹²⁵

64 out of the 76 Paying Agencies declared expenditure under EAGF Non-IACS schemes.

Opinion on the legality and regularity of the expenditure	Number of Paying Agencies	Related Paying Agencies
Unqualified	59	-
Qualified opinion	1	RO02
Opinion with an emphasis of matter	4	ES16, FR05, FR20, NL04
Total Member States: 27	64 ¹²⁶	
Opinion on the Paying Agency's Management Declaration	Number of Paying Agencies	Related Paying Agencies
Unqualified	65	-
Qualified opinion	0	-
Opinion with an emphasis of matter	3	ES02, ES09, RO02
Total Member States: 27 + the UK	68	

Table: Annex 7 – 2.3.1-3

For RO02 – PIAA, the Certification Body qualified the opinion on the legality and regularity of the expenditure for EAGF Non-IACS due to material errors and issued an emphasis of matter in the opinion on the Management declaration, as based on its audit work, deficiencies were identified on the Paying Agency's debt management internal control system and on the compilation procedure of the expenditure's monthly declaration.

For ES02 – Aragon, the Certification Body issued an emphasis of matter in the opinion on the Management declaration for EAGF Non-IACS due to material errors identified, which do not allow to confirm in all material aspects the data recorded in the Management Declaration.

¹²⁵ EAGF Non-IACS measures are essentially the market measures.

¹²⁶ The Certification Body's audit opinion on the accounts for the 4 Paying Agencies in UK does not cover the Legality & Regularity of expenditure.

For ES09 – Cataluña, the Certification Body issued an emphasis of matter in the opinion on the Management declaration for EAGF Non-IACS due to material errors identified in “Investments” and “Operational Programmes”, which, according to the Certification Body, requires an action plan on behalf of the Paying Agency.

For ES16 – La Rioja, the Certification Body issued an emphasis of matter in the opinion on the legality and regularity of the expenditure for EAGF Non-IACS due to material errors.

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

For FR20 – France AgriMer, the Certification Body issued an emphasis of matter in the opinion on the legality and regularity of the expenditure for EAGF Non-IACS due to lack of conclusions for one item tested as regards the establishment of fixed prices for the Restructuring, Wine Promotion and private wine storage measures.

For NL04 - RVO, the Certification Body issued an emphasis of matter in the opinion on the legality and regularity of the expenditure for EAGF Non-IACS due to diverging opinions regarding the interpretation of Article 54 of Regulation (EU) No 1306/2013 in the settlement of a 8-year old claim with ongoing civil and criminal investigations, which the Paying Agency included as irrecoverable in Annex II with retroactive effect. The Certification Body is of the opinion that this claim should have been charged 50% to the Member State

In 14 cases¹²⁷, there was no separate testing for the EAGF Non-IACS population, as the Certification Body treated this population as a *de minimis* population.

EAFRD IACS population

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

Opinion on the legality and regularity of the expenditure	Number of Paying Agencies	Related Paying Agencies
Unqualified	67	-
Qualified opinion	1	GB05,
Opinion with an emphasis of matter	2	GB06, GB09
Total Member States: 27 + the UK	70	
Opinion on the Paying Agency's Management Declaration	Number of Paying	Related Paying Agencies

¹²⁷ DE04, DE07, DE11, DE19, DE20, DE21, DE26, DE27, DK02, EE01, ES03, ES06, FI01 and SE01.

	Agencies	
Unqualified	66	-
Qualified opinion	0	-
Opinion with an emphasis of matter	4	ES02, ES09, FR19, PT03,
Total Member States: 27 + the UK	70	

Table: Annex 7 -2.3.1-4

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

For GB06 – SGRPID, the Certification Body issued an emphasis of matter in the opinion on the legality and regularity of the expenditure for EAFRD IACS due to to material errors for part of the population.

For GB09 – RPA, the Certification Body issued an emphasis of matter in the opinion on the legality and regularity of the expenditure for EAGF IACS due to to material level of irrecoverable debt within this population identified during the testing of Annex II.

For ES02 – Aragon, ES09 – Cataluña and PT03 – IFAP, the Certification Bodies issued an emphasis of matter in the opinion on the Management declaration due to the material error reported by the Paying Agency for EAFRD IACS.

For FR19 – ASP, the Certification Body issued an emphasis of matter in the opinion on the Management declaration due to to material errors.

EAFRD Non-IACS

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

Opinion on the legality and regularity of the expenditure	Number of Paying Agencies	Related Paying Agencies
Unqualified	61	-
Qualified opinion	4	BG01, DE18, IT26, SK01
Opinion with an emphasis of matter	7	BE03, ES04, ES13, ES16, GB09, NLO4, RO01
Total Member States: 27+the UK	72	
Opinion on the Paying Agency’s Management declaration	Number of Paying Agencies	Related Paying Agencies
Unqualified	63	-
Qualified opinion	3	DE18, IT26, SK01

Opinion with an emphasis of matter	6	BE03, ES07, ES12, FR18, FR19, PT03
Total Member States: 27+the UK	72	

Table: Annex 7 – 2.3.1-5

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

For SK01 – APA, the Certification Body qualified its opinion on the legality and regularity of expenditure and on the Management Declaration due to to material errors found in the entire population and due to limitation of scope as regards certain projects for which decisions of the relevant administrative authorities are required.

For BG01 - DFZ [SFA], the Certification Body qualified the opinion on the legality and regularity of the expenditure due to material errors.

For BE03 – Wallonia, the Certification Body issued an emphasis of matter on the opinion for the legality and regularity of the expenditure and on the Management Declaration as regards the impact of a possible financial correction related to the lack of application of the "reasonable cost" criterion (affecting Non-IACS measures 4 and 6.1).

For ES04 - Islas Baleares, ES13 – Murcia and ES16 – La Rioja, the Certification Bodies issued an emphasis of matter on the opinion on the legality and regularity of the expenditure due to material errors.

For ES07 – Castilla La Mancha and FR19 - ASP, the Certification Body issued an emphasis of matter in its opinion on the Management Declaration due to material errors identified. Since the error remained below materiality at Fund level, an unqualified opinion for EAFRD accounts as a whole and on the Management Declaration was issued.

For FR18 – ODARC, issued an emphasis of matter in the opinion on the Management declaration due to deficiencies identified in the Non-IACS control system.

For GBO9 – RPA, the Certification Body issued an emphasis of matter in the opinion on the legality and regularity of the expenditure for EAFRD Non-IACS due to to material level of irrecoverable debt within this population identified during the teting of Annex II.

For NL04 - RVO, the Certification Body issued an emphasis of matter in the opinion on the legality and regularity of the expenditure for EAFRD Non-IACS due to inability for the CB to collect sufficient appropriate audit assurance as regards the appropriate use of Simplified Cost Option by the Paying Agency.

For RO01 – RIFA, the Certification Body issued an emphasis of matter in the opinion on the legality and regularity of the expenditure for EAFRD Non-IACS since the verification and

monitoring of de minimis aid and of the securities accepted by the Agency do not ensure proper compliance with EU regulations.

For PT03 - IFAP, the Certification Body issued an emphasis of matter in the opinion on the the Management Declaration confirming the observations of the management declaration and the ongoing remedial actions by the Paying Agency.

For ES12 – Madrid, the Certification Bodies issued an emphasis of matter in the opinion on the Management declaration due to the material error reported by the Paying Agency for the First afforestation of agricultural land measure, where an action plan is ongoing to reduce the error rate.

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

In a majority of cases, it was confirmed by the Certification Bodies that, where applicable, the Paying Agencies had established the necessary action plans to remedy the weaknesses detected and leading to reservations in the 2020 Annual Activity Report of DG AGRI. The state of play and potential delays in the implementation were indicated by the Certification Bodies.

In this seventh year of delivering an opinion on legality and regularity of expenditure, the Certification Bodies' reports contain substantial and valuable information on the legality and regularity of expenditure that has been examined in detail by DG AGRI auditors and taken into account for their assessment of the adjustments to be made to the error rates reported by the Paying Agencies. Annex 7 – Part 3 indicates where the audit work of the Certification Bodies is used to adjust the error rates. The Certification Bodies' findings, were well-founded, well-documented, in the vast majority of the cases well assessed and, finally, where necessary were linked to weaknesses in key controls. DG AGRI identified a very limited number of cases where the incompliance rates per population were not established in line with the new guidelines. The Certification Bodies' incompliance rates were considered reliable by DG AGRI and constituted a very large part of the adjustments made to the reported error rates of the Paying Agencies.

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

In line with the single audit approach, DG AGRI will continue to monitor closely the quality of the Certification Bodies' work in order to maintain the achieved high reliance on their work and finally, to assist those Certification Bodies where improvement of their work is still necessary.

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

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

- Timing of the re-verification of the on-the-spot controls: in particular whether the on-the-spot controls carried out by the Paying Agency in claim year 2020 were verified by the Certification Body at the appropriate time, to minimise the risk that the situation of the land parcels or animals concerned might have changed in the meantime. In all cases of a time gap between the Paying Agencies' initial on-the-spot-controls and the re-verifications of the Certification Bodies, DG AGRI assessed whether the time lapse was mitigated by the Certification Bodies, for example, through the use of alternative methods.
- Quality of Certification Body's re-verification of eligibility checks (administrative and on-the-spot controls) through the DG AGRI audit missions and assessment of the Certification Body's results, and in particular the technical skills and expertise that are necessary to be able, for instance, to precisely assess the eligibility of land or to check in detail that a given procurement procedure respects all applicable rules.
- Adequacy of the Certification Body's audit strategy¹²⁸, 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's random on-the-spot check sample and sufficient testing for one or both audit objectives.
- And reported results (see previous sections).

Main observations per population:

EAGF IACS

For this population, the Certification Bodies continued to provide substantial results on legality and regularity for financial year 2021. 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 the on-the-spot controls on time, with the result that their re-verifications on claim year 2020 were done rather late. This was mainly due to the late appointment of the Certification Body. It is also noted that, in some cases of time gaps between the Paying Agencies' on-the-spot controls and the Certification Bodies' re-verifications, the cause of the delays was the late performance of the initial on-the-spot checks by the Paying Agencies. Some Certification Bodies, although alternative methods

¹²⁸ Under the revised guidelines.

were allowed, preferred to wait until the lift of the COVID-19-related restrictions applied by Member States in order to perform the re-verification of on-the-spot controls. DG AGRI assesses the work and the reliance that could be placed, and could take on board most of the errors reported as they were not affected by the timing.

DG AGRI identified, in a very limited number of cases, deficiencies in the incompliance rate calculation when the Certification Body's sample included claims subject to Checks By Monitoring and claims subject to a random on-the-spot control by the Paying Agency.

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

EAGF Non-IACS

Since the revision of the guidelines and the increase in the sample sizes in most cases, the Certification Bodies had substantial findings for this population in financial year 2021. In the majority of the cases in financial year 2021, the audit work for this population and especially for the Certification Bodies of Paying Agencies dealing mainly with market measures, was of a high standard. The quality of the Certification Bodies' work was reflected not only in the results of the substantive testing which allow the calculation of a reliable incompliance rate but also on the results of the compliance testing which, in many cases, was focused on risky measures on the basis of a rotation plan. The results of the compliance testing were proven very useful in cases where the Certification Bodies did not perform any substantive testing due to the "de-minimis" rule. The compliance testing results, even if not extrapolated, allowed DG AGRI to estimate better the risk to the population as a whole and are reflected in the adjustments made to the error rates for EAGF Non-IACS.

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

EAFRD IACS

For this population, like for EAGF IACS, the Certification Bodies could provide substantial results on legality and regularity of the expenditure. Apart from the reasons mentioned under the EAGF IACS population, especially the timing issue, the very small samples that some Certification Bodies decided to test for the EAFRD IACS, in combination with high rate of errors found during the testing could have had an impact on the reliance that DG AGRI could place on their work. However, , in the large majority of cases the work of the Certification Body was of a very high standard not only in terms of the result's statistical validity but also in terms of the substance of the finding and the exhaustive testing of

additional commitments. This allowed DG AGRI to place reliance on their work and take into account the errors reported.

EAFRD Non-IACS

The Certification Bodies' audit work for this population was of very high quality in terms of quality of re-verifications. This is reflected by the large number of well-founded findings and by the magnitude of these findings.

For financial year 2021, all Certification Bodies applied correctly the revised guidelines as regards the sampling methodology and the minimum number of transactions subject to an on-the-spot control included in the sample. Moreover, in many cases increased samples were tested and the findings were well substantiated and, in the majority of cases, satisfactory. However, there were still a few Certification Bodies that needed to improve their eligibility re-verifications for some measures and the assessment of the findings, for example on checks related to conflict of interests.

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

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

The Certification Bodies reached a level where they deliver sound and substantial results on the legality and regularity of the expenditure for all populations. Based on the substantial work performed by the Certification Bodies and the increased number of findings, DG AGRI placed reliance on the results of the Certification Bodies' work on legality and regularity. In addition, based on the revised guidelines where the Certification Bodies' non-compliance rate could be directly compared to the Paying Agencies' control statistics, the Certification Bodies' results were the basis for the calculation of DG AGRI's adjusted error rate for financial year 2021.

Despite the few limitations on the reliability of the results of the work due to the fact that some Certification Bodies still limited the effectiveness of their checks (resulting for example from the late timing or insufficient eligibility checks) for the vast majority of the Certification Bodies the non-compliance rate was accepted and an adjustment (the projected non-compliance rate and any corresponding known errors) was applied to the reported error rate (see Annex 7 - Part 3). Moreover, in particular cases, the results of the compliance testing allowed DG AGRI to estimate better the risk for a particular scheme / measure, especially for the EAGF Non-IACS populations.

DG AGRI considers that the single audit approach is implemented for all four populations in the CAP.

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

In 2021, the vast majority of DG AGRI's conformity audits were conducted in line with the single audit approach, where the starting point was the work of the Certification Body. The audits covered the Certification Body's work on legality and regularity (re-verification of Paying Agency's administrative checks and on-the-spot checks) and internal control system. Where assurance could not be obtained from the Certification Body's work on certain areas/issues or where Certification Bodies did not address or envisage addressing a particular issue, under the principle of single audit, DG AGRI complemented the Certification Body work in this area in order to gain the necessary assurance based on its own work. In addition to the summary below, details are provided in Part 3.

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

The audits carried out for EAGF Non-IACS (ABB02) included a review of the work of the Certification Body on legality and regularity of the expenditure for the schemes included in the scope of the audit. This implied the review of the sampling for EAGF Non-IACS, the assessment of the internal control system and the verification of the work done as regards compliance and substantive testing. Where assurance could not be obtained from the Certification Body's work on certain areas/issues or where Certification Bodies did not address or envisage addressing a particular issue, under the principle of single audit, DG AGRI complemented the Certification Body work by reviewing the work of the Paying Agency in this area in order to gain the necessary assurance.

Recommendations for improvements were made where deficiencies were found regarding the scope or depth of the Certification Body work. The deficiencies found were related to a lack of depth in the Certification Bodies checks during the compliance and substantive testing, mainly as regards the simplified cost options and maximum costs, and issues related to the Certification Body checks to verify the correct translation of the EU requirement in the Member State legislation and control procedures. As this enabled reliance or increases reliance, it is considered in the overall DG AGRI assurance building and taken into account for subsequent audits.

- **Area Aids**

For area aids (ABB03), the starting point for the 9 conformity audits carried out in 2021 was the work carried out by the Certification Bodies as part of their opinions on legality and regularity for financial years 2020 to 2022. 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. The audits confirmed the quality of the work of the Certification Bodies, particularly with regard to the work carried out on administrative controls and the on-the-spot checks for the Basic payment scheme. As this enabled reliance or increases reliance, it is considered in the overall DG AGRI assurance building and taken into account for subsequent audits.

- **Payment Entitlements and Voluntary Coupled Support**

A similar approach as for area aids was applied for the audits concerning the allocation and management of Payments Entitlements under the Basic payment scheme and the Voluntary Coupled Support (VCS) for farm animals carried out by DG AGRI in 2021. In that sense, altogether 10 audits took place, all for VCS except 1 audit which covered Payment Entitlements (national reserve), all starting from the work done by the Certification Bodies. Due to the COVID-19 restrictions, 4 audits could be carried-out in the Member States, thus including on-the-spot checks. 6 audits were done remotely, out of which 3 were complemented by an on-the-spot visit at a later stage.

The quality of the work of the Certification Bodies concerning the VCS for animals was found by the DG AGRI auditors in 2022 in the majority of cases needed improvement in particular regarding on-the-spot checks calling for DG AGRI auditors to complement the Certification Bodies' work to gain the necessary assurance.

Concerning the allocation and management of Payment Entitlements under Basic payment scheme, the one audit where CB work was reviewed it was found satisfactory for assurance purposes.

- **Rural Development**

For both IACS and Non-IACS Rural Development expenditure (ABB04), the starting point for the large majority of the conformity audits was the work carried out by the Certification Bodies as part of their opinions on legality and regularity for financial years 2020 and 2021. Therefore, the DG AGRI audit work, in the first instance, reviewed the audit work of the Certification Bodies.

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

- Where the work was found not to be to the standard required, DG AGRI made comments and/or recommendations in order to enable the Certification Bodies to remedy any shortcomings in the work carried out or complement the work to be done so as to improve reliance in respect of the financial year 2021.

For Rural Development the auditors have reviewed a certain number of Certification Body reverifications and assessed the reliance that can be put on the work of the Certification Bodies. For some Certification Bodies, the reliance remains partial because of weaknesses in checking measure specific commitments, late timing of the on-the-spot verifications, lack of independence of the controls and audit traceability. While improvements are still needed also for Non-IACS measures regarding the reverification of eligibility criteria, reasonableness of costs, simplified cost option, public procurement procedures and ex-post checks, the quality of the Certification Bodies' work for this population is very high. As this enabled reliance or increases reliance, it is considered in the overall DG AGRI assurance building and taken into account for subsequent audits.

2.4 Overall conclusion on the Certification Bodies' work

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

This is the seventh year of application of the reporting requirements on legality and regularity and the third year of application by all Certification Bodies of the revised guidelines. Based on the increased number of findings and on the high quality work submitted by the very large majority of the Certification Bodies, assurance can be obtained from the Certification Bodies' opinions on legality and regularity. DG AGRI has the single audit approach in place for all populations, with the Certification Bodies' work as the starting point for obtaining assurance.

As in previous years, there were some cases where the Certification Bodies' work on legality and regularity was affected by the weaknesses described above detected during the financial year. A number of Certification Bodies already addressed the weaknesses in the certification reporting for financial year 2021, which led to increasing the reliance placed on their work. In very few cases where assurance could not be obtained from the Certification Body's work on certain areas/issues or where Certification Bodies did not address or envisage addressing a particular issue, under the single audit approach, DG AGRI complemented the Certification Body work in this area in order to gain the necessary assurance based on its own work.

Overall, the Certification Bodies' work on legality and regularity was of a high standard, despite the negative impact that the COVID-19 pandemic might have had in the planning

and the implementation of their work, especially for the on-the-spot re-verifications of IACS populations for claim year 2020. In financial year 2021, DG AGRI acquired the necessary assurance from the Certification Bodies' work on Legality and Regularity in line with the single audit and this is reflected in the AAR adjusted error rate where the majority of the adjustments were based on the Certification Bodies' assessment as described in the following Part 3.

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

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

Annex 7 - Part 3 presents DG AGRI's process to calculate an adjusted error rate and the amounts at risk to the EU budget from the starting point of the control data sent by the Member States and taking into account all other available relevant information.

This Part of the Annex is broken down into three separate sections to deal with the three distinct AAB activities:

Part 3.1: ABB02: Market Measures

Part 3.2: ABB03: Direct Payments

Part 3.3: ABB04: Rural Development

Part 3.4: Root causes of the error rate

Part 3.1. ABB02 – Market Measures

Index for Part 3.1 – ABB02: Market Measures

3.1.1	Introduction
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3.1.8	POSEI
3.1.9	Temporary exceptional aid and beekeeping
3.1.10	Promotion measures
3.1.11	Conclusions as regards assurance for ABB02

3.1.1 Introduction

This ABB activity deals with measures many of which were put in place to provide a safety net for producers and support markets. Since the beginning of the CAP, price support was the main instrument for ensuring market stability and a reasonable income to farmers. Price support or "intervention" was based on institutional prices set for agricultural products which guaranteed a fixed price to farmers for their products. With the 2013 CAP reform, market instruments are instead used to provide targeted, market safety nets. Intervention prices are set at levels that ensure they are used only in times of real price crisis and when there is a risk of market disruption.

3.1.2 ABB02 Expenditure

The following section sets out the elements, which DG AGRI uses in order to give assurance on expenditure reimbursed to Member States in 2021.

The total expenditure for market measures under Title 0802 in 2021 amounts to **EUR 2 505 328 860**.

The following table sets out the shared management expenditure reimbursed by DG AGRI in 2021 for the various market sectors:

Expenditure reimbursed by DG AGRI to the Member States in 2021

Chapter	Article	Sector/measure	Expenditure (EUR)
080203	08020301	POSEI and Smaller Aegean Islands (excluding direct payments)	221 010 575.45
	08020302	Promotion of agricultural products – Simple programmes under shared management	63 492 938.15
	08020304	School schemes	156 248 835.26
	08020305	Olive oil	57 553 261.96
	08020306	Fruit and vegetables	891 431 299.51
	08020307	Wine	1 029 753 017.95
	08020308	Apiculture	46 633 929.71
	08020309	Hops	2 277 000.00
	08020310	Public and private storage measures	34 331 704.90
	Subtotal		
	08029901	Completion of previous measures under the "European Agricultural Guarantee Fund (EAGF)" – Shared management	2 596 297
ABB 02 Total Shared Management			2 505 328 860
ABB 02 Total Direct Management		Promotion measures - Direct payments by the Union	0
ABB 02 Grand Total			2 505 328 860

Table: Annex 7 – 3.1.2-1

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

The assurance of the Director-General is drawn from the various levels of management and control that are in place and the results, which can be obtained from them. ABB02 is characterised by a number of very diverse measures some of which incur very limited expenditure and some of which are applicable in a limited number of Member States only. The various market measures are completely different from each other with their own distinct control systems, implemented for certain schemes at national level in Member States. Control statistics for 2021 applied to 94.12% of expenditure, which is an increase compared to financial year 2020 when control statistics applied to 85.28% of the expenditure due to temporary measures

In financial year 2021, temporary exceptional aid amounting to EUR 2.687 million was paid for the cheese sector (see section 3.1.9) and for the wine sector, namely crisis wine storage and crisis wine distillation (see section 3.1.5). For these temporary exceptional measures, the control statistics are not required by the Regulations and therefore are not available.

Based on the above mentioned characteristics of the market measures, there is not enough data at Paying Agency level of a sufficiently broad, comprehensive and representative nature to allow the calculation of an adjusted error rate at individual Paying Agency level. DG AGRI therefore continues to deviate from the methodology used for ABB03 and ABB04 as set out in its Materiality Criteria in Annex 5 of this report. It does intend however to adhere as closely as possible to the principles set out in that Annex and to diverge only where technically necessary. Where statistics exist, an adjusted error rate has been calculated for the measure concerned.

The approach taken by DG AGRI, therefore, was to examine the situation for the largest spending measures and for all measures for which it had statistical data. A qualitative

approach was taken on a measure-by-measure basis for the main expenditure items. This approach was differentiated depending on the information available for each scheme.

- (i) Where statistics existed, along with a meaningful extent of other audit opinions (from Certification Bodies, DG AGRI audits, ECA assessment) an adjusted error rate was estimated at scheme level.

With regard to using the opinion of the Certification Bodies, the situation is more complex for market measures than for ABB03 and ABB04 in view of the relatively low expenditure in ABB02 and at the same time the number, range and heterogeneity of the market measures. DG AGRI's assurance assessment is carried out at the level of individual measures whereas the Certification Bodies give an opinion based on the entire population (EAGF Non-IACS).

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

- (ii) Where it was not possible to adjust the error rate based on audit opinions, DG AGRI examined the control environment for each scheme, as reported on DG AGRI's audit response over the preceding years as well as any other audit evidence, notably from ECA and from the Certification Bodies. The professional audit judgement of the DG AGRI auditors was sought on a measure-by-measure basis, as to the assurance that could be given to the Director-General as well as to give an assessment of the maximum amount of the expenditure, which might be at risk.
- (iii) For those measures for which there was neither statistical nor audit information available, the average adjusted error rate resulting from the examination at points (i) and (ii) was extrapolated in order to assess the risk. For 2021, this was necessary in respect of around 0.94% of expenditure for the ABB, mainly in respect of temporary exceptional measures for wine (see section 3.1.5) and temporary exceptional measures for cheese storage (see section 3.1.9).

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

3.1.4 Fruit and Vegetables Sector

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

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

In 2021, the expenditure under this measure amounted to EUR 891.431 million.

Article 54, point (b) of Regulation (EU) 2017/891 obliges Member States to submit to the Commission by 15 November of each year an annual report on the implementation of financial accounting controls and other checks on producer organisations' operational programmes.

The statistical reports received concern operational programme (OP) expenditure incurred in financial year 2021 in respect of operational year 2020. The level of error detected by the Member States was 0.88 % with rates above 2% reported by a number of Member States.

DG AGRI audits on OPs of producer organisations carried out between 2019 and 2021 identified both recognition criteria issues and control deficiencies for a number of Member States. The auditors considered that the error rates reported by some of these Member States did not fully reflect the irregular spending as the management and control systems would not have detected them. In order, therefore, to compensate for uncertainties with regard to the assurance that can be taken from the Member States' reported data, DG AGRI auditors reviewed all available data, in particular the result of the Certification Body audits and DG AGRI's own audit in order to come to a conclusion based on their professional audit judgment on what was the likely extent of understatement in the error reported and (in line with the principles set out in step 3 of DG AGRI's materiality criteria – see Annex 5 to this AAR), have adjusted the error rates concerned.

In 2021, DG AGRI carried out audits of the Czech Republic, Germany (DE07 - Brandenburg and Berlin), Finland and Ireland to verify the work of the Certification Body. These audits resulted in observations for the Certification Bodies and the Paying Agencies.

In 2021, two desk audits were also launched (Portugal and the United Kingdom).

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

In the case of France where both DG AGRI and the Certification Body had detected the same deficiencies, the estimated amount at risk following DG AGRI enquiry has been re-assessed in order to take into account a larger scope in the findings identified by the Certification Body.

DG AGRI's adjustments (Czech Republic, Germany, Spain, Finland, France, Croatia, Ireland, Italy, The Netherlands and Portugal) to the reported error rates (resulting from the assessments of the Certification Bodies and/or its own audit findings) and their impact on the amounts at risk are summarised in the following table:

Fruit and Vegetables - Operational Programmes for Producer Organisations								
Calculation of adjusted Error Rate and Amount at Risk								
Member State	Aid paid for OPs in 2021 EUR	% of claims checked OTS	reported error rate	adjustment	amount at risk if no top-up EUR	amount at risk for top-up EUR	adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g)=(b)*(e)	(h) = (f+g)/b	(i) = (f) +(g)
AT	6 858 658	41.0%	1.13%		45 707	-	0.67%	45 707
BE	54 116 976	11.2%	0.02%		11 778	-	0.02%	11 778
BG	540 412	100.0%	0.01%		-	-	-	-
CY	341 052	100.0%	0.62%		-	-	-	-
CZ	4 378 867	16.4%	2.68%	10.00%	98 102	437 887	12.24%	535 989
DE	57 804 579	65.2%	5.81%	1.04%	1 167 763	600 124	3.06%	1 767 887
DK	5 124 196	57.0%	0.01%		145	-	0.00%	145
ES	282 214 423	27.5%	2.48%	1.85%	5 072 763	5 225 149	3.65%	10 297 912
FI	3 504 869	62.6%	-	5.00%	-	175 243	5.00%	175 243
FR	125 808 779	11.8%	1.07%	5.00%	1 185 916	6 290 439	5.94%	7 476 355
GR	9 231 860	33.3%	-	0.33%	-	30 570	0.33%	30 570
HR	34 212	-	-	24.60%	-	8 416	24.60%	8 416
HU	5 290 605	26.2%	0.14%		5 312	-	0.10%	5 312
IE	3 617 300	85.5%	9.43%	7.00%	49 576	253 211	8.37%	302 787
IT	263 831 054	26.7%	0.37%	2.16%	722 463	5 711 683	2.44%	6 434 146
LT	228 238	-	-		-	-	-	-
LV	737 822	100.0%	0.10%		-	-	-	-
NL	41 542 642	26.1%	0.00%	0.46%	1 528	190 350	0.46%	191 878
PL	3 776 391	24.8%	0.67%		18 931	-	0.50%	18 931
PT	12 917 394	22.5%	2.82%	0.12%	282 399	15 336	2.30%	297 734
RO	807 600	100.0%	0.21%		-	-	-	-
SE	5 570 051	49.3%	6.77%		191 144	-	3.43%	191 144
SK	3 153 319	100.0%	0.49%		-	-	-	-
Grand Total	891 431 300	27.60%	1.57%		8 853 525	18 938 408	3.12%	27 791 933

Table: Annex 7 – 3.1.4.1.-1

The following summary sets out for the **Operational Programmes for Producer Organisations**, for all cases where the adjusted error rate is above 2%, the reasons which led to DG AGRI making top-ups to the reported error rates. In each case, it is assessed whether it is necessary to make a reservation and if so, an indication is given of the follow-up action required. It is noted that the error rates reported by all Member States are inflated to an unknown extent by the results of the administrative checks, which are carried out on all files.

Member State	Adjusted error rate	Amount at risk	Reasons for top-up (by audit unit)	Reservation	Mitigating factors/reservation follow up
CZ	12.24%	EUR 0.536 Million	A DG AGRI audit in 2021 identified deficiencies in the administrative checks to establish the eligibility of operational programmes.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

DE	3.06%	EUR 1.768 million	<p>A DG AGRI audit in 2021 identified deficiencies in the administrative checks to establish the eligibility of operational programmes.</p> <p>In addition, the Member State reported an error rate above materiality.</p> <p>In addition, based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.</p>	Yes	<p>A reservation is entered in respect of 2021 expenditure.</p> <p>The Certification Body will follow the remedial actions being taken by the German authorities. Including addressing the high error rate.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
ES	3.65%	EUR 10.298 million	<p>A DG AGRI audit in 2020 identified weaknesses in the administrative checks verifying the soundness of the estimates</p> <p>In addition, based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.</p>	Yes	<p>A reservation is entered in respect of 2021 expenditure.</p> <p>The Certification Body will follow up the correct implementation of the remedial actions by the Spanish authorities addressing the Certification Body's findings.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
FI	5.00%	EUR 0.175 million	<p>A DG AGRI audit in 2021 identified weaknesses in the administrative checks to establish eligibility of operational programmes, and verifying the soundness of the estimates and the consistency of the actions, and the on-the-spot checks (OTSC) of sufficient quality.</p>	No	<p>As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
FR	5.94%	EUR 7.476 million	<p>Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.</p> <p>This adjustment includes the weakness identified in 2020 by a DG AGRI audit that relates to weaknesses in the administrative checks verifying the calculation of specific costs.</p>	Yes	<p>A reservation is entered in respect of 2021 expenditure.</p> <p>The Member State should finalize the remedial action being taken, i.e. the review and update of the studies supporting the calculation of specific costs.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
HR	24.60%	EUR 0.008 million	<p>Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.</p>	No	<p>As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required.</p>
IE	8.37%	EUR 0.303 million	<p>A DG AGRI audit in 2021 identified deficiencies in the administrative checks for the approval of the Operational Programme..</p> <p>In addition, the same audit found deficiencies in the calculation of conventional costs and standard unit costs for outsourced actions, and the calculation of the value marketed production (VMP)..</p>	No	<p>As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
IT	2.44%	EUR 6.434 million	<p>A DG AGRI audit in 2020 identified deficiencies in the administrative checks to establish the eligibility of operational programmes, and in the technical quality and consistency of estimates in AGEA (IT01).</p> <p>In addition, the same audit found deficiencies in the administrative checks to establish the eligibility of operational programmes for the</p>	Yes	<p>A reservation is entered in respect of 2021 expenditure.</p> <p>The Member State should continue to implement the action plan addressing the deficiencies identified by DG AGRI.</p> <p>A conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>

			whole Italy.		
PT	2.30%	EUR 0.298 million	The Member State has reported a high error rate above the materiality level. 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 <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The Member State should address the underlying causes of the high reported error rate.
SE	3.43%	EUR 0.191 million	The Member State has reported a high error rate above the materiality level.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The Member State should address the underlying causes of the high reported error rate.

Table: Annex 7 – 3.1.4.1-2

Conclusions for the Fruit and Vegetables sector

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

The table below summarises the data, which are set out in detail above, and indicates that four reservations are required in respect of four Member States for a total amount of EUR 25.976 million. The total amount at risk in the 2021 expenditure is estimated at EUR 27 791 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	891 431 300	3.12%	DE	1 767 887	27 791 933
			ES	10 297 912	
			FR	7 476 355	
			IT	6 434 146	
Total OPPO				25 976 300	
Grand Total	891 431 300	3.12%		25 976 300	27 791 933

Table: Annex 7 – 3.1.4.3-3

The 2020 reservations for **operational programmes for producer organisations** for Germany and Italy are carried over. For Czech Republic, Finland, Croatia, Ireland, Portugal and Sweden as the amount at risk is below the *de minimis* threshold of EUR 1 million, there is no reservation.

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

3.1.5 Wine sector

The common organisation of the wine market is aimed essentially at improving the competitiveness of EU wine producers and balancing supply and demand in the wine sector. Each Member State sets up a national support programme, defining the measures and budgets that are best adapted to its particular situation. The most significant measures, in financial terms, have been restructuring and conversion of vineyards; investments; promotion on third country markets and information within the EU; by-product distillation and harvest insurance. Regulations (EU) No 1149/2016 and (EU) No 1150/2016 have extended the obligation for the Member States to report on the controls carried out for all wine measures (with the exception of the very small amounts under other measures for the wine-growing sector).

In 2021, the expenditure under this measure for which control statistics were available amounted to EUR 965.953 million:

Expenditure by Measure in 2021 - Wine measure with control statistics							
Member State	Restructuring and Conversion of Vineyards	Investment	Promotion in Third Countries and Information in EU	By-product distillation	Harvest Insurance	Green harvesting	Total Wine
AT	4 365 162	7 375 387	1 086 332	-	-	-	12 826 881
BE	-	-	-	-	-	-	-
BG	5 269 812	5 316 017	42 089	-	149 750	483 669	11 261 337
CY	2 432 112	737 091	-	-	-	1 295 796	4 465 000
CZ	2 584 842	2 216 432	-	-	-	-	4 801 274
DE	15 557 175	13 007 567	3 109 351	-	3 535 906	-	35 209 999
DK	-	-	-	-	-	-	-
EE	-	-	-	-	-	-	-
ES	64 144 017	53 491 491	43 832 645	35 425 689	-	4 466 434	201 360 275
FI	-	-	-	-	-	-	-
FR	103 188 692	80 127 715	39 009 129	34 501 053	-	-	256 826 589
GR	8 766 858	3 600 005	1 755 790	-	-	1 362 917	15 485 571
HR	3 451 624	4 649 509	14 477	-	-	-	8 115 610
HU	10 559 201	3 904 494	445 763	1 366 300	-	214 772	16 490 530
IE	-	-	-	-	-	-	-
IT	102 622 065	96 197 125	94 596 003	21 497 330	770	87 066	314 998 820
LT	-	-	-	-	-	-	-
LU	-	-	-	-	-	-	-
LV	-	-	-	-	-	-	-
MT	-	-	-	-	-	-	-
NL	-	-	-	-	-	-	-
PL	-	-	-	-	-	-	-
PT	43 406 334	-	2 688 266	2 730 026	4 195 437	-	53 020 063
RO	15 940 544	5 177 304	23 840	-	507 048	456 164	22 104 900
SE	-	-	-	-	-	-	-
SI	3 535 086	-	443 466	-	-	120 448	4 099 000
SK	4 013 393	343 599	121 341	-	408 344	-	4 886 676
Grand Total	389 836 917	276 143 736	187 168 493	95 520 397	8 795 715	8 487 266	965 952 525

Table: Annex 7 – 3.1.5-1

Due to the significant disturbance of the wine markets throughout the European Union following the COVID-19 pandemic, the high level of wine stocks and the import tariffs imposed by the United States of America, Regulation (EU) 2020/592 introduced in 2020

temporary exceptional measures for wine sector, namely crisis wine storage and crisis wine distillation. These temporary exceptional measures aim to remove wine from the market and help to manage progressively a return to a more economically viable market situation. Regulation (EU) 2021/95 extended these exceptional measures to 2021.

As they are exceptional no control statistics are required for these crisis measures.

This is the reason why a total of EUR 63.800 million was paid for wine measures for which no control statistics were available (last year EUR 271.7 million was paid).

Expenditure by Measure in 2021 - Wine measures with no control statistics

Member State	Crisis storage of wine	Crisis distillation	Total Wine no statistics
AT			-
BE			-
BG	7 214 503		7 214 503
CY			-
CZ			-
DE			-
DK			-
EE			-
ES	- 1 823	-	1 823
FI			-
FR	12 839 222	- 37 811	12 801 411
GR		5 434 039	5 434 039
HR	767 179	1 512 203	2 279 382
HU		2 198 150	2 198 150
IE			-
IT		395 649	395 649
LT			-
LU			-
LV			-
MT			-
NL			-
PL			-
PT	11 866	9 638 070	9 649 937
RO	106 541	22 972 705	23 079 246
SE			-
SI	49 466	700 533	749 999
SK			-
Grand Total	20 986 955	42 813 538	63 800 493

Table: Annex 7 – 3.1.5-2

Restructuring and conversion of vineyards

Aid applications for restructuring and conversion in the wine sector are subject to 100% on-the-spot checks before 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. Following Regulation (EU) 2021/725 and due to the COVID-19 pandemic, these OTSCs could be replaced by other types of controls to be defined by Member States.

DG AGRI has carried out three audits on the measure in 2021 for Spain (ES07 - Castilla-La Mancha), Hungary and Italy (IT01 – AGEA). The most significant issue detected was related to the standard unit costs for the restructuring operations.

In addition, DG AGRI carried out two desk audits for Germany addressing issues related to the quality of OTSCs and the correct use of the increase of aid intensity.

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). Investment measures require a 100% control on-the-spot prior to payment. Following Regulation (EU) 2021/725 and due to the COVID pandemic, these OTSCs could be replaced by other types of controls to be defined by Member States.

In 2019-2021, DG AGRI carried out one audit (IT05 –AVEPA) that did not result in any finding.

Promotion on third country markets

A 100% administrative check is carried out by the Member States in order to detect ineligible costs, complemented by on-the-spot checks covering at least 5% of the total expenditure. Following Regulation (EU) 2021/725 and due to the COVID-19 pandemic, these OTSCs could be replaced by other types of controls to be defined by Member States.

In 2021, DG AGRI audited Spain (ES15 – País Vasco) and Romania. The most significant issues detected related to the verification of the implementation of the promotional activities and the checks for ensuring the reasonableness of the costs.

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 EU wine market. This measure requires a 100% control on-the-spot prior to payment. Following Regulation (EU) 2021/725 and due to the COVID-19 pandemic, these on-the-spot controls could be replaced by other types of controls to be defined by Member States.

In 2021, 8 Member States implemented this measure and DG AGRI carried out one audit (Hungary). The most significant issues detected related to the standard unit costs.

By-product distillation

By-product distillation is a simple measure. Member States can decide that the wine producer should bring the by-products ("must" and "lies") to a distillery. By-products should

be removed from the market in order to avoid that (low quality) wine can be produced from it.

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

In 2021, DG AGRI carried out one audit covering this measure for Spain (ES14 – Navarra).

Harvest Insurance

Harvest insurance is another simple measure. Wine producers can claim up to 80% of the cost of their insurance policy. This requires a straightforward administrative control. On top of that, the aid amount is capped by a maximum insurance premium and a maximum insured value of the harvest.

Other wine measures

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

Crisis measures

The measures wine crisis distillation and wine crisis storage were approved in May 2020¹²⁹ and prolonged to 2021 in January 2021¹³⁰. In 2021 DG AGRI carried out two audits covering this measure (France and Romania).

3.1.5.1 Conclusion for the wine sector

For the wine sector, based on the audits carried out, DG AGRI found that there was some risks with regard to restructuring and conversion measures in Spain, France, Hungary, Italy, Portugal and Slovakia, deficiencies in the checks for investment measures for wine in Austria, weakness in the wine crisis distillation in Hungary as well as deficiencies in the checks for wine promotion in third countries in Spain. DG AGRI auditors have therefore used their professional audit judgment to propose adjustments to the error rates reported (i.e. restructuring and conversion, investment measures). Please see table 3.1.5.1-1 below.

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

¹²⁹ Article 219(1) of Regulation (EU) No 1308/2013; Articles 3 and 4 of Regulation (EU) 2020/592 and Regulation (EU) 2020/1275.

¹³⁰ Article 1 of Regulation (EU) 2021/95.

Wine - 2021 Expenditure - National Support Programme
Calculation of Adjusted Error Rate and Amount at Risk

Member State	Aid claimed in 2016	Aid paid in 2021	% of claims checked OTS	Reported error rate	Adjustment	Amount at risk if no top-up	Amount at risk for top-up	Adjusted error rate	Total amount at risk
	EUR	EUR				EUR	EUR		EUR
(a)		(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g) = (b)*(e)	(h) = (f+g)/b	(i) = (f) + (g)
AT		12 826 881	100.00%	0.38%	1.52%		195 012	1.52%	195 012
BG		11 261 337	98.35%	1.38%	0.23%	18 214	29 888	0.43%	48 103
CY		4 465 000	100.00%	0.64%	0.39%	-	17 352	0.39%	17 352
CZ		4 801 274	100.00%	3.41%	-	-	-	-	-
DE		35 209 999	88.81%	0.95%	0.56%	-	197 904	0.56%	197 904
ES		201 360 275	76.52%	0.66%	1.89%	856	4 116 669	2.04%	4 117 525
FR		256 826 589	82.15%	3.29%	1.10%	-	2 831 834	1.10%	2 831 834
GR		15 485 571	88.66%	0.24%	-	-	-	-	-
HR		8 115 610	99.83%	0.33%	0.00%	-	379	0.00%	379
HU		16 490 530	99.11%	8.09%	6.53%	-	1 077 397	6.53%	1 077 397
IT		314 998 820	77.78%	0.50%	0.98%	-	3 078 662	0.98%	3 078 662
PT		53 020 063	85.70%	6.19%	0.69%	-	384 198	0.72%	384 198
RO		22 104 900	97.71%	3.04%	-	505 729	-	2.29%	505 729
SI		4 099 000	89.72%	0.20%	-	-	-	-	-
SK		4 886 676	89.16%	-	8.80%	-	430 121	8.80%	430 121
Grand Total	-	965 952 525	81.6%	1.81%		524 800	12 359 416	1.33%	12 884 216

Table: Annex 7 – 3.1.5.1-1

The above table indicates that the adjusted error rate for the national support programme for the wine sector is 1.33%, which represents a total amount at risk in the 2021 expenditure of EUR 12.884 million.

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

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/Reservation follow-up
ES	2.04%	EUR 4.117 million	A DG AGRI audit in 2021 identified late payments affecting wine restructuring and conversion of vineyards as well as weaknesses in the administrative checks concerning wine promotion to third countries. In addition, based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State for the measures.	Yes	A reservation is entered in respect of 2021 expenditure. The Member State should implement an action plan addressing the deficiencies identified by DG AGRI and the Certification Bodies and the issues with late payments. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
HU	6.53%	EUR 1.077 million	A DG AGRI audit in 2021 identified deficiencies in wine restructuring and wine green harvesting concerning the administrative checks defining the standard scales of unit costs and deficiencies on the implementation of the actions. In addition, the Member State reported an error rate above	Yes	A reservation is entered in respect of 2021 expenditure. The Member State should implement an action plan addressing the deficiencies identified by DG AGRI and the underlying causes of the high error rate. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

			materiality.		
RO	2.29%	EUR 0.508 million	The Member State reported an error rate above materiality	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The Member State should address the underlying causes of the high reported error rate.
SK	8.80%	EUR 0.430 million	A DG AGRI audit in 2020 identified deficiencies in wine restructuring concerning the administrative checks carried out for ensuring the reasonableness of the costs.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 7 – 3.1.5.1-2

Wine - 2021 Expenditure - Crisis measures and Measures outside the National Support Programme

Calculation of Adjusted Error Rate and Amount at Risk

Member State	Aid paid in 2021	% of claims checked OTS	Reported error rate	Adjustment	Amount at risk if no top-up	Amount at risk for top-up	Adjusted error rate	Total amount at risk
	EUR				EUR	EUR		EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g) = (b)*(e)	(h) = (f+g)/b	(i) = (f) + ((g))
BG	7 214 503	NA	NA	0.00%		160	0.00%	160
ES	1 823	NA	NA			-	-	-
FR	12 801 411	NA	NA			-	-	-
GR	5 434 039	NA	NA			-	-	-
HR	2 279 382	NA	NA			-	-	-
HU	2 198 150	NA	NA			-	-	-
IT	395 649	NA	NA			-	-	-
PT	9 649 937	NA	NA			-	-	-
RO	23 079 246	NA	NA	10.00%		2 307 925	10.00%	2 307 925
SI	749 999	NA	NA			-	-	-
Grand Total	63 800 493				-	2 308 085	3.62%	2 308 085

Table: Annex 7 – 3.1.5.1-3

The above table indicates that the adjusted error rate for the temporary exceptional measures for wine sector (crisis wine storage and crisis wine distillation) is 3.62%, which represents a total amount at risk in the 2021 expenditure of EUR 2.308 million.

The Certification Body has found errors in respect of Bulgaria.

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

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/Reservation follow-up
RO	10.00%	EUR 2.308 million	A DG AGRI audit in 2021 identified deficiencies in wine distillation concerning the administrative checks setting up of price for wine distillation, possible creation of artificial conditions to receive the aid, and the price paid to distillers.	Yes	A reservation is entered in respect of 2021 expenditure. Due to the temporary nature of the measure, no remedial actions are required at this stage. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 7 – 3.1.5.1-4

3.1.6 Olive oil

In 2021, the expenditure under this scheme, which is implemented only by three Member States (France, Greece and Italy) amounted to EUR 57.553 million.

The table below indicates that the reported error rate for the olive oil sector is 0.07%.

Olive oil Work Programme Calculation of adjusted Error Rate and Amount at Risk								
Member State	Aid paid in 2021 EUR	% of claims checked OTS	reported error rate	adjustment	amount at risk if no top-up EUR	amount at risk for top-up EUR	adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g)= (b)*(e)	(h) = (f+g)/b	(i) = (f) +(g)
FR	508 742	100.00%	1.40%		-	-	-	-
GR	2 760 761	100.00%	1.26%		-	-	-	-
IT	54 283 759	100.00%	0.00%		-	-	-	-
Grand Total	57 553 262	100.00%	0.07%	-	-	-	-	-

Table: Annex 7 – 3.1.6-1

3.1.7 EU School Scheme

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

Article 9 of Regulation (EU) 2017/40 requires Member States to report on the School Scheme control statistics.

DG AGRI audits carried out in 2021 identified control deficiencies for Hungary, Luxembourg, and Sweden and have led to adjustments for these Member States while further adjustments were made based on audit enquiries carried out in 2019 and 2020 for Romania, Spain and Slovakia. An adjustment was also made based on a follow-up desk audit for Poland.

For Austria, Belgium, Germany, Malta, The Netherlands and Romania errors have been reported by the respective Certification Bodies for 2021 and DG AGRI has included them in the amount at risk.

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

School scheme - Calculation of adjusted Error Rate and Amount at Risk								
Member State	Aid paid in 2021 EUR	% of claims checked OTS	reported error rate	adjustment	amount at risk if no top-up EUR	amount at risk for top-up EUR	adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	f) = b*(1-c)*d	(g)= (b)*(e)	(h) = (f+g)/b	(i) = (f) +((g)
AT	2 398 376	46.43%	0.10%	1.11%	1 285	26 570	1.16%	27 856
BE	2 143 937	16.49%	0.80%	0.68%	14 344	14 626	1.35%	28 969
BG	3 668 112	5.99%	0.40%		13 733	-	0.37%	13 733
CY	408 284	17.17%	0.00%		-	-	-	-
CZ	6 655 345	29.61%	0.00%		-	-	-	-
DE	26 603 092	29.78%	0.09%	0.10%	16 437	27 270	0.16%	43 707
DK	2 725 021	36.76%	0.28%		4 763	-	0.17%	4 763
EE	1 505 718	14.43%	0.49%		6 322	-	0.42%	6 322
ES	14 127 925	79.82%	0.00%	0.60%	29	85 425	0.60%	85 454
FI	4 138 090	49.08%	0.13%		2 840	-	0.07%	2 840
FR	2 346 711	1.14%	0.00%		-	-	-	-
GR	141 353	82.16%	0.00%		-	-	-	-
HR	1 324 854	28.08%	0.00%		-	-	-	-
HU	6 582 050	28.47%	0.00%	5.00%	-	329 102	5.00%	329 102
IE	2 164 040	19.00%	0.00%		-	-	-	-
IT	26 113 446	100.00%	0.04%		-	-	-	-
LT	2 172 394	83.82%	0.00%		-	-	-	-
LU	577 517	80.70%	0.00%	10.00%	-	57 752	10.00%	57 752
LV	1 483 516	17.18%	0.00%		-	-	-	-
MT	83 721	89.85%	0.23%	25.00%	19	20 930	25.02%	20 950
NL	6 613 019	99.77%	0.00%	0.01%	-	840	0.01%	840
PL	19 740 737	15.78%	0.39%	3.90%	64 819	769 171	4.22%	833 990
PT	1 583 306	6.97%	0.00%		-	-	-	-
RO	9 646 407	99.35%	0.04%	2.38%	22	229 686	2.38%	229 708
SE	7 112 824	13.25%	0.44%	10.10%	27 107	718 415	10.48%	745 522
SI	892 907	9.29%	0.00%		-	-	-	-
SK	3 296 132	52.38%	0.04%	3.00%	698	98 884	3.02%	99 582
Grand Total	156 248 835	51.12%	0.13%		151 134	2 378 670	1.62%	2 531 090

Table: Annex 7 – 3.1.7-1

The above table indicates that the adjusted error rate for the EU school scheme is 1.62% which represents a total amount at risk in the 2021 expenditure of EUR 2.531 million.

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

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/Reservation follow-up
HU	5.00%	EUR 0.329 million	A DG AGRI audit in 2021 identified deficiencies as regards the checks to establish the access to the aid and the selection of aid applicants.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
LU	10.00%	EUR 0.058 million	A DG AGRI audit in 2021 identified deficiencies in the checks to establish access to the aid, the selection of aid applicants, and in the performance of on-the-spot controls (OTSC) of sufficient quality.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
MT	25.20%	EUR 0.021 million	Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The Member State should address the issues identified by the Certification Body.
PL	4.22%	EUR 0.834 million	A DG AGRI audit in 2020 identified deficiencies as regards the checks to establish the eligibility to the aid and the checks on the reasonableness of costs for a cost-based system.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
RO	2.38%	EUR 0.230 million	A DG AGRI audit in 2020 identified deficiencies as regards the checks to establish the eligibility to the aid. 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 <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. Following the deficiencies identified by DG AGRI and reported in AAR 2020, an action plan is being implemented with remedial action addressing the deficiencies.
SE	10.48%	EUR 0.746 million	A DG AGRI audit in 2021 identified deficiencies in the checks to establish access and eligibility to the aid, and in the performance of on-the-spot controls (OTSC) of sufficient quality.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
SK	3.02%	EUR 0.010 million	A DG AGRI audit in 2020 identified deficiencies in the checks to establish the eligibility to the aid and in the performance of on-the spot-controls (OTSC) of sufficient quality.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 7 – 3.1.7-2

3.1.8 POSEI

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

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

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

Portugal: the Azores and Madeira,

Spain: the Canary Islands.

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

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

ABB02 measures fall into two categories:

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

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

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

The measures financed by POSEI are extremely diverse in terms of their scope and financial importance. The analysis of the statistics shows that the error rates for the individual actions fluctuate considerably.

DG AGRI carried out two audits covering POSEI (France – Reunion and Spain – Canary Islands) which have led to adjustments.

POSEI Market measures								
Calculation of adjusted Error Rate and Amount at Risk								
Member State	Aid paid in 2021	% of claims checked OTS	Reported error rate	Adjustment	Amount at risk if no top-up	Amount at risk for top-up	Adjusted error rate	Total amount at risk
	EUR				EUR	EUR		EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g)= (b)*(e)	(h) = (f+g)/b	(i) = (f) +(g)
ES	65 973 662	8.57%	0.43%	3.99%	266 948	2 630 425	4.39%	2 897 372
FR	125 339 364	50.64%	0.22%	1.07%	100 432	1 345 539	1.15%	1 445 971
GR	6 841 775	93.47%	-	-	-	-	-	-
PT	22 855 775	23.22%	0.19%	-	29 522	-	0.13%	29 522
Grand Total	221 010 575	36.57%	0.27%		396 902	3 975 964	1.98%	4 372 865

Table: Annex 7 – 3.1.8-1

The table above indicates that the adjusted error rate for the market measures under POSEI is 1.98%, which represents a total amount at risk in the 2021 expenditure of EUR **4.373** million.

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

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/Reservation follow-up
ES (POSEI)	4.39%	EUR 2.897 million	A DG AGRI audit in 2020 identified deficiencies in the performance of on-the-spot controls (OTSC) of sufficient quality.	Yes	A reservation is entered in respect of 2021 expenditure. Following the exchanges with the Member State in the 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.

Table: Annex 7 – 3.1.8-2

3.1.9 Temporary exceptional aid – storage – cheese and beekeeping

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

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

In financial year 2021, expenditure in this field was limited to the temporary exceptional measures for private storage of cheese under Regulation (EU) 2020/591 with expenditure amounting to EUR 2.687 million, of which EUR 90 832 are reimbursements under previous schemes. This scheme has been audited by DG AGRI in 2020 ((The Netherlands).

Temporary exceptional aid cheese storage Calculation of adjusted Error Rate and Amount at Risk								
Member State	Aid paid in 2021 EUR	% of claims checked OTS	reported error rate	adjustment	amount at risk if no top-up EUR	amount at risk for top-up EUR	adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g)= (b)*(e)	(h) = (f+g)/b	(i) = (f) +(g)
AT	10 216	NA	NA		-	-	-	-
BE	95 939	NA	NA		-	-	-	-
BG		NA	NA		-	-	-	-
CY		NA	NA		-	-	-	-
CZ		NA	NA		-	-	-	-
DE	40 260	NA	NA		-	-	-	-
DK		NA	NA		-	-	-	-
EE		NA	NA		-	-	-	-
ES	279 247	NA	NA		-	-	-	-
FI	18 744	NA	NA		-	-	-	-
FR	459 553	NA	NA		-	-	-	-
GR		NA	NA		-	-	-	-
HR		NA	NA		-	-	-	-
HU	5 945	NA	NA		-	-	-	-
IE	187 118	NA	NA		-	-	-	-
IT	807 756	NA	NA		-	-	-	-
LT	85 643	NA	NA		-	-	-	-
LU		NA	NA		-	-	-	-
LV		NA	NA		-	-	-	-
MT		NA	NA		-	-	-	-
NL	617 474	NA	NA		-	-	-	-
PL		NA	NA		-	-	-	-
PT	5 550	NA	NA		-	-	-	-
RO	4 828	NA	NA		-	-	-	-
SE	68 855	NA	NA		-	-	-	-
SI		NA	NA		-	-	-	-
SK		NA	NA		-	-	-	-
Total	2 687 129	-			-	-	-	-
Total other ABB02 measures under budget code 08 02 99	90 832							
Consolidated total ABB02 measures under budget code 08 02 99	2 596 297							

Table: Annex 7 – 3.1.9-1

Beekeeping

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

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

In financial year 2021, the expenditure amounted to EUR 46.664 million. In 2021, DG AGRI audited this scheme in Italy and Poland. No adjustments were made based on these two audits.

For Bulgaria, Spain and Malta errors were reported by the Certification Bodies in their reports for 2021 and DG AGRI has included them in the amount at risk.

Beekeeping Calculation of adjusted Error Rate and Amount at Risk								
Member State	Aid paid in 2021 EUR	% of claims checked OTS	reported error rate	adjustment	amount at risk if no top-up EUR	amount at risk for top-up EUR	adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g)= (b)*(e)	(h) = (f+g)/b	(i) = (f) +((g)
AT	1 077 453	NA	NA		-	-	-	-
BE	401 411	NA	NA		-	-	-	-
BG	1 672 074	NA	NA	12.94%	-	216 288	12.9%	216 288
CY	160 940	NA	NA		-	-	-	-
CZ	1 092 611	NA	NA		-	-	-	-
DE	1 192 538	NA	NA		-	-	-	-
DK	110 931	NA	NA		-	-	-	-
EE	90 567	NA	NA		-	-	-	-
ES	8 162 595	NA	NA	2.82%	-	229 814	2.82%	229 814
FI	141 031	NA	NA		-	-	-	-
FR	3 411 380	NA	NA		-	-	-	-
GR	5 651 725	NA	NA		-	-	-	-
HR	1 199 064	NA	NA		-	-	-	-
HU	3 580 360	NA	NA		-	-	-	-
IE	40 594	NA	NA		-	-	-	-
IT	4 338 758	NA	NA		-	-	-	-
LT	400 937	NA	NA		-	-	-	-
LU	22 223	NA	NA		-	-	-	-
LV	207 320	NA	NA		-	-	-	-
MT	13 437	NA	NA	4.23%	-	569	4.23%	569
NL	201 135	NA	NA		-	-	-	-
PL	4 007 956	NA	NA		-	-	-	-
PT	1 599 046	NA	NA		-	-	-	-
RO	6 001 624	NA	NA		-	-	-	-
SE	513 489	NA	NA		-	-	-	-
SI	500 363	NA	NA		-	-	-	-
SK	842 370	NA	NA		-	-	-	-
Grand Total	46 633 930	-			-	446 671	0.96%	446 671

Table: Annex 7 – 3.1.9-2

The table above indicates that the adjusted error rate for aid for beekeeping is 0.96%, which represents a total amount at risk in the 2021 expenditure of EUR 0.447 million.

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

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/Reservation follow-up
BG	12.9%	EUR 0.216 million	Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The Member State should address the issues identified by the Certification Body.
ES	2.82%	EUR 0.230 million	Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The Member State should address the issues identified by the Certification Body.

MT	4.23%	EUR 0.0057 million	Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The Member State should address the issues identified by the Certification Body.
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Table: Annex 7 – 3.1.9- 3

3.1.10 Promotion measures

For the promotion regime under Regulation (EU) 2015/1831 in financial year 2021, EUR 63.493 million has been paid. For this scheme Member States are required to provide control statistics.

In 2021, DG AGRI audited Spain (ES18), France (FR20), Italy (IT01), Lithuania (LT01) and Poland (PL01) and identified deficiencies mainly related to the verification of the reasonableness of the costs during administrative and on-the-spot controls. Adjustments have been applied based on these as well as on one 2020 ongoing for Greece (GR01).

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

Promotion Measures - Expenditure in 2021								
Calculation of amount at risk								
Member State	Expenditure EUR	% of claims checked OTS	Reported error rate	Adjustment	Amount at risk if no top-up EUR	Amount at risk for top-up EUR	Adjusted error rate	Total amount at risk EUR
AT	455 716	52.1%	-		-	-	-	-
BE	1 719 944	39.9%	0.11%		1 166	-	0.07%	1 166
CZ	178 448	-	-		-	-	-	-
DE	693 168	100.0%	0.70%		-	-	-	-
DK	1 791 723	51.7%	0.01%		94	-	0.01%	94
ES	11 907 401	100.0%	0.03%	5.00%	-	595 370	5.00%	595 370
FI	870 389	31.9%	0.18%		1 039	-	0.12%	1 039
FR	15 510 073	62.6%	0.02%		1 195	-	0.01%	1 195
GR	4 929 821	34.2%	1.83%	6.46%	59 506	318 691	7.67%	378 197
IE	1 924 356	82.0%	-		-	-	-	-
IT	15 958 585	100.0%	0.62%	5.00%	-	797 929	5.00%	797 929
LT	1 448 954	43.8%	-		-	-	-	-
LV	23 025	-	-		-	-	-	-
NL	1 544 762	100.0%	-	15.14%	-	233 868	15.14%	233 868
PL	3 665 251	61.7%	-	5.00%	-	183 263	5.00%	183 263
PT	58 056	-	-		-	-	-	-
RO	153 651	100.0%	-		-	-	-	-
SE	98 519	-	-		-	-	-	-
SI	561 095	65.1%	-		-	-	-	-
Grand Total	63 492 938	76.6%	0.32%		63 000	2 129 121	3.45%	2 192 122

Table: Annex 7 – 3.1.10-1

The table above indicates that the adjusted error rate for promotion under Regulation (EU) 2015/1831 is 3.45%, which represents a total amount at risk in the 2021 expenditure of EUR 2.192 million.

The following table sets out the situation for all the cases where the adjusted error rate is above 2% and the reasons which led to DG AGRI making adjustments to the reported error

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

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/Reservation follow-up
ES	5.00%	EUR 0.595 million	A DG AGRI audit in 2021 detected deficiencies in the administrative controls to establish eligibility of the aid and in the performance of on-the-spot controls (OTSC) of sufficient quality.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
GR	7.67%	EUR 0.378 million	A DG AGRI audit in 2020 detected deficiencies in the administrative controls on the selection of implementing bodies and in the performance of on-the-spot checks (OTSC) of sufficient quality.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
IT	5.00%	EUR 0.798 million	A DG AGRI audit in 2021 detected deficiencies in the administrative controls to establish eligibility of the aid and in the performance of on-the-spot controls (OTSC) of sufficient quality.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
NL	15.14%	EUR 0.234 million	Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The Member State should address the issues identified by the Certification Body.
PL	5.00%	EUR 0.183 million	A DG AGRI audit in 2021 detected deficiencies in the administrative checks to establish eligibility of the aid and in the performance of on-the-spot controls (OTSC) of sufficient quality.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 7 – 3.1.10-2

3.1.11 Conclusions as regards assurance for ABB02

As a result of the adjustments made by DG AGRI to the error rates reported by the Member States, an adjusted error rate of 2.12% has been calculated for shared management.

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

The following is a summary of all cases where a reservation is applied in respect of the various measures within ABB02. In the section dealing with each aid measure there is an explanation for those cases where a reservation was considered unnecessary (error rate

between 2% and 5% or de minimis amount at risk) and details are also given for reservations made in the 2020 AAR which are not carried over in respect of 2021.

Nine reservations from 2020 can be lifted:

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

Part C of Annex 9 provides details of the case where a reservation made in the 2020 AAR was not carried forward into the 2021 AAR due to error rates in 2021 below 2% and remedial actions taken.

Two reservations from 2020 are carried forward as the remedial action plans are still underway and the error is material:

Germany and Italy for operational programmes of producer organisations.

Six new reservations are introduced:

France and Spain for operational programmes of producer organisations;
Spain and Hungary for wine measures;
Romania for wine crisis distillation;
Spain for POSEI.

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 for 94.12% of the expenditure covering EUR 2.358 million.

For a further EUR 0.124 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 0.024 million the aggregate error rate for the other measures (2.12%) was extrapolated to the expenditure concerned.

Overall assessment of risk for ABB02 - Market Measures									
Budget item	Sector	Expenditure (1) EUR	Expenditure covered by statistics		Expenditure for which no control statistics are available				
			Expenditure(1) EUR	Risk EUR	No statistics available EUR	Measures risk assessed by auditors		ABB02 error rate applied 2.12 %	
						Expenditure(1)	Risk	Expenditure(1)	Risk
08 02 03 01	POSEI and Smaller Aegean Islands	221 010 575	221 010 575	4 372 865	-	-	-	-	-
08 02 03 02	Promotion (shared management only)	63 492 938	63 492 938	2 192 122	-	-	-	-	-
08 02 03 04	School scheme	156 248 835	156 248 835	2 531 090	-	-	-	-	-
08 02 03 05	Olive Oil	57 553 262	57 553 262	-	-	-	-	-	-
08 02 03 06	Fruit and Vegetables	891 431 300	891 431 300	27 791 933	-	-	-	-	-
08 02 03 07	Wine (2)	1 029 753 018	965 952 525	12 884 216	63 800 493	42 813 538	2 307 925	20 986 955	444 195
08 02 03 08	Apiculture	46 633 930	-	-	46 633 930	46 633 930	446 671	-	-
08 02 03 09	Hops	2 277 000	2 277 000	-	-	-	-	-	-
08 02 03 10	Public and Private storage	34 331 705	-	-	34 331 705	34 331 705	-	-	-
08 02 99	Completion of previous programmes	2 596 297	-	-	2 596 297	-	-	2 596 297	54 951
	Total	2 505 328 860	2 357 966 435	49 772 226	147 362 425	123 779 173	2 754 595	23 583 252	499 146
					Expenditure	Amount at risk	% coverage	Error rate	
Expenditure covered by control statistics					2 357 966 435	49 772 226	94.12%		
Expenditure for which there are no statistics but for which risk assessment carried out					123 779 173	2 754 595	4.94%		
Risk for expenditure covered by statistics and by risk assessment					2 481 745 608	52 526 821	99.06%		
*Error rate used on expenditure covered by statistics and risk assessed									2.12%
Extrapolated risk for non-risk assessed expenditure					23 583 252	499 146			
ABB02 - shared management - monthly declaration					2 505 328 860	53 025 967			
ABB02 - shared management - payments made					2 505 328 860	53 025 967			2.12%
ABB02 - direct management - payments made on Promotion measures - direct payments by the Union						-			
Total ABB 02 - payments made					2 505 328 860	53 025 967			2.12%

Footnote: ⁽¹⁾ Monthly declaration of expenditure affected by Paying Agencies.
⁽²⁾ There are still payments and reimbursements made to Member States for measures from previous claim years. No control statistics are available on these measures, hence the average error rate is applied only on payments made but not on reimbursements.

Table: Annex 7 – 3.1.11-1

Overall, the adjustments made resulted in the reported error rate of 0.44% increasing to 2.12% for ABB02. The adjusted error rate has slightly decreased from the error rate of 2.43% for 2020 (and 2.75% for 2019).

The total amount at risk for ABB02 is EUR 53.03 million with an error rate of 2.12%.

It is noted that the average amount of net financial corrections per year for the three-year period 2019-2021 (excluding corrections made for cross-compliance and no longer existing schemes) is EUR 38.34million for ABB02¹³¹.

¹³¹ See sub-section 2.1.1.3.1 of the main body of the report on "corrective capacity". No information is given on the corrective capacity, which derives from recoveries as this is not split by ABB activity and is available only at Funds level.

3.2 ABB03 – Direct Payments

Index for Part 3.2 – ABB03: Direct Payments

3.2.1 Introduction

3.2.2 ABB03 Expenditure

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

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

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

3.2.6 Conclusions as regards assurance for ABB03

3.2.1 Introduction

With a yearly budget of more than EUR 37 billion, Direct payments (also called direct aids, direct support, area aids and animal premia) represent the most significant part of the CAP budget and a substantial part of the EU budget¹³².

Direct payments benefited approximately 6 million farms throughout the European Union in financial year 2021¹³³. They often represent an important share of their agricultural income (on average, nearly 25% of farmers' income in the last ten years came from this direct support).

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

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

- ⇒ a 'green' direct payment for agricultural practices beneficial for the climate and the environment, which conditions the payment of 30% Member States' annual allocation to meeting three categories of generalised, non-contractual and annual obligations beneficial for the environment and climate: crop diversification, maintenance of permanent grassland, and the dedication of five per cent of arable land to ecologically beneficial areas ("ecological focus areas") 79% of the total EU agricultural area is subject to at least one "greening" obligation¹³⁴.
- ⇒ a payment to young farmers, a top-up payment added to the basic payment – which is also obligatory in every Member State. It is granted for a maximum of five years from the moment a young farmer takes over as the head of a farm holding. This payment can account for up to 2% of total direct payment national allocations.
- ⇒ (where applied) a redistributive payment to provide improved support to small and middle-size farms. Under this scheme, Member States may allocate up to 30% of their national budget to a top-up payment for the first eligible hectares. The number of hectares for which this payment can be allocated is limited to a threshold set by

¹³² As of 1 February 2020, the United Kingdom is no longer a member of the European Union. In accordance with Article 137 (1) second subparagraph of the Withdrawal Agreement between the EU and the UK, from claim year 2020 (financial year 2021) the EU direct payment and market measures legislation does not apply to the UK, consequently there are no payments made from the EU budget (except reimbursement of financial discipline). However, the EU rural development legislation continues to apply to the UK for financial year 2021.

¹³³ [summary-report-implementation-direct-payments-claim-2019.pdf \(europa.eu\)](#)

¹³⁴ Data source: 2020 notifications from Member States.

national authorities (30 hectares or the average farm size in Member States if the latter is more than 30 hectares). The amount per hectare is the same for all farmers in the country where it is applied, and cannot exceed 65% of the average payment per hectare.

- ⇒ (where applied) payments for areas with natural constraints (ANC), where farming conditions are particularly difficult, such as mountain areas. Under this scheme, up to 5% of the national allocation for direct payments can be used for top-up payments to farmers in areas with natural constraints – an option applied at present only by Denmark as from 2015, and Slovenia as from 2017.
- ⇒ (where applied) a small farmers' scheme, a simplified scheme for small farmers replacing the other schemes. It is a simplified direct payment scheme granting a one-off payment to farmers who choose to participate. The maximum level of the payment is decided at the national level, but in any case may not exceed EUR 1 250. The small farmers' scheme includes simplified administrative procedures, and participating farmers are exempt from greening obligations and cross-compliance sanctions and controls.
- ⇒ and (where applied) voluntary support coupled to production (VCS) to help certain sectors undergoing difficulties. Under this scheme, Member States may continue to link (or couple) a limited amount of direct payments to certain products. VCS is a production-limiting scheme, which aims at supporting regions or sectors where specific types of farming or specific agricultural sectors, that are particularly important for economic, social or environmental reasons, undergo difficulties. This option was applied by 26 Member States (not Germany) out of the 27 Member States in 2021.

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

Active farmer

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

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

The key element of the active farmer provision is a negative list of businesses/activities, which includes persons operating airports, waterworks, real estate services, railway services and permanent sport and recreational grounds. Generally speaking, entities with activities on the negative list are usually not 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.

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

From claim year 2018 and onwards (i.e. payments from financial year 2019), the Omnibus amendment¹³⁵ of Regulation (EU) No 1307/2013 published on 29/12/2017 gives the Member States the option to decide not to apply anymore the “negative list” or (in case they decide to keep the “negative list”) to reduce the number of rebuttal tests to two or one.

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

- More than half of Member States, namely: Austria, Cyprus, Czech Republic, Denmark, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, The Netherlands, Poland, Portugal, Slovakia, Sweden, decided to stop implementing the negative list from claim year 2018. Moreover, Estonia and Finland discontinued applying it from claim year 2019 (financial year 2020).
- Belgium, Bulgaria, Croatia, Ireland, Malta, Romania, Spain and Slovenia continued applying the principle of the negative list for claim year 2019 (to be noted that such decision may also be reviewed after 2018). However, Slovenia and Belgium-Wallonia decided to reduce the number of criteria available to farmers falling under the negative list to demonstrate that they are active farmers.
- Greece and The Netherlands, despite having decided to stop applying the negative list, continued applying the option to consider active farmers only those farmers whose agricultural activity is not insignificant or whose principal activity or company objective consists of exercising an agricultural activity.
- Finally, two Member States, namely Italy and Romania, decided to apply the option to consider inactive those farmers who are not registered for their agricultural activity in a national fiscal or social security register.

Explanatory box: Annex 7 – 3.2.1-1

¹³⁵ Regulation (EU) 2017/2393 of the European Parliament and of the Council of 13 December 2017.

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

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

As a result of the current system:

- The distribution of payments is more balanced due to external and internal convergence: DG AGRI data show that the average direct payments per hectare are converging (at Member State and farmer levels).
- The payments are better targeted, addressing the particular needs of young farmers, smaller farmers and specific sectors or regions with certain difficulties.

Payment Entitlements

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

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

In 2015, the first year of implementation of the BPS, eligible farmers were allocated Payment Entitlements (referred to here as entitlements). As a general rule, each eligible hectare gave right to one entitlement. However, Member States could apply limitations on the total number of entitlements that could be allocated to one farmer. Further, generally, all entitlements allocated to a farmer have the same value. However, Member States could opt for a regionalized approach establishing differences in the value of entitlements between regions. Furthermore, differences in the value of entitlements could exist between farmers, if a Member State opted for taking into account historical factors. In such case, the past level of direct payments to the individual farmer was taken into account or the value of the entitlements they possessed under the previous direct payments regime. This option should serve to avoiding in 2015 too abrupt disruptions in the farmer's level of support due to the CAP reform. However, since one of the objectives of the 2013 CAP reform was to move away from these historical references, Member States taking this approach had to progressively reduce the differences in the values of entitlements and bring these values to (or closer to) the average by 2019, applicable to their whole territory, the so called conversion.

A further change since 2015 is that young farmers and new entrants are allocated preferentially entitlements stemming from the national reserve. The actual payment is

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

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

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

A further retro-active amnesty applies to specific entitlements. Under Article 24(6) of Regulation (EU) No 1307/2013, Member States were given the option to apply for the allocation of entitlements a reduction coefficient to eligible hectares consisting of permanent grassland located in areas with difficult climate conditions. This, as alpine pastures are often managed collectively and further assigned on a yearly basis, thus creating a significant degree of uncertainty amongst farmers in the Member States concerned. The implementation of that system has proven to be particularly complex, especially with regard to the exact definition of the areas concerned. Since also the value of entitlements in areas where the reduction coefficient is not applied depends on the sum of the entitlements in the designated areas, that uncertainty subsequently affected all farmers in the Member States concerned. To stabilise the system currently applied in those Member States, and with a view to ensuring legal certainty for all farmers in the Member States concerned as early as possible, the Member States concerned are able to consider retroactively legal and regular the value and number of all entitlements allocated to all farmers before 1 January 2020. The value of those entitlements shall, without prejudice to any legal remedies open to individual beneficiaries, be the value for calendar year 2019 valid on 31 December 2019, see Article 5(2) of Regulation (EU) 2020/2220.

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

Explanatory box: Annex 7 – 3.2.1-2

3.2.2 ABB03 Expenditure

ABB03 expenditure in financial year 2021 was as follows:

Expenditure reimbursed by DG AGRI to the Member States in 2021		
Budget item	Measure	Totals (EUR)
080205	Direct payments outside the CAP Strategic Plans	37 920 140 714
08020501	POSEI and Smaller Aegean Islands (direct payments)	431 411 834.38
08020502	Single area payment scheme (SAPS)	4 362 467 425.21
08020503	Redistributive payment	1 597 661 857.17
08020504	Basic payment scheme (BPS)	14 812 447 924.03
08020505	Payment for agricultural practices beneficial for the climate and the environment	10 775 718 033.04
08020506	Payment for farmers in areas with natural constraints	4 642 046.02
08020507	Payment for young farmers	484 042 457.19
08020508	Crop-specific payment for cotton	240 757 973.22
08020509	Voluntary coupled support scheme	4 015 041 673.82
08020510	Small farmers scheme	726 302 205.12
08020512	Reimbursement of direct payments to farmers from appropriations carried-over in relation to financial discipline	469 647 285.27
080299	Completion of previous programmes and activities	466 975
08029901	Completion of previous measures under the "European Agricultural Guarantee Fund (EAGF)" – Shared management	
ABB 03 Total		37 920 607 689

Table: Annex 7 – 3.2.2-1

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

The assurance of the Director-General is drawn from the various levels of management and control that are in place and the results, which can be obtained from them. In the first place, the Member States, with 72 accredited Paying Agencies (65 of which manage direct payments), are responsible for managing and checking the aid applications received from more than 6 million beneficiaries under direct support schemes and for paying them.

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

3.2.3.1 Control results reported by the Member States

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

3.2.3.2 DG AGRI validation and adjustment process

The reliability of the statistics, as regards delivering the actual error rate, communicated by the Member States depends on the effectiveness of their control and reporting systems. DG AGRI carries out an extensive review and validation process (explained in detail in Annex 5 to this AAR setting out its materiality criteria) in order to adjust this error rate upwards to a level which it considers better reflects the actual level of error. In so doing, it uses its professional judgement on the basis of all available information. The main elements assessed are set out in points A and B below.

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

A. Assessment of the Certification Bodies' opinions

As described in Annex 7 – Part 2, the Certification Bodies are required to give an opinion on the completeness, accuracy and veracity of the annual accounts of the Paying Agency, on the proper functioning of its internal control system and on the legality and regularity of the expenditure for which reimbursement has been requested from the Commission. That opinion shall also state whether the examination puts in doubt the assertions made in the Management Declaration.

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

Where the work carried out by the Certification Bodies resulted in an Incompliance Rate (IRR) and/or know errors being established this was considered for the error rate adjustment. Depending on whether the deficiencies detected by the Certification Body and DG AGRI's auditors were similar and/or covered the same population, the adjustment applied ensured that the risk to the Fund is covered. The IRR was used as adjustment (either to all schemes or to some schemes) to the reported error rates for Austria, Belgium-Flanders and Wallonie, Bulgaria, Cyprus, Germany (10 Paying Agencies), Denmark, Spain (7 Paying Agencies), France, Hungary, Luxemburg, Malta, The Netherlands, Portugal, Romania, and Slovakia.

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

Where relevant findings in the annual reports of the European Court of Auditors (ECA) and in Special Reports of the ECA are also taken into account in the final assessment of the adjustments to be made.

C. Assessment of findings from DG AGRI audits carried out in 2019-2021

(i) Direct Decoupled Aids

In 2021, 10 Paying Agencies in 7 Member States were audited. The Paying Agencies audited were selected on the basis of a risk analysis. Over the period 2019-2021, 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 2021. In addition 1 desk audit was launched.

The general objective of the audits performed was to review if Member States carry out the administration and control of the area based decoupled direct payments to farmers in accordance with EU legislation. In these audits particular attention is paid to the existence and functioning of the following key elements of the IACS: the implementation of the LPIS-GIS (Land Parcel Identification System – Geographical information system), the Geospatial Aid Application (GSAA), the functioning of cross-checks, the quality of the on-the-spot checks, the correct payment and application of administrative penalties. In all these cases, the starting point for the audits was the work carried out by the Certification Body as part of its opinion on legality and regularity for financial years 2020 and 2021. Therefore, the DG AGRI audit work, in the first instance, reviewed the work of the Certification Bodies.

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

Where the work of the Certification Bodies was found not to be to the standard required, DG AGRI made comments and/or recommendations so as to enable its use for reliance in the context of the AAR. Where the audits resulted in findings, the Certification Bodies were given recommendations which put them in a position to remedy shortcomings in the work carried out or complement the work to be done so as to enable full reliance in respect of the financial year 2021.

DG AGRI auditors noted a quality standard that enables reliance on the work of the Certification Bodies on legality and regularity.

The audit missions in 2021 show that the implementation by the Member States of the measures was generally satisfactory. However, some Member States have not remedied deficiencies that were noted in audit missions carried out in 2015-2019. These deficiencies caused a material risk for the Fund within a subpopulation of farmers. It concerned:

- The correct interpretation of permanent grassland following the new definition applicable as of 2015 or 2018, and the effect on the correct allocation of Payment Entitlements.
- The absence of updating the maximum eligible area in the LPIS in line with these definitions.

- The distinction of permanent versus temporary grassland and the Land Laying Fallow combined with the inappropriate choice of the crop diversification period.
- The inappropriate timing of on-the-spot checks in relation to voluntary coupled support measures.

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

For the Slovak Paying Agency SK01, DG AGRI has taken the matter very seriously ever since the first allegations were made and concrete actions are being implemented (see also section 2.1.4). DG AGRI audits in 2017, 2019 and September 2020 detected weaknesses in the functioning of the LPIS, the GSAA¹³⁶, the quality of the on-the-spot checks, as well as excessive delays in the processing of payments, in particular for overlapping claims. These deficiencies in the management and control systems of the Paying Agency are being addressed in an action plan requested by DG AGRI for both EAGF Direct Payments and Rural Development, and the potential risk for the Fund is covered by the ongoing conformity clearance procedures. Moreover, in August 2019 and February 2020, the Slovak authorities informed the Commission about the legislative measures they are taking to improve the completeness, correctness and transparency of the “Land Registry” (cadastre), as well as about a new methodology implemented by the Slovak Paying Agency (APA) for the treatment of double claims from beneficiaries. The possible impact of these measures on the functioning of the management and control systems of the CAP expenditure will be further assessed by the Commission, including through future audits. Although taken outside the CAP context, these measures could also potentially have a positive impact on the disbursement of direct payments. It should also be mentioned that the Slovak Paying Agency is currently under probation due to deficiencies in the respect of accreditation criteria. Together with other Commission services, DG AGRI is closely monitoring the situation in Slovakia.

In 2021, the management and control system concerning the allocation of **Payment Entitlements** implemented by 1 Paying Agency in 1 Member State that implemented the Basic Payment Scheme was subject to a conformity audit on the management of the national reserve. The Paying Agency audited was selected on the basis of a risk analysis considering certain issues still to be followed-up, originally raised by the European Court of Auditors. In the previous years, all Member States were audited concerning Payment Entitlements. Considering that the system was in its sixth year of implementation, that the Omnibus Regulation¹³⁷ eased certain requirements and that with the entry into force of

¹³⁶ Geospatial Aid Application.

¹³⁷ Regulation (EU) 2017/2393 of the European Parliament and of the Council of 13 December 2017.

Regulation (EU) 2020/2220 Payment Entitlements are considered legal and regular as of 1.1.2020 or 1.1.2021 (see Explanatory box: Annex 7 – 3.2.1-2), initiating a full cycle of re-visits to Member States appeared inappropriate.

For the audit carried out, as in the past, particular attention was paid to the existence and functioning of the following key elements: the administrative controls concerning the establishment of the correct number and value of Payment Entitlements, the administrative controls concerning the establishment and management of the national (regional) reserve, the correct allocation of Payment Entitlements to young farmers/new entrants, the management of the transfer of Payment Entitlements and the recovery of undue Payment Entitlements.

The audit showed that the allocation of Payment Entitlements was generally satisfactory. However, certain deficiencies were noted causing a material risk to the Fund. In addition, 3 desk checks were launched to follow up on earlier audits on Payment Entitlements.

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

(ii) Voluntary Coupled Support measures

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

In 2021, 10 Paying Agencies in 9 Member States were audited. The Paying Agencies audited were selected, based on a risk analysis. Over the period 2019-2021, 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 2021. In addition 1 desk audit was launched.

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

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

Control statistics

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

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

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

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

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

Explanatory box: Annex 7 – 3.2.3.2-1

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

Adjustments have been made by DG AGRI to the reported error rates calculated on the basis of the Member States' control data. These adjustments or top-ups have been established in line with the criteria set out in Annex 5 to this AAR and have been made where there were indications of error arising notably from the findings of the Certification Bodies and DG AGRI's own audits. Where possible, the amount at risk was quantified and where this was not the case, a % flat-rate was used to express the risk for the budget arising from error in the expenditure which is not reflected in the Member States' control statistics.

Paying Agency	Paying Agency Name	Relevant Expenditure ⁽¹⁾ in Financial Year 2021 (EUR)	Reported (residual) Error Rate	Adjusted Error Rate	Amount at Risk (EUR)
AT01	AMA	683 324 114	0.33%	0.36%	2 446 331
BE02	ALV	232 616 979	0.44%	0.44%	1 030 638
BE03	SPW-DGARNE	266 022 507	0.08%	0.09%	251 103
BG01	DFZ [SFA]	843 155 562	0.67%	1.69%	14 215 055

Paying Agency	Paying Agency Name	Relevant Expenditure ⁽¹⁾ in Financial Year 2021 (EUR)	Reported (residual) Error Rate	Adjusted Error Rate	Amount at Risk (EUR)
CY01	KOAN [CAPO]	47 315 248	1.72%	3.44%	1 629 200
CZ01	SZIF [SAIF]	852 297 702	0.87%	0.87%	7 451 170
DE03	Baden-Württemberg MLR	404 440 755	0.34%	0.68%	2 758 749
DE04	Bayern StMLF	918 880 208	0.32%	0.44%	4 021 549
DE07	Brandenburg MLUV	339 783 614	0.30%	0.30%	1 026 438
DE11	Mecklenburg-Vorpommern MELFF	346 429 098	0.07%	0.14%	480 699
DE12	Niedersachsen	726 830 245	0.28%	0.28%	2 029 417
DE15	LWK Nordrhein-Westfalen	426 388 184	0.45%	0.45%	1 922 421
DE17	Rheinland-Pfalz	193 465 974	0.60%	0.65%	1 264 311
DE18	Saarland	21 244 806	0.45%	0.45%	95 937
DE19	Sachsen	234 412 021	0.27%	0.27%	641 945
DE20	Sachsen-Anhalt	299 304 367	0.33%	0.48%	1 428 495
DE21	Schleswig-Holstein	282 636 079	0.32%	0.32%	902 566
DE27	Thüringen	200 605 026	0.78%	0.91%	1 817 994
DE26	Helaba	220 724 486	1.15%	1.18%	2 597 183
DK02	DAFA	798 490 516	0.21%	0.71%	5 694 563
EE01	PRIA	165 447 146	1.32%	1.32%	2 184 456
ES01	Andalucía	1 441 717 155	0.74%	1.18%	17 062 013
ES02	Aragón	425 405 454	0.75%	1.51%	6 423 510
ES03	Asturias	63 550 992	0.09%	0.41%	260 879
ES04	FOGAIBA	28 089 476	0.29%	0.66%	186 715
ES05	Islas Canarias	188 638 728	0.32%	0.33%	627 309
ES06	Cantabria	44 552 051	0.11%	0.44%	194 660
ES07	Castilla La Mancha	652 323 456	0.60%	1.06%	6 925 114
ES08	Castilla y León	898 000 824	0.53%	0.95%	8 564 255
ES09	Cataluña	261 764 822	0.43%	0.89%	2 339 354
ES10	Extremadura	518 553 512	1.43%	1.84%	9 545 931
ES11	FOGGA	169 342 817	0.43%	0.75%	1 263 277
ES12	Madrid	38 034 667	1.40%	1.83%	696 242
ES13	Murcia	57 204 237	0.45%	0.82%	469 817
ES14	Navarra	100 362 906	0.48%	0.91%	917 251
ES15	País Vasco	42 688 422	0.93%	1.42%	604 163
ES16	La Rioja	27 745 798	0.51%	0.93%	259 276
ES17	AVFGA	99 006 337	0.83%	1.24%	1 224 903
FI01	MAVI	517 274 235	0.58%	0.66%	3 409 223
FR05	ODEADOM	136 754 416	0.11%	0.11%	153 048
FR19	ASP	6 671 011 313	0.58%	1.63%	108 853 097
GRO1	O.Π.Ε.Κ.Ε.Π.Ε. [O.P.E.K.E.P.E.]	1 990 884 209	0.68%	1.20%	23 977 095
HR01	PAAFRD	347 724 137	1.35%	2.38%	8 278 408

Paying Agency	Paying Agency Name	Relevant Expenditure ⁽¹⁾ in Financial Year 2021 (EUR)	Reported (residual) Error Rate	Adjusted Error Rate	Amount at Risk (EUR)
HU02	HST	1 276 372 046	2.08%	2.92%	37 255 024
IE01	DAFM	1 180 915 413	0.30%	0.50%	5 852 057
IT01	AGEA	1 787 203 644	0.57%	2.51%	44 931 203
IT05	AVEPA	314 140 271	0.47%	2.75%	8 641 477
IT07	ARTEA	159 331 025	0.23%	2.14%	3 412 409
IT08	AGREA	326 663 786	0.08%	2.17%	7 078 374
IT10	ARPEA	321 917 594	0.51%	2.75%	8 855 723
IT23	OPR Lombardia	400 978 975	0.06%	2.33%	9 323 773
IT24	OPPAB	40 915 135	0.27%	2.78%	1 135 723
IT25	APPAG	20 883 875	0.39%	2.78%	579 988
IT26	ARCEA	184 615 631	0.65%	2.49%	4 598 834
LT01	NMA [NPA]	510 168 758	0.35%	0.64%	3 254 676
LU01	Ministère de l'Agriculture	34 269 802	0.22%	0.22%	74 714
LVO1	RSS	294 678 759	1.34%	1.34%	3 941 360
MT01	MRRA PA	5 054 043	0.16%	0.16%	7 878
NL04	RVO	651 306 999	0.37%	1.04%	6 769 265
PL01	ARIMR [ARMA]	3 319 733 594	1.01%	1.91%	63 501 936
PT03	IFAP	756 404 877	1.51%	3.15%	23 844 082
RO02	PIAA	1 885 160 615	1.29%	1.83%	34 444 315
SE01	SJV	672 956 188	0.82%	1.44%	9 682 676
SI01	ARSKTRP	132 502 720	0.71%	1.49%	1 969 233
SK01	APA	384 721 957	2.38%	2.54%	9 770 396
Grand Total	ABB 03	37 885 340 309			
Amounts reimbursed to DG AGRI by Coordinating Bodies		-6 115 897			
DECISION (EU) 2021/871 ⁽²⁾		41 383 278		0.62%	256 576
ABB03 – Relevant expenditure		37 920 607 689	0.72%	1.44%	547 307 451
Footnote:	(1) Monthly declaration of expenditure affected by Paying Agencies.				
	(2) Commission implementing decision (EU) 2021/871 on the clearance of the accounts of the paying agencies of the United Kingdom concerning expenditure financed by the European Agricultural Guarantee Fund (EAGF) for financial year 2020 and on the reimbursement of appropriations related to financial discipline, carried over from financial year 2020.				

Table: Annex 7 – 3.2.4-1

In a number of cases – Austria, Belgium-Flanders and Wallonie, Bulgaria, Germany (10 Paying Agencies), Denmark, Spain (7 Paying Agencies), Finland, France, Greece, Ireland, Lithuania, Luxemburg, Malta, the Netherlands, Poland, Romania, Sweden and Slovenia, top-ups, based on the Certification Bodies' work or DG AGRI audits, were made to the reported error rate but the resulting adjusted error rate was not above the materiality threshold of 2% and therefore a reservation was not considered.

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

The following table sets out the situation for all cases where the adjusted error rate is above 2%. A brief explanation is given for the top-ups applied and any mitigating factors are examined in order to determine if a reservation is required and if so, an indication is given of the follow-up action required.

Paying Agency	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/Reservation follow-up
CY01	3.45%	EUR 1.63 million	Based on the Certification Body assessment, an adjustment was made to the error rate reported by the Member State.	Yes	A reservation is entered in respect of 2021 expenditure. The Member State should take the necessary remedial actions to identify and address the causes of the errors identified.
HR01	2.38%	EUR 8.28 million	A DG AGRI audit in 2021 identified weaknesses in the administrative and on-the-spot controls in relation to VCS animal measures and the checks on the active farmer provision. The weakness identified in the VCS measures also had an impact on the Small farmers' scheme (cf. Article 63(2)(b) of Regulation (EU) N°1307/2013). Based on the Certification Body assessment, an adjustment was made to the error rate reported by the Member State.	Yes	A reservation is entered in respect of 2021 expenditure. The Member State should implement an action plan for the VCS animal measures (which will continue as interventions under the new CAP) to be agreed in the framework of the ongoing conformity procedure.. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
HU02	2.92%	EUR 37.23 million	The Member State reported high error rates above materiality for the Small farmers' scheme and Young farmers' scheme. Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State. In addition, an adjustment is made based on DG AGRI audit revealing deficiencies in the control of artificial creation of conditions.	Yes	A reservation is entered in respect of 2021 expenditure. The Member State should implement an action plan identifying and addressing the causes of the high error rates, as well as the deficiencies found by the Certification Body..
IT01 AGEA	2.51%	EUR 44.93 million	DG AGRI audits in 2018 identified deficiencies affecting all Paying Agencies and mainly concerning the LPIS (correct recording of permanent grassland) and the fixing of payment entitlements. Pending the verification of the action plan implementation due to the COVID-19 pandemic, it is considered that a top-up is needed also for the 2021 expenditure.	Yes	A reservation is entered in respect of 2021 expenditure. In application of Article 5(1) of Regulation (EU) 2020/2220, the payment entitlements are legal and regular as of 1.1.2021. An action plan was agreed and was implemented by the Member State in 2020. Due to the COVID-19 pandemic, the completion of the action plan is still to be verified on-the-spot. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
IT05 Veneto	2.75%	EUR 8.64 million			
IT07 Toscana	2.14%	EUR 3.41 million			
IT08 Emilia Romagna	2.17%	EUR 7.08 million			
IT10 Piemonte	2.75%	EUR 8.86 million			
IT23 Lombardia	2.33%	EUR 9.32 million			

Paying Agency	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/Reservation follow-up
IT24 Bolzano	2.78%	EUR 1.14 million			
IT26 Calabria	2.49%	EUR 4.60 million			
IT25 Trento	2.78%	EUR 0.58 million	<p>As in 2016 and 2017, DG AGRI audits in 2018 identified deficiencies affecting all Paying Agencies and mainly concerning the LPIS (correct recording of permanent grassland) and the fixing of payment entitlements.</p> <p>Pending the verification of the action plan, it is considered that a top-up is needed also for the 2021 expenditure</p>	No	<p>As the amount at risk is below the de minimis threshold established by DG AGRI's materiality threshold (see Annex 5), no reservation is required.</p> <p>In application of Article 5(1) of Regulation (EU) 2020/2220, the payment entitlements are legal and regular as of 1.1.2021.</p> <p>An action plan was agreed and was implemented by the Member State in 2020. Due to the COVID-19 pandemic, the completion of the action plan is still to be verified on-the-spot.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
PT03	3.15%	EUR 23.85 million	<p>The Certification Body reported findings concerning the quality of administrative and on-the-spot checks.</p> <p>The adjustment made based on the Certification Body's work to the error rate is also supported by the findings of previous DG AGRI audits.</p>	Yes	<p>A reservation is entered in respect of 2021 expenditure.</p> <p>An action plan was agreed and was implemented by the Member State to address the previous DG AGRI findings. The completion of the action plan is to be verified on-the-spot.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
SK01	2.54%	EUR 9.77 million	<p>The Member State reported high error rates above materiality. A DG AGRI audit in 2020 identified weaknesses in the VCS animal measures and weaknesses with on-the-spot checks.</p> <p>Based on the opinion issued by the Certification Body, an adjustment was made to the error rate reported by the Member State.</p>	Yes	<p>A reservation is entered in respect of 2021 expenditure.</p> <p>The Member State should continue implementing the ongoing action plan, identify and address the reasons for the high error rates reported.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>

Table: Annex 7 – 3.2.5-1

In addition, there is a need for a reservation for FR19 only for the POSEI expenditure under ABB03.

Paying Agency	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/Reservation follow-up
FR19 (POSEI)	6.70%	EUR 1.68 million	The Member State has reported a high error rate for POSEI animal premia measures and area aid in Mayotte.	Yes	A reservation is entered in respect of 2021 expenditure. The Member State should identify and address the underlying causes of the high error rate for the POSEI measures concerned.

Table: Annex 7 - 3.2.5-2

3.2.6 Conclusions as regards assurance for ABB03

As a result of the adjustments made, an adjusted error rate has been calculated of 1.44% with 15 out of 65 Paying Agencies having an adjusted error rate above 2% – see Table: Annex 7 - 3.2.5-1. Overall, the reported error rate for ABB03 decreased from 1.57% to 1.44% %, as a result of the adjustments made by DG AGRI.

For the Paying Agencies with an error rate between 2% and 5%, an examination was carried out of any risk mitigating factors which indicated that the EU budget was protected for the past (conformity clearance procedure, culminating in an ongoing financial correction) and that it is protected for the future (the deficiencies have been addressed by the Paying Agency).

In a further case (-IT25-Trento), as the amount at risk was below DG AGRI's *de minimis* threshold, no reservation is required. Table: Annex 7 – 3.2.5-1 sets out the reasoning in respect of each case.

The overall outcome of this exercise is that 14 reservations are necessary at Paying Agency level:

- Cyprus
- Croatia
- France (POSEI)
- Hungary
- Italy (8 Paying Agencies)
- Portugal
- Slovakia

Six reservations from 2020 AAR (Austria, Bulgaria, Finland, France, Greece and Romania) are not carried forward in the 2021 AAR due to error rates in 2021 below 2% and remedial actions taken or no longer necessary. Part C of Annex 9 provides details on the reservations not carried forward.

New reservations are introduced for Cyprus, Croatia, France (POSEI) and Hungary.

For Direct payments, the adjusted error rate of 1.44%¹³⁸ (1.57%) and the number of Paying Agencies under reservation for 2020 (is lower compared to 2020). The overall result with an error rate below materiality continues to confirm that the Integrated Administration and Control System (IACS), when implemented in accordance with applicable rules and guidelines, limits effectively the risk of irregular expenditure.

The error rate for ABB03 is 1.44% with an amount at risk of EUR 547.31 million.

It is noted that the average amount of net financial corrections per year for the three-year period 2019-2021 (excluding corrections made for cross-compliance) is EUR 439.85 million for ABB03¹³⁹.

¹³⁸ The adjusted error rate also includes the reimbursement of financial discipline to the UK, to which the error rate from financial year 2020 was applied.

¹³⁹ See sub-section 2.1.1.3.1 of the main body of the report on "corrective capacity". No information is given on the corrective capacity, which derives from recoveries as this is not split by ABB activity and is available only at Funds level.

Part 3.3: ABB04 – Rural Development

Index for Part 3.3 – ABB04: Rural Development

3.3.1 Introduction

3.3.2 ABB04 expenditure

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

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

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

3.3.6 Conclusions as regards assurance for ABB04

3.3.1 Introduction

One of DG AGRI's key objectives is to contribute to the sustainable development of rural areas. DG AGRI does this through its rural development policy which is funded under the European Agricultural Fund for Rural Development (EAFRD). In total, 115 national and regional programmes co-funded by the EAFRD are being implemented, with around 3.6 million beneficiaries (in financial year 2021) of Rural Development programmes in the Member States and the UK¹⁴⁰ where their aid claims are processed, checked and monitored.

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

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

¹⁴⁰ As of 1 February 2020, the United Kingdom is no longer a member of the European Union. In accordance with Article 137 (1) second subparagraph of the Withdrawal Agreement between the EU and the UK, from claim year 2020 (financial year 2021) the EU direct payment and market measures legislation does not apply to the UK, consequently there are no payments made from the EU budget (except reimbursement of financial discipline). However, the EU rural development legislation continues to apply to the UK for financial year 2021.

Maximum eligible area

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

Explanatory Box: Annex 7 – 3.3.1-1

- Another difference is that, to protect the EU budget, the other ESIF funds use interruption and reduction/suspension (of interim payments) mechanisms, as well as recycled recovery procedures (i.e. the recovered amounts are retained by the Member States to re-use for other projects). However, the main instrument used by DG AGRI is the conformity clearance procedure, which resulted in net financial corrections being clawed back to the EU budget. Since the Common Provisions Regulation (EU) No 1303/2013¹⁴¹ as well as the CAP Horizontal Regulation (EU) No 1306/2013¹⁴² 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 2021, see sub-section 2.1.1.3.2 and Annex 7 - Part 10 of this report.

3.3.2 ABB04 expenditure

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

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

¹⁴¹ Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (OJ L 347 of 20.12.2013).

¹⁴² 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).

6. promoting social inclusion, poverty reduction and economic development in rural areas.

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

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

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

The programming period 2014-2020 was extended until 2022. The rules for rural development spending during 2021-22 are laid out in the CAP transitional Regulation 2020/2220, adopted on 23 December 2020. The regulation largely extends the existing rules (initially in place for the 2014-2020 period), with some additional elements to ensure a smooth transition to the new CAP, which is due to begin in 2023.

As of financial year 2021, the 21¹⁴³ proposed measures are either area- and animal-related measures or non-area- and non-animal-related measures (see Table: Annex 7 – 3.3.2-1). The list of measures and sub-measures is included in Annex I, Part 5 of Commission Implementing Regulation (EU) No 808/2014¹⁴⁴.

Rural Development measures – 2014-2022 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

¹⁴³ Regulation (EU) 2020/872 of 24 June 2020 introduced the new Measure 21, which provides “Exceptional temporary support to farmers and SMEs particularly affected by the COVID-19 crisis”, encompassed in Regulation (EU) No 1305/2013 as Article 39, point (b).

¹⁴⁴ 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 – 2014-2022 programming period	
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
21	Exceptional temporary support to farmers and SMEs particularly affected by the COVID-19 crisis

Table: Annex 7 – 3.3.2-1

In the 2014-2022 programming period, Member States have the opportunity to implement simplified cost options ('SCO') for investment measures of their RDPs.

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

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

Explanatory Box: Annex 7 – 3.3.2-1

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

What are automatic de-commitments?

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

Explanatory Box: Annex 7 – 3.3.2-2

Expenditure reimbursed by DG AGRI to Member States in 2021 amounted to EUR 14 643 635 923. Expenditure paid and financed under the 2014-2022 programming period, amounted to EUR 14 639 754 557. Of this, EUR 14 631 926 251 was paid as interim payments and an amount of EUR 7 828 306 paid in respect of technical assistance.

In addition, a reimbursement of EUR 190 720 has been made by Member States to the Commission in respect of the previous programming period 2000-2006 (budget item 080299010056001).

Payments reimbursed by DG AGRI to the Member States and the UK in 2021

Management type	Chapter	Budget item	Description	Payments (EUR)
Shared Management	0803	080299010056001	Completion of rural development financed by the EAGGF Guarantee Section - Programming period 2000 to 2006	-190 720
		080301	Promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector	14 631 926 251
			Interim payments for promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector 2014-2020	14 631 923 160
			Reimbursements following Court cases	3 091
			Sub-Total Shared Management	14 631 735 530.83
Direct management		080302	Operational technical assistance	4 072 087
		08039902	Operational technical assistance prior to 2021	7 828 306
			Sub-Total Direct Management	11 900 393
Grand Total 0803				14 643 635 923

Table: Annex 7 – 3.3.2-2

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

The assurance of the Director-General derives from the various levels of management and controls that are in place, and the results that can be obtained from them. In the first place, the Member States and the United Kingdom, through 72 accredited Paying Agencies for Rural Development, are responsible for managing and checking the aid applications received from around 3.6 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 809/2014¹⁴⁵ provides for detailed and systematic reporting of the results of the controls and reductions applied by the Member States.

By 15 July of year N+1, the Paying Agencies are required to send to the Commission data on the outcome of the controls carried out for year N. These control data contain information on amounts claimed, errors corrected as a result of administrative checks, 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 2021 by DG AGRI correspond to the claims introduced by the

¹⁴⁵ 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).

claimants in 2020 for IACS measures (claim year 2020), and to the payments made in 2020 for Non-IACS measures.

Checks to be carried out by each Member State

The checks are composed of three separate sets:

- **administrative checks** on all applications that must cover all elements that can be checked by administrative means, including:
 - cross-checks with the IACS databases for the IACS-related measures, and
 - one visit to the operation to verify the realisation of the investment for the Non-IACS related measures;
- **on-the-spot checks** (OTSC) are tightened up in 2015 by the Commission Implementing Regulation (EU) No 809/2014. Due to the restrictions of COVID-19 pandemic encountered in all Member States, a derogation from Articles 30 to 33 and 50 and 52 of the Implementing Regulation (EU) No 809/2014 has been provided for year 2020, on the basis of Articles 4 and 7 of Commission Implementing Regulation (EU) 2020/532 of 16 April 2020 and confirmed in the Commission Implementing Regulation (EU) 2021/725 of 4 May 2021, for year 2021. In this respect, the control sample for years 2020 and 2021 may be reduced to cover at least:
 - for the IACS-related measures, a minimum of 3% of all claimants have to be assessed on the spot, including 3% of claimants for measures 10 and 11;
 - for the Non-IACS-related measures, a minimum of 3% of the whole expenditure has to be assessed on the spot, including 3% of the expenditure under Leader measures.
- **ex-post checks** on investment operations governed by the Implementing Regulation (EU) No 809/2014. Due to the restrictions of COVID-19 pandemic encountered in all Member States, a derogation from Article 52(2) of Implementing Regulation (EU) No 809/2014 has been provided for year 2020 on the basis of Article 8 of Commission Implementing Regulation (EU) 2020/532 of 16 April 2020 and confirmed in the Commission Implementing Regulation (EU) 2021/725 of 4 May 2021, for year 2021. In this respect, the control sample for the ex-post checks in years 2020 and 2021 may be reduced to cover at least 0.6% of EAFRD expenditure for investment operations.

Explanatory Box: Annex 7 – 3.3.3.1-1

3.3.3.2 DG AGRI validation and adjustment process

The reliability of the control data, as regards the level of error, provided by the Paying Agencies depends on the efficiency of their control systems. DG AGRI carries out an extensive review and validation process (explained in detail in Annex 5 setting out its materiality criteria) in order to adjust, if appropriate, the reported error rate upwards to a level which it considers better reflects the actual level of error. In so doing, it uses its professional judgement on the basis of all the information available. The main elements assessed are described in the following paragraphs A, B and C.

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

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

As described in Annex 7 – Part 2, the Certification Bodies are required to give an opinion on the completeness, accuracy and veracity of the annual accounts of the Paying Agency, on the proper functioning of its internal control system and on the legality and regularity of the expenditure for which reimbursement from the Commission has been requested. This opinion must also specify whether the examination puts in doubt the assertions made in the Management Declaration. This opinion is received with the annual declaration of the Member State on 15 February of N+1.

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

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

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

Cases where the IRR was used to adjust all or part of both the IACS and Non-IACS expenditure:

Austria (AT01), Belgium (BE03 Wallonie), Bulgaria (BG01), Cyprus (CY01), Denmark (DK02), Finland (FI01), France (FR19), Germany (DE04 Bayern, DE07 Brandenburg, DE15 Nordrhein-Westfalen, DE17 Rheinland Pfalz, DE19 Sachsen, DE21 Schleswig-Holstein and DE27 Thüringen), Hungary (HU02), Malta (MT01), the Netherlands (NL04), Poland (PL01), Portugal (PT03), Romania (RO01), Spain (ES07 Castilla La Mancha and ES08 Castilla y Leon), Sweden (SE01) and the United Kingdom (GB05 Northern Ireland, GB06 Scotland, GB07 Wales and GB09 England).

Cases where the IRR was used to adjust all or part of the IACS expenditure only:

Belgium (BE02 Flanders), Germany (DE03 Baden-Württemberg), Luxembourg (LU01), Spain (ES01 Andalucia and ES09 Cataluna).

Cases where the IRR was used to adjust all or part of the Non-IACS expenditure only:

Croatia (HR01), Germany (DE11 Mecklenburg-Vorpommern, DE12 Niedersachsen, DE18 Saarland, DE20 Sachsen-Anhalt and DE26 Helaba), Estonia (EE01), France (FR18 ODARC),

Greece (GR01), Italy (IT26 Calabria), Slovenia (SI01) and Spain (ES02 Aragon, ES03 Asturias, ES04 Islas Baleares, ES05 Islas Canarias, ES11 Galicia, ES12 Madrid, ES13 Murcia, ES14 Navarra, ES15 Pais Vasco, ES16 La Rioja, ES17 Valencia and ES18 FEAGA).

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

The DAS¹⁴⁶ 2021 cases are still under analysis and are therefore not considered for the 2021 AAR. Where DAS cases have led to compliance audits, any adjustment has been done as a result of the DG AGRI audits below.

One finding by ECA in the context of the DAS 2018 led to 16 desk audits in 2020, focussed on the verification of correct payments (calculation of sanctions) related to M13 (payments to area facing natural or other specific constraints). Only 2 audits are still to be finalised.

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

C. Assessment of findings from DG AGRI audits carried out in 2019-2021

I. Audit fields

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

Audit field		Measures of the programming period 2014-2022	
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

¹⁴⁶ The statement of assurance (sometimes referred to as the ‘DAS’ from the French “déclaration d’assurance”) is an annual financial and compliance audit exercise where the ECA audits the reliability of the EU’s accounts and the regularity of the transactions underlying them.

Audit field		Measures of the programming period 2014-2022	
Name	Code	Name	Code
		113 – Early retirement	97
		Exceptional temporary support to farmers and SMEs particularly affected by the COVID-19 crisis	21
Leader	RD-LEADER	Support for Leader local development (CLLD)	19
Knowledge innovation and	RD-KNOW-INNOV	Knowledge transfer and information actions	01
		Advisory services, farm management and farm relief services	02
		Quality schemes for agricultural products and food stuffs	03
		Cooperation	16
		341 – Skills acquisition, animation and implementation of local development strategies	99
Risk management	RD-RISK-MANAGE	Restoring agricultural production potential damaged by natural disasters 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 7 – 3.3.2-1

What are flat-rate measures?

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

Explanatory Box: Annex 7 – 3.3.2-2

II. Audits carried out

In 2021, 32¹⁴⁷ audits were carried out (including two umbrella audits); these audits were selected mainly on the basis of DG AGRI's central risk analysis. In addition, 7 desk audits were performed (including 1 enquiry following the annual clearance exercise).

What is a desk audit?

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

Explanatory Box: Annex 7 – 3.3.2-3

Under the single audit approach and in line with DG AGRI audit strategy (see Explanatory box: Annex 7-1-2), from September 2018, on-the-spot audits have been based on the audit work carried out by the Certification Bodies on legality and regularity. DG AGRI audits only complement the Certification Body work to cover Paying Agencies in cases where the work of the Certification Body is not in accordance with guidelines and so cannot provide sufficient assurance or areas which the Certification Body has not covered in its audit. Where weaknesses have been detected, which create a risk to the EU budget, a conformity clearance procedure is launched.

3.3.3.5.1. Audits carried out on IACS and Forestry measures**a) Audit plan and coverage**

In 2021, based on the results of the central risk analysis and on reservations made in the 2020 Annual Activity Report (AAR), the following audits on IACS-related measures and/or on Forestry measures were carried out:

1. Twelve single-approach audits were performed (either remotely or on the spot) to assess the work carried out by the Certification Bodies on legality and regularity, related to the IACS measures: CZ; ES08; ES16; FR19; FI; GB06; GB09; GR; HR; ITO1; LT; SE.
2. Two umbrella audits (ES14 and LU) were carried out covering the IACS-related measures.

¹⁴⁷ See chapters 3.3.3.5.1 and 3.3.3.5.2.

Desk audits (4) were also performed:

1. 2 desk audits were opened to follow-up on the non-respect of minimum on-the-spot control requirements for IACS measures (ES05; IT26);
2. 1 desk audit was opened to cover the financial year 2021 expenditure related to the deficiencies identified in the LPIS in Italy;
3. 1 desk audit was opened to follow up on issues related to the timing of on-the-spot checks and the non-respect of minimum required control rate, in Ireland.

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

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

Many of the improvements noted in the Certification Body's work on EAGF IACS are also valid for EAFRD IACS although, for additional elements, and in particular the verification of commitments and obligations, less reliance can be placed on the work mainly due to late re-verification of on-the-spot checks due to the COVID-19 pandemic situation in the Member States and audit trail of the checks carried out.

In conclusion, the audits carried out in 2021 indicate further improvement in the Certification Bodies work on legality and regularity namely for the reverification of eligibility conditions and the assessment of the area. This is reflected in the adjusted error rate of the Paying Agencies which in the majority of cases for EAFRD expenditure was based on the Certification Bodies findings. Notwithstanding, there are some areas that still have to be improved by some Certification Bodies, as indicated in sections 2.3.3 and 2.3.4 above.

b) Results and possible improvements

The control systems in the Paying Agencies audited in 2021 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 also linked to the COVID-19 pandemic. In some cases, the minimum rate for the on-the-spot checks was not achieved. DG AGRI recommended actions to increase the robustness of the control system for some specific issues and to implement alternative control methods and in most cases requested the Certification Bodies to report on these issues in the subsequent annual reports or in some cases ensured the monitoring of the implementation in subsequent DG AGRI audits.

The audits carried out in 2021 revealed scope for improving the following issues in relation to audits on IACS-related measures (similar to those found in 2020):

- non-respect of the minimum on-the-spot control rates;
- delays for the on-the-spot checks for Agri-environment and Organic farming;
- non-respect of the payment deadlines;
- incorrect calculation of payments related to M13 (payments to area facing natural or other specific constraints);
- for organic farming, there were still significant inconsistencies in the system which required additional work from the Paying Agency. In addition, cross-notification between the different bodies involved was not sufficiently developed or formalised;
- for organic farming, additional improvements for the quality of the control procedures of the Control Bodies for organic farming are deemed necessary;
- administrative checks did not include verification of some commitments that could be checked administratively (certificates, results of soil or leaf analysis, training);
- continued efforts are required to reduce the high error rate found in some Paying Agencies on the basis of simple and clear eligibility criteria and commitments that must be respected by the farmers and more information to the farmers;
- continued improvements in the on-the-spot check systems are necessary to better assess farmers' compliance with the commitments made, mainly concerning respect for the minimum/maximum livestock density, to perform checks at the best time of the season for assessing compliance, and to integrate visual checks with other control tools wherever possible as well as to respect in case of multiple checks the pre-notification rule (max. 48 hours for animal related measures and max. 14 days for area related measures);
- additional procedures need to be put in place to assess and prevent the risk of double financing between the agri-environment-climate measures (AECM) payment and the greening payment and between 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;

- better traceability and clear conclusions as to the quality of the controls carried out must be achieved by indicating how the checks were performed and how the inspectors came to their conclusions. The control methods used during the on-the-spot check, to verify compliance with the farmer's commitments, must be indicated in the control report together with measurements, verification of fertilisers and animal counting, to assess whether the livestock density is correct, wherever appropriate;
- control data provided under Article 9 of Regulation (EU) No 809/2014 must be improved in terms of quality and deadline compliance; attention should be paid in relation to change of budget codes and IACS measures, as of financial year 2020;
- additional improvements in assessing the maximum eligible area for IACS measures to ensure that payments are only made for land falling within the delimited area in order to be fully in line with the EU rules and in the updates of the LPIS.

Control the correct payments in relation to the measure “Payments to areas facing natural or other specific constraints”

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

Control to avoid double-funding under afforestation measure

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

Explanatory Box: Annex 7 – 3.3.3.5.1-1

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

3.3.3.5.2 Audits carried out on Non-IACS-related measures

a) Audit plan and coverage

In 2021, based mainly on the results of DG AGRI's central risk analysis, seventeen audits (including one umbrella audit for Navarra) were carried out on Non-IACS related measures,

comprising seven audits of private investments measures, six audits of Leader, four audits of the audit field RD-FLAT-RATE, two audits on knowledge and innovation measures, and one audit of the audit field public investment (the same audit may cover more than one audit-field). As part of the single audit approach, additional measures/audit fields than those selected by the central risk analysis it has been possible to add to the audits, on a case by case, based on the audit work of the Certification Bodies.

In addition, three desk audits were opened: for France (measures of the audit field FLAT-RATE) for Poland (measures of the audit field FLAT-RATE) and for The Netherland (follow up of information provided on the control statistics from claim year 2019).

It has to be underlined that, under the single audit approach, almost all 2021 audits have been based on the audit work carried out by the Certification Bodies on legality and regularity. Areas where reliance can be placed on the work of the Certification Body were identified, while recommendations for improvements were made where deficiencies had been found. Where assurance could not be obtained from the Certification Body's work on certain areas/issues, the checks have been extended to the work of the Paying Agency.

The audits carried out under the single audit approach in 2021 indicate high quality Certification' Bodies work on legality and regularity. This is reflected in the adjusted error rate of the Paying Agencies which in the majority of cases for EAFRD expenditure (especially Non-IACS) was based on the Certification Bodies findings. Nevertheless, there is still some room for improvement for some Certification Bodies, as indicated in sections 2.3.3 and 2.3.4 above.

Identification of links between applicants and other stakeholders

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

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

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

Commission Recommendation 2003/361/EC of 06/05/2003, concerning the definition of micro, small and medium sized enterprises, highlights that linked and partner enterprises should be taken into account when determining the size of the applicant. Therefore,

Member States should include the linked and partner enterprises (in their country and abroad) in their checks, also in cases where shareholders are natural persons. Member States should therefore set up a system allowing them to assess these obligations and to keep an audit trail of these checks.

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

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

Explanatory Box: Annex 7 – 3.3.3.5.2-1

b) Results and possible improvements

The control systems in the Paying Agencies visited in 2021 were generally found to be effective, albeit with scope for improvement in several cases. DG AGRI recommended actions to increase the robustness of the control system for some specific issues and in most cases requested the Certification Bodies to report on these issues in the subsequent annual reports or in some cases ensured the monitoring of the implementation in subsequent DG AGRI audits.

Creation of artificial conditions

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

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

Some audits carried out in 2021 identified shortcomings in the procedures to detect and deal with potential creation of artificial situations to receive the aid. In some cases, an adequate system of red flags was missing, in other cases the red flags were not used properly (did not trigger more in-depth checks).

Explanatory Box: Annex 7 – 3.3.3.5.2-2

The audits carried out in 2021 found scope for improving the following elements of the management and control system for investment and/or flat-rate measures, including when they were implemented under Leader (non-exhaustive list) (similar to those found in 2020):

- checks on the eligibility of the applicant/application/project/investment:
 - additional improvements are required to include verification of the linked and partner enterprises when assessing the SME status and to keep an audit trail of these checks;
 - implementation of appropriate procedures to detect and deal with the creation of artificial conditions to receive the aid (see explanatory box);
- check on the eligibility of costs to ensure that the costs claimed in the application for support are congruent with the project scope;
- selection and appraisal of applications – lack of selection criteria allowing to select the best projects;
- assessment of cost reasonableness: additional improvements are required to effectively assess the reasonableness of costs including checks on the independence and authenticity of the offers received, on the transparency of the decisions taken by the experts committees and to keep an audit trail of these checks;
- public procurement verifications – (see explanatory box Annex 7 – 3.3.3.5.2-3);
- quality of the on-the-spot checks, including verifications to establish that no artificial situations were created;
- quality (check on the durability of the investment) and quantity of ex-post checks on investment measures (non-compliance with the 1% minimum control requirement);, including weaknesses in the risk analysis;
- checks of the payment claims to verify that the completed operation corresponds with the operation for which support was granted (in terms of number of items and output);
- lack of an adequate audit trail of the checks carried-out.

Respect of Public Procurement rules: key control elements

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

In 2021, some audits focussed on the respect of public procurement rules and detected non-compliances at different stages of this procedure as implemented by the public beneficiaries. These non-compliances mainly concern: non independence of the control body towards the contracting authority, the preparation of the procurement documents, and contract notice not sufficiently precise.

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

Explanatory Box: Annex 7 – 3.3.3.5.2-3

For the Czech Paying Agency CZ01, following allegations of conflict of interests, DG AGRI carried out a coordinated audit with DG REGIO and DG EMPL in January-February 2019. DG AGRI audited the investment measures under EAFRD. While the conformity procedure is ongoing, as a precautionary measure to protect the EU budget, DG AGRI is not reimbursing to the Czech authorities the amounts related to EAFRD projects that could be potentially affected by the alleged conflict of interests. In case a non-compliance with the applicable rules is established, appropriate measures to protect the EU budget will be taken, including financial corrections. As the potential financial risk calculated by DG AGRI for the Paying Agency's EAFRD expenditure for the financial year 2021 is above the materiality threshold described in Annex 5 (Materiality criteria), DG AGRI considers that a reservation is necessary and that the Member State should continue and reinforce the ongoing action plan addressing the deficiencies identified by DG AGRI for Non-IACS measures and the underlying causes of high error rates for IACS measures.

For the Slovak Paying Agency SK01, following allegations of fraud in the Paying Agency related to EAFRD Non-IACS measures, as a precautionary measure, DG AGRI suspended the payments for part of the Rural Development investment measures for the last quarter of 2020 and the first two quarters of 2021 (for the third quarter of 2021 no expenditure has been declared by the Slovak paying agency for the measures concerned). Moreover, as requested by DG AGRI, the Slovak Competent Authority put the Paying Agency's accreditation under probation as of 15 October 2020. A plan to remedy deficiencies in the accreditation criteria has been drawn up and under implementation. The accreditation of the Paying Agency was restored by the Competent Authority as from 15 October 2021. The Paying Agency continues with the implementation of a Transformation Plan including 5 accreditation corrective actions that were considered by the Commission as still ongoing when accreditation was restored. However, the Slovak authorities decided not to make any payments for EAFRD investment measures as from 1 August 2021 and so as stated above did not request any reimbursement for the last quarter of financial year 2021.. Finally, a number of audits were carried out and any financial risks to the EU funds is covered by financial corrections. As the potential financial risk calculated by DG AGRI for the Paying Agency's EAFRD expenditure for the financial year 2021 is above the materiality threshold described in Annex 5 (Materiality criteria) of the present AAR even when taking into account the amounts suspended, DG AGRI considers that a reservation is necessary and that the Member State should continue and reinforce the ongoing action plan to address the severe deficiencies identified by DG AGRI for Non-IACS measures as well as implement the outstanding actions as regards the accreditation criteria.

3.3.3.5.3 Audits of Financial Instruments

No audit was carried out in respect of Financial Instruments in 2021 in view of the still limited expenditure in this area.

What are financial instruments?

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

Explanatory Box: Annex 7 – 3.3.3.5.3-1

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

As described in Annex 5 on DG AGRI's materiality criteria, DG AGRI Assurance and audit Directorate analysed the audit evidence arising from, in particular, the findings of the Certification Bodies, the ECA and its own audit findings. This was with a view to assessing the risk that errors were not detected by the Paying Agency before payments were made to beneficiaries. Where possible, the amount at risk was precisely quantified. Where this was not the case, a flat-rate percentage was applied to express the risk to the budget arising from error in the expenditure that is not reflected in the Member States' control data.

The following table summarises this information for all Paying Agencies for relevant expenditure in financial year 2021 for the 2014-2022 rural development programmes:

Paying Agency	Paying Agency Name	Relevant Expenditure Financial Year 2021 (EUR)	Reported (residual) error rate	Adjusted error rate	Amount at Risk (EUR)
AT01	AMA	580 737 161	1.60%	1.78%	10 344 016
BE02	ALV	45 996 886	3.30%	4.15%	1 906 890
BE03	SPW-DGARNE	37 203 341	0.45%	0.81%	301 489
BG01	DFZ [SFA]	354 656 384	0.79%	5.11%	18 113 895
CY01	KOΑΠ [CAPO]	22 254 455	1.53%	1.58%	351 927
CZ01	SZIF [SAIF]	357 112 490	1.94%	2.23%	7 980 043
DE01	BLE	905 616	0.15%	0.15%	1 381
DE03	Baden-Württemberg MLR	114 954 270	1.74%	3.52%	4 046 446
DE04	Bayern StMLF	146 014 992	1.61%	2.61%	3 817 860
DE07	Brandenburg MLUV	154 443 121	3.14%	3.25%	5 013 823
DE11	Mecklenburg-Vorpommern MELFF	128 063 669	5.16%	6.11%	7 826 007
DE12	Niedersachsen	160 025 915	0.65%	0.98%	1 569 386
DE15	LWK Nordrhein-Westfalen	113 028 698	1.38%	2.04%	2 304 046
DE17	Rheinland- Pfalz	49 722 439	0.54%	1.07%	534 476
DE18	Saarland	5 159 060	0.39%	3.11%	160 216
DE19	Sachsen	157 764 442	0.68%	1.76%	2 773 027
DE20	Sachsen-Anhalt	121 201 292	0.73%	0.75%	909 667
DE21	Schleswig-Holstein	59 065 205	1.97%	2.00%	1 180 130
DE27	Thüringen	95 969 679	0.71%	0.96%	917 899
DE26	Helaba	47 763 128	0.09%	0.21%	98 825
DK02	DAFA	116 711 724	2.27%	5.08%	5 934 650

Paying Agency	Paying Agency Name	Relevant Expenditure Financial Year 2021 (EUR)	Reported (residual) error rate	Adjusted error rate	Amount at Risk (EUR)
EE01	PRIA	105 817 560	1.54%	1.63%	1 728 256
ES01	Andalucía	246 046 227	2.04%	2.04%	5 019 256
ES02	Aragón	67 642 317	4.10%	4.12%	2 788 360
ES03	Asturias	33 294 871	0.43%	0.61%	204 276
ES04	FOGAIBA	6 207 228	0.20%	0.42%	26 095
ES05	Islas Canarias	13 934 214	5.98%	5.99%	834 711
ES06	Cantabria	6 015 820	2.04%	2.04%	122 725
ES07	Castilla La Mancha	164 685 495	0.37%	0.60%	984 977
ES08	Castilla y León	132 949 232	1.21%	4.41%	5 867 260
ES09	Cataluña	55 045 512	1.11%	1.14%	629 438
ES10	Extremadura	135 098 663	0.31%	0.31%	421 408
ES11	FOGGA	125 500 267	0.83%	1.11%	1 391 186
ES12	Madrid	17 477 103	0.76%	0.90%	156 655
ES13	Murcia	27 354 549	0.83%	1.26%	343 628
ES14	Navarra	17 053 671	2.58%	2.65%	451 214
ES15	País Vasco	12 101 097	0.17%	0.19%	23 167
ES16	La Rioja	9 938 494	0.00%	0.63%	62 216
ES17	AVFGA	25 332 568	0.58%	0.77%	194 894
ES18	FEGA	53 648 864	0.54%	2.93%	1 574 383
FI01	MAVI	428 004 597	2.46%	2.96%	12 675 614
FR18	ODARC	20 824 938	1.67%	5.00%	1 040 721
FR19	ASP	1 893 764 434	2.04%	4.19%	79 429 501
GB05	DARD	31 915 393	1.76%	4.05%	1 291 042
GB06	SGRPID	93 586 325	0.30%	7.68%	7 185 596
GB07	WG	74 673 460	0.49%	6.36%	4 750 365
GB09	RPA	433 840 307	1.46%	7.59%	32 912 255
GR01	Ο.Π.Ε.Κ.Ε.Π.Ε. [O.P.E.K.E.P.E.]	635 813 400	1.17%	1.67%	10 588 123
HR01	PAAFRD	382 157 088	2.75%	3.11%	11 876 353
HU02	HST	576 581 182	1.07%	3.81%	21 959 100
IE01	DAFM	344 652 688	0.69%	0.84%	2 877 972
IT01	AGEA	926 365 377	0.95%	1.63%	15 103 254
IT05	AVEPA	75 317 522	0.86%	0.86%	646 685
IT07	ARTEA	48 748 412	0.87%	0.87%	423 962
IT08	AGREA	89 417 979	0.39%	1.79%	1 601 416
IT10	ARPEA	56 380 544	0.58%	0.58%	328 371
IT23	OPR Lombardia	72 807 941	0.77%	0.77%	561 844
IT24	OPPAB	20 187 241	0.59%	0.59%	119 004
IT25	APPAG	11 798 825	3.31%	3.31%	390 643
IT26	ARCEA	87 213 270	0.91%	3.49%	3 044 030
IT27	ARGEA	82 652 972	2.14%	2.14%	1 772 335

Paying Agency	Paying Agency Name	Relevant Expenditure Financial Year 2021 (EUR)	Reported (residual) error rate	Adjusted error rate	Amount at Risk (EUR)
LT01	NMA [NPA]	188 998 052	0.31%	0.61%	1 157 297
LU01	Ministère de l'Agriculture	17 433 587	0.68%	4.57%	796 487
LV01	RSS	124 088 704	0.47%	0.47%	588 651
MT01	MRRA PA	14 960 087	0.21%	0.41%	61 718
NL04	ELFPO	163 189 480	1.46%	3.34%	5 446 129
PL01	ARIMR [ARMA]	1 419 014 314	0.90%	2.04%	28 957 842
PT03	IFAP	400 670 363	4.38%	5.47%	21 908 227
RO01	PARDF	1 215 176 318	0.35%	0.84%	10 181 315
SE01	SJV	319 709 015	1.81%	4.88%	15 603 141
SI01	ARSKTRP	119 116 597	0.91%	0.91%	1 078 654
SK01	APA	138 965 031	11.01%	15.37%	21 353 332
ABB04	Rural Development Programmes	14 631 923 160	1.51%	2.85%	416 621 184

Table: Annex 7 – 3.3.4-1

In a number of cases, Austria, Belgium (1 Paying Agency), Cyprus, Germany (6 Paying Agencies), Estonia, Greece, Ireland, Italy (2 Paying Agencies), Lithuania, Malta, Romania and Spain (10 Paying Agencies), top-ups, based on the Certification Bodies' work or DG AGRI audits, were made to the reported error rate but the resulting adjusted error rate was not above the materiality threshold of 2% and therefore a reservation was not considered.

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

The following table sets out the situation for all Paying Agencies where the adjusted error rate is above 2% for relevant expenditure for the 2014-2022 rural development programmes. It indicates if reservations are required and mitigating factors are examined in order to determine if a reservation is required and if so, an indication is given of the follow-up action required.

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors Reservation follow-up
BE02 Flanders	4.15%	EUR 1.91 million	The Member State has reported high error rates for the IACS measures. A DG AGRI audit in 2020 identified deficiencies in several Non-IACS measures. Based on the Certification Body's assessment, a further adjustment was made to the IACS error rate reported by the Member State.	Yes	A reservation is entered in respect of 2021 expenditure. The Member State should continue and reinforce the ongoing action plan addressing the underlying causes of the high error rates under IACS measures and the deficiencies identified by DG AGRI in the Non-IACS measures, and by the Certification Body in the IACS measures.

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors Reservation follow-up
					The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
BG01	5.11%	EUR 18.11 million	<p>The Member State reported a high total error rate for Non-IACS measures.</p> <p>Based on the Certification Body's assessment, a further adjustment was made to the IACS and Non-IACS error rate reported by the Member State.</p>	Yes	<p>A reservation is entered in respect of 2021 expenditure.</p> <p>The Member State should continue and reinforce the ongoing action plan addressing the Certification Body findings for IACS and Non-IACS measures, as well as the underlying causes of high error rates for Non-IACS measures.</p> <p>The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.</p>
CZ01	2.23%	EUR 7.98 million	<p>The Member State has reported a high error rate for IACS measures. Furthermore the minimum control rates were not achieved.</p> <p>A DG AGRI audit in 2019 identified deficiencies in several Non-IACS measures.</p>	Yes	<p>A reservation is entered in respect of 2021 expenditure.</p> <p>The Member State should continue and reinforce the ongoing action plan addressing the deficiencies identified by DG AGRI for Non-IACS measures and the underlying causes of high error rates for IACS measures and ensure that minimum control rates are respected.</p>
DE03 Baden- Wuerttemberg	3.52%	EUR 4.05 million	<p>The Member State reported a high total error rate, due to high error rate in one IACS measure.</p> <p>A DG AGRI audit in 2021 identified deficiencies in several Non-IACS measures.</p> <p>Based on the Certification Body's assessment, a further adjustment was made to the IACS error rate reported by the Member State.</p>	Yes	<p>A reservation is entered in respect of 2021 expenditure.</p> <p>The Member State should implement an action plan to address the deficiencies identified by DG AGRI for Non-IACS measures and by the Certification Body for the IACS measures, as well as the underlying causes of the high error rate for IACS measures.</p> <p>The ongoing conformity clearance procedures for Non-IACS measures will ensure that the financial risk to the EU budget is covered.</p>
DE04 Bayern	2.61%	EUR 3.82 million	<p>A DG AGRI audit in 2020 identified deficiencies in several Non-IACS measures.</p> <p>Based on the Certification Body's assessment, a further adjustment was made to the IACS error rate reported by the Member State.</p>	Yes	<p>A reservation is entered in respect of 2021 expenditure.</p> <p>The Member State should implement an action plan to address the deficiencies identified by DG AGRI audit in Non-IACS measures and by the Certification Body for IACS.</p> <p>The ongoing conformity</p>

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors Reservation follow-up
					clearance procedures for Non-IACS measures will ensure that the financial risk to the EU budget is covered.
DE07 Brandenburg MLUV	3.25%	EUR 5.01 million	The Member State reported a high total error rate, due to a high error rate for LEADER. Based on the Certification Body's assessment, a further adjustment was made to the IACS and Non-IACS error rate reported by the Member State.	No	A reservation is not considered necessary. The Member State should address the high error rate for LEADER and the deficiencies identified by the Certification Body for IACS and Non-IACS.
DE11 Mecklenburg- Vorpommern	6.16%	EUR 7.83 million	The Member State reported a high total error rate due to high error rates in IACS measures. A DG AGRI audit in 2021 identified deficiencies in Non-IACS measures. Based on the Certification Body's assessment, a further adjustment was made to the Non-IACS error rate reported by the Member State.	Yes	A reservation is entered in respect of 2021 expenditure. The Member State should implement an action plan to address the deficiencies identified by DG AGRI and the Certification Body for Non-IACS measures and the underlying causes of the high error rate in IACS measures. The ongoing conformity clearance procedures for Non-IACS measures will ensure that the financial risk to the EU budget is covered.
DE15 Nordrhein- Westfalen	2.04%	EUR 2.30 million	The Member State reported high error rate due to one IACS measure. Based on the Certification Body's assessment, a further adjustment was made to the IACS and Non-IACS error rate reported by the Member State.	No	A reservation is not considered necessary. The Member State should address the underlying causes for the high error rate for the IACS measure and the deficiencies identified by the Certification Body for IACS and Non-IACS.
DE18 Saarland	3.11%	EUR 0.16 million	The Member State reported high error rate for Non-IACS measures. Based on the Certification Body assessment, an adjustment was made to the Non-IACS error rate reported by the Member State.	No	As the amount at risk is below the <i>de minimis</i> threshold established by DG AGRI's materiality threshold (see Annex 5), no reservation is required. The Member State should address the issues identified by the Certification Body.
DK02	5.08%	EUR 5.93 million	The Member State reported a high error rate for one IACS measure. A DG AGRI audit in 2021 identified deficiencies in all IACS measures and in all Non-IACS measures. Based on the Certification Body's assessment, an adjustment was made to the IACS and Non-IACS error rate reported by the Member	Yes	A reservation is entered in respect of 2021 expenditure. The Member State should continue and reinforce the ongoing action plan addressing the underlying causes of the high reported error rate for one IACS measure and deficiencies identified by DG AGRI audit for IACS and Non-IACS measures as

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors Reservation follow-up
			State.		well as by the Certification Body for IACS and Non-IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
ES01 Andalucia	2.04%	EUR 5.02 million	The Member State reported high error rate due to error rates in two IACS measures.	No	A reservation is not considered necessary. The Member State should address the underlying causes for the high error rate for the IACS measures.
ES02 Aragón	4.12%	EUR 2.79 million	The Member State reported a high error rate for IACS measures. Based on the Certification Body's assessment, an adjustment was made to the Non-IACS error rate reported by the Member State.	Yes	A reservation is entered in respect of 2021 expenditure. The Member State should implement an action plan addressing the underlying causes for high error rate under IACS measures and the findings of the Certification Body for Non-IACS. The Member State has reported that remedial actions to address the deficiencies detected for Non-IACS are ongoing. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
ES05 Islas Canarias	5.99%	EUR 0.83 million	The Member State reported high error rate for one IACS measure and for Non-IACS measures. Based on the Certification Body's assessment, an adjustment was made to the non-IACS error rate reported by the Member State.	No	As the amount at risk is below the <i>de minimis</i> threshold established by DG AGRI's materiality threshold (see Annex 5), no reservation is required. The Member State should address the underlying causes for high error rates for the IACS and non-IACS measures, as well as the achievement of the control rates for IACS and the deficiencies identified by the Certification Body for Non-IACS measures.
ES06 Cantabria	2.04%	EUR 0.12 million	The Member State reported high error rate for IACS measures and one Non-IACS measure. Based on the Certification Body's assessment, an adjustment was made to the non-IACS error rate reported by the Member State.	No	As the amount at risk is below the <i>de minimis</i> threshold established by DG AGRI's materiality threshold (see Annex 5), no reservation is required. The Member State should address the underlying causes for high error rates for the IACS and Non-IACS measures and the deficiencies identified by the certification Body for Non-IACS

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors Reservation follow-up
					measures.
ES08 Castilla y Leon	4.41%	EUR 5.87 million	<p>The Member State reported a high error rate in IACS measures.</p> <p>DG AGRI audits in 2021 identified deficiencies in several IACS measures and in Non-IACS measures.</p> <p>Based on the Certification Body's assessment, an adjustment was made to the IACS and Non-IACS error rate reported by the Member State.</p>	Yes	<p>A reservation is entered in respect of 2021 expenditure.</p> <p>The Member State should implement an action plan to address the findings of DG AGRI enquiries and of the Certification Body on IACS and Non-IACS measures as well as the underlying causes of the high error rate for IACS.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
ES14 Navarra	2.65%	EUR 0.45 million	<p>The Member State reported a high error rate for IACS measures.</p> <p>A DG AGRI audit in 2020 identified deficiency in one IACS measure.</p> <p>Based on the Certification Body's assessment, an adjustment was made to the Non-IACS error rate reported by the Member State.</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 5), no reservation is required.</p> <p>The Member State should address the underlying causes of the high error rate for IACS measures as well as the findings from DG AGRI audits for IACS and measures and from the Certification Body for Non-IACS.</p>
ES18 FEGA	2.93%	EUR 1.57 million	<p>A DG AGRI audit in 2022 identified deficiencies for one Non-IACS measure.</p> <p>Based on the Certification Body assessment, an adjustment was made to the Non-IACS error rate reported by the Member State.</p>	Yes	<p>A reservation is entered in respect of 2021 expenditure.</p> <p>The Member State should address the deficiencies detected by DG AGRI audit and by the Certification Body for Non-IACS measures.</p>
FI01	2.96%	EUR 12.68 million	<p>The Member State reported a high total error rate due to high error rates in several IACS measures.</p> <p>A DG AGRI audit in 2021 identified deficiencies in Non-IACS measures.</p> <p>Based on the Certification Body's assessment, an adjustment was made to the IACS and Non-IACS error rate reported by the Member State.</p>	Yes	<p>A reservation is entered in respect of 2021 expenditure.</p> <p>The Member State should continue and reinforce the action plan addressing the high error rates in IACS measures and deficiencies identified by DG AGRI audit and the Certification Body for Non-IACS measures.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
FR18 ODARC	5.00%	EUR 1.04 million	<p>The Member State has reported a high error rate for one IACS measure.</p> <p>The on-the-spot control rate was not achieved for IACS measures.</p> <p>DG AGRI audits in 2020 and 2021</p>	Yes	<p>A reservation is entered in respect of 2021 expenditure.</p> <p>The Member State should continue and reinforce the ongoing action plan addressing the deficiencies identified by DG</p>

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors Reservation follow-up
			<p>identified deficiencies in the IACS measures. The Member state has not revised their implementing system for claim year 2021.</p> <p>Based on the Certification Body's assessment, a further adjustment was made to the Non-IACS error rate reported by the Member State.</p>		<p>AGRI audits for IACS measures and by the Certification Body for Non-IACS, as well as the causes underlying the high error rate for IACS measures.</p> <p>The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.</p>
FR19 ASP	4.19%	EUR 79.43 million	<p>The Member State reported a high error rate for Non-IACS measures. The on-the-spot control rate was not achieved for IACS measures.</p> <p>A DG AGRI audit in 2020 identified deficiencies for the IACS measures.</p> <p>Based on the Certification Body's assessment, a further adjustment was made to the Non-IACS error rate reported by the Member State.</p> <p>The adjustment made based on the Certification Body's work to the error rate is also supported by the findings of previous DG AGRI audits.</p>	Yes	<p>A reservation is entered in respect of 2021 expenditure.</p> <p>The Member State should continue and reinforce the ongoing action plan addressing the deficiencies identified by DG AGRI audits for IACS and Non-IACS measures and by the Certification Body for Non-IACS, as well as the underlying causes for the high error rate in Non-IACS measures and the low control rate in IACS measures.</p> <p>The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.</p>
GB05 Northern Ireland	4.05%	EUR 1.29 million	<p>The National Authority reported a high total error rate and high random error rate for IACS.</p> <p>A DG AGRI audit in 2020 identified deficiencies in one IACS measure.</p> <p>Based on the Certification Body's assessment, a further adjustment was made to the IACS and Non-IACS error rates reported.</p>	Yes	<p>A reservation is entered in respect of 2021 expenditure.</p> <p>The National Authorities should continue and reinforce the action plan to address the underlying causes for the high error rates in IACS and the deficiencies detected by the DG AGRI audit for IACS and by the Certification Body for IACS and Non-IACS measures.</p>
GB06 Scotland	7.68%	EUR 7.18 million	<p>A DG AGRI audit in 2021 identified deficiencies in several IACS measures.</p> <p>Another DG AGRI audit in 2020 identified deficiencies in several Non-IACS measures.</p>	Yes	<p>A reservation is entered in respect of 2021 expenditure.</p> <p>The National Authorities should implement an action plan to address the deficiencies identified by DG AGRI in IACS and non-IACS measures.</p> <p>The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.</p>
GB07 Wales	6.36%	EUR 4.75 million	<p>A DG AGR audit in 2021 identified deficiencies in Non-IACS measures.</p> <p>Based on the Certification Body's assessment, a further adjustment was made to the IACS error rates reported.</p>	Yes	<p>A reservation is entered in respect of 2021 expenditure.</p> <p>The National Authority should continue and reinforce the action plan to address the deficiencies identified by DG AGRI for IACS and Non-IACS</p>

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors Reservation follow-up
					measures and by the Certification Body for IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
GB09 England	7.59%	EUR 32.91 million	The Member State reported a high error rate in IACS measures. For one IACS measure the control rate was not achieved. A DG AGRI audit in 2020 identified deficiencies in IACS measures. A DG AGRI audit in 2021 identified deficiencies in Non-IACS measures.	Yes	A reservation is entered in respect of 2021 expenditure. The National Authorities should continue and reinforce the action plan to address the deficiencies identified by the DG AGRI audits for IACS and Non-IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
HR01	3.11%	EUR 11.88 million	The Member State reported a high error rate for IACS measures. The Member State reported a high total error rate for Non-IACS measures, due to a very high error rate in one measure. A DG AGRI audit in 2021 identified deficiencies in several IACS measures. A DG AGRI audit in 2020 identified deficiencies in IACS and Non-IACS measures. Based on the Certification Body's assessment, a further adjustment was made to the Non-IACS error rates reported.	Yes	A reservation is entered in respect of 2021 expenditure. The Member State should continue and reinforce the ongoing action plan to address the underlying causes of high error rates reported under IACS and Non-IACS measures and deficiencies identified by the DG AGRI audits for IACS and Non-IACS measures and by the Certification Body for Non-IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
HU02	3.81%	EUR 21.96 million	The Member State reported a high total error rate for IACS measures. A DG AGRI audit in 2021 identified deficiencies in several IACS measures. Another DG AGRI audit in 2017 identified deficiencies in one IACS-Forestry measure. In 2021 a DG AGRI audit identified deficiencies in several Non-IACS measures. Another DG AGRI audit in 2019 identified weaknesses in controls of Plant protection products. A DG AGRI audit in 2020 identified deficiencies in one Non-IACS measure. Based on the Certification Body's	Yes	A reservation is entered in respect of 2021 expenditure. The Member State should implement an action plan addressing the deficiencies identified by DG AGRI and by the Certification Body for IACS and Non-IACS measures and the underlying causes of high error rates for IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors Reservation follow-up
			assessment, a further adjustment was made to the IACS and Non-IACS error rates reported.		
IT25 Trento	3.31%	EUR 0.39 million	The Member State reported a high error rate for several IACS measures.	No	As the amount at risk is below <i>de minimis</i> threshold established by DG AGRI's materiality criteria (see Annex 5), no reservation is required. The Member State should address the underlying causes for the high error rate in IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
IT26 Calabria	3.49%	EUR 3.04 million	A DG AGRI audit in 2017 identified deficiency in IACS measures. Based on the Certification Body's assessment, a further adjustment was made to the Non-IACS error rate reported by the Member State.	Yes	A reservation is entered in respect of 2021 expenditure. The Member State should continue the ongoing action plan addressing the deficiencies identified by DG AGRI in IACS measures and by the Certification Body in Non-IACS measures.
IT27 Sardegna	2.14%	EUR 1.77 million	The Member State has reported a high error rate for IACS measures.	Yes	A reservation is entered in respect of 2021 expenditure. The Member State should address the underlying causes for the high error rate in IACS measures.
LU01	4.57%	EUR 0.80 million	The on-the-spot control rate for IACS measures was not achieved. A DG AGRI audit in 2021 identified deficiencies in controls in the IACS and Non-IACS measures.	No	As the amount at risk is below <i>de minimis</i> threshold established by DG AGRI's materiality criteria (see Annex 5), no reservation is required. Nevertheless, the Member State should address the deficiencies in DG AGRI audits for the IACS and Non-IACS measures as well as the underlying causes for high error rates in the IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
NL04	3.34%	EUR 5.44 million	A DG AGRI audit in 2021 identified deficiencies in one Non-IACS measure. Based on the Certification Body's assessment, a further adjustment was made to the IACS and Non-IACS error rate reported by the Member	Yes	A reservation is entered in respect of 2021 expenditure. The Member State should implement an action plan to address the deficiencies identified by DG AGRI audit for one Non-IACS measure and by

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors Reservation follow-up
			State.		the Certification Body for IACS and Non-IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
PL01	2.04%	EUR 28.96 million	The Member State reported a high error rate in IACS measures. DG AGRI audit in 2019 identified deficiencies in a Non-IACS measure. Based on the Certification Body's assessment, a further adjustment was made to the Non-IACS error rate reported by the Member State.	Yes	A reservation is entered in respect of 2021 expenditure. The Member State should continue and reinforce the ongoing action plan to address the deficiencies identified by DG AGRI and by the Certification Body for Non-IACS measures and for the underlying causes of the high error rate in one IACS measure. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
PT03	5.47%	EUR 21.91 million	The Member State reported a high error rate for both IACS and Non-IACS measures. A DG AGRI audit in 2019 identified deficiencies in all IACS measures. A DG AGRI audit in 2019 identified deficiencies in Non-IACS measures. Another DG AGRI audit in 2020 identified deficiencies in Non-IACS measures. Based on the Certification Body's assessment, a further adjustment was made to the Non-IACS error rate reported by the Member State.	Yes	A reservation is entered in respect of 2021 expenditure. The Member State should revise and reinforce the ongoing action plan to address the underlying causes of high error rates reported under IACS and Non-IACS measures and the deficiencies detected by DG AGRI for IACS and Non-IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
SE01	4.88%	EUR 15.60 million	The Member State reported a high total error rate, due to high error rate in one IACS measure. A DG AGRI audit in 2021 identified deficiencies in the IACS measures. Another DG AGRI audit in 2021 identified deficiencies in the Non-IACS measures. Another DG AGRI audit in 2020 identified deficiencies in Non-IACS measures.	Yes	A reservation is entered in respect of 2021 expenditure. The Member state should continue and reinforce the ongoing action plan addressing the high error rate in one IACS measure and the deficiencies identified by DG AGRI for the IACS and Non-IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
SK01	15.37%	EUR 21.35 million	The Member State reported a high error rate in IACS measures. DG AGRI audit in 2020 identified deficiencies in all Non-IACS measures.	Yes	A reservation is entered in respect of 2021 expenditure. The Member State should continue and reinforce the ongoing action plan to address

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors Reservation follow-up
			<p>The adjustment made to the error rate for Non-IACS measures is also supported by the findings reported by the Certification Body.</p>		<p>the deficiencies identified by DG AGRI for Non-IACS measures and the underlying causes for high error rate in IACS measures.</p> <p>The financial risk to the EU budget for the Non-IACS measures is partly covered by payment suspensions.</p> <p>The ongoing conformity clearance procedures will ensure that the remaining financial risk to the EU budget is covered.</p>

Table: Annex 7 – 3.3.5-1

3.3.6 Conclusions for ABB04

3.3.6.1 Expenditure under the Rural Development Programme

The total expenditure for the Rural Development Programmes in 2021 amounted to EUR 14 643 635 923 , of which EUR 14 569 480 584 were financed by the budget for the 2014-2022 programming period (budget item 05046001). DG AGRI's assessment results in an adjusted error rate for the total relevant expenditure of 2.85%.

35 out of the 72 Paying Agencies have an adjusted error rate above 2% (of which 9 were above 5%: Bulgaria, Germany (one Paying Agency), Denmark, Spain (one Paying Agency), the United Kingdom (three Paying Agencies), Portugal and Slovakia).

All 9 cases where the error rate is above 5% and the amount at risk is above DG AGRI *de minimis* threshold of EUR 1 million, as established in Annex 5 (materiality criteria) were automatically subject to a reservation. In all of these cases, the high adjusted error rate was determined by further adjustment of the error rate by DG AGRI, based on the assessment of the Certification Bodies and DG AGRI own audits.

For the remaining – 26 Paying Agencies with an error rate between 2% and 5%, DG AGRI examined the situation for each Paying Agency concerned to determine if risk mitigation conditions existed rendering it unnecessary to make a reservation. In 3 cases, it was considered that, given the mitigating factors present, it would not be necessary to make reservations: Germany (two Paying Agencies) and Spain (one Paying Agency). For 6 Paying Agencies (Germany (one Paying Agency), Italy (one Paying Agency), Luxembourg, Spain (three Paying Agencies), the amount at risk is below DG AGRI's *de minimis* threshold of EUR 1 million as established in Annex 5 (materiality criteria), therefore no reservation was necessary. For the remaining 17 Paying Agencies, a reservation was deemed necessary.

The overall outcome of this exercise is that 26 reservations are necessary at Paying Agency level:

- Belgium (one Paying Agency)
- Bulgaria
- Croatia
- Czechia
- Denmark
- Finland
- France (two Paying Agencies)
- Germany (three Paying Agencies)
- Hungary
- Italy (two Paying Agencies)
- The Netherlands
- Poland

- Portugal
- Slovakia
- Spain (three Paying Agencies)
- Sweden
- The United Kingdom (four Paying Agencies)

Eleven reservations (Austria, Belgium (1 Paying Agency), Germany (1 Paying Agency), Estonia, Spain (2 Paying Agencies), Greece, Italy (3 Paying Agencies) and Romania) from 2020 AAR are not carried forward in the 2021 AAR due to error rates in 2021 below 2% and remedial actions taken. Part C of Annex 9 provides details on the reservations not carried forward.

3.3.6.2 Conclusion on risk assessment for all budget items within ABB04

The following table sets out the budget items and the error rates, which have been used to assess the amounts at risk. The adjusted error rate of 2.85% represents a decrease compared to 2020.

Payments reimbursed by DG AGRI to the Member States and the UK in 2021						
Management type	Chapter	Budget item	Description	Payments (EUR)	Error rate (%)	Amount at risk (EUR)
Shared Management	0803	080299010056001	Completion of rural development financed by the EAGGF Guarantee Section - Programming period 2000 to 2006	-190 720	0.00%	-
		080301	Promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector	14 631 926 251	2.85%	416 621 184
			Interim payments for promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector 2014-2020	14 631 923 160	2.85%	416 621 184
			Reimbursements following Court cases	3 091	0.00%	-
			Sub-Total Shared Management	14 631 735 530.83	2.85%	416 621 184
Direct management	0803	080302	Operational technical assistance	4 072 087	1.00%	40 721
		08039902	Operational technical assistance prior to 2021	7 828 306	1.00%	78 283
			Sub-Total Direct Management	11 900 393	1.00%	119 004
Grand Total 0803				14 643 635 923	2.85%	416 740 188

Table: Annex 7 – 3.3.6.2-1

The adjusted error rate for payments made for ABB04 is 2.85% and the total amount at risk is EUR 416.74 million.

The assessment of the risk for the entire chapter 0803 covers all payments to Member States in 2021 including pre-financing.

The average amount of net financial corrections per year for the five year period 2017-2021 (excluding corrections made for cross-compliance) is EUR 172.22million for ABB04¹⁴⁸ while recoveries from Member States from beneficiaries amounted to EUR 95.02 million.

¹⁴⁸ See sub-section 2.1.1.3.1 of the main body of the report on "corrective capacity".

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

Communication on the root causes of errors

Since 2017, when the Commission Communication to the Council and the European Parliament on the root causes of errors and actions taken (COM (2017) 124 final) was published, the error rate level for EAGF has been further decreasing. As regards the EAFRD, the error rate is decreasing and is consistently below 3% since 2019.

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

Simplification and other Commission initiatives

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

In 2020, the Transitional Regulation was adopted¹⁴⁹ and included among others, **two amnesties for Payment Entitlements**. The first general amnesty was deemed necessary as in 2015, at the allocation of Payment Entitlements or at the recalculation of payment entitlements for Member States keeping existing Entitlements under Regulation (EU) No 1307/2013, some Member States made errors. In the light of the time elapsed since the first allocation, the efforts made by Member States to establish, and where relevant, to correct entitlements, and also in the interest of legal certainty, the number and value of payment entitlements will now be considered legal and regular with effect from 1 January 2021. The second one applies to specific payment entitlements (when Member States applied a reduction coefficient to eligible hectares consisting of permanent grassland located in areas with difficult climate conditions). To stabilise the system currently applied in those Member States, and with a view to ensuring legal certainty for all farmers in the Member States concerned as early as possible, the Member States concerned are able to consider retroactively legal and regular the value and number of all entitlements allocated to all farmers before 1 January 2020.

Also in 2021, DG AGRI continued applying the adapted working methods put in place to respond to the **COVID-19 restrictions** in 2020 and actively responded to the impact of the COVID-19 pandemic on the CAP assurance through a series of measures described in

¹⁴⁹ Regulation (EU) 2020/2220 of the European Parliament and the Council of 23 December 2020

section 2.1 of this Annual Activity Report. Considering the prolongation of the exceptional administrative difficulties encountered due to the continuation of the COVID-19 pandemic in 2021 in the EU, the Commission proposed continued application of the amended rules and alternative methods for Member States to carry out their controls by adopting the relevant Regulations¹⁵⁰¹⁵¹.

Conferences, workshops and networking

In 2021, DG AGRI participated in one virtual conference with the Heads of the Paying Agencies chaired by the the Portuguese Presidency. The conference in Slovenia was cancelled due to the COVID-19 pandemic. In fact, both the Portuguese Paying Agency conference and the Commission organised one were held by videoconference in order to ensure continued exchanges of best practises even when it was not possible to physically meet in view of the COVID-19 restrictions. The conference organised annually in Brussels by DG AGRI took place in November 2021. 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. The Brussels conference also included presentations and discussions on the new CAP, to enter into force on 1 January 2023.

Meetings are also regularly organised with representatives of the Learning Network of the Paying Agencies, in which strategic issues and implementation challenges, including the main challenges of the new CAP, the implementation of the area monitoring system (AMS) and the anti-fraud and conflict of interests issues, are discussed. In December 2021, the network announced its intention to revitalise its organisation and work by increasing for example the number of delegations attending the Plenaries while improving the discussions and active participation and involvements of the delegations at the Plenaries via the organisation of working groups, and so on. Furthermore, since 2013 annual seminars on error rate in Rural Development have been organised, of which the latest took place in 2020. The seminars aim at presenting the lessons learnt from the audit work, sharing good practices in Member States' experience with the implementation of the programmes and provide guidance on various aspects of the policy. These seminars are organised jointly in the framework of the Rural Development Committee and the Agricultural Funds Committee in order to ensure the involvement of both Managing Authorities and Paying Agencies. The "geographical desks" (DG AGRI's units responsible for the Member States' Rural Development Programmes) ensured regular monitoring of the remedial action plans and carried out follow-up activities in annual and ad-hoc meetings with Member States, monitoring committees and, if relevant, in the context of programme amendments.

¹⁵⁰ Commission Implementing Regulation (EU) 2021/725 of 4 May 2021.

¹⁵¹ Possibility to replace physical inspections and on-the-spot checks under Direct Payments, Rural Development and markets support measures with alternative control evidence, such as geo-tagged photos, satellite images, documents, video meetings, etc.

The European Network for Rural Development also has an on-going role in disseminating good practices and guidance related to improving RDP implementation, including the reduction of errors. In 2021, different workshops and other events for Managing Authorities and Paying Agencies have been carried out and supported through the ENRD activities. In 2021, events continued to focus on drawing lessons from the current programming period and supporting Member States in the preparation of the future CAP strategic plans and the shift to the new performance-based delivery model. They covered topics such as: operational design of the CAP strategic plans, programming regional-level interventions, designing eco-schemes, participation of regions and other stakeholders during preparations of the CAP strategic plans, maintaining and widening stakeholder engagement in LEADER, rural revitalisation, the Farm-to-Fork Strategy and cooperation in the agri-food supply chain, the European Green Deal and rural areas, valorising and communicating project examples.

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

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

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

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

Finally, a number of expert group meetings on direct payments took place in 2021, notably dedicated to modernisation and simplification of IACS for Member States willing to start or already implementing the checks by monitoring approach.

Action plans

As from 2015, DG AGRI has continuously improved the system of action plans reporting by Member States concerned by, including a reinforcing focus on audit findings as well as improving indicators and milestones for monitoring purposes. The request for action plans is normally triggered by serious deficiencies identified in the framework of conformity procedures. Once approved, the action plans are expected to address the identified

deficiencies by describing, for each of them, the corrective actions to be taken and the established benchmarks and timetable for implementing their actions.

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

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

The regulatory quality assessment (QA) which Member States must carry out of their LPIS is actively followed-up by DG AGRI to ensure that Member States take the remedial actions required to meet the quality standards that are considered appropriate, in view of the fundamental role played by the LPIS in ensuring correct claims and payments. With the help of the JRC, DG AGRI carries out a number of LPIS QA advisory missions or dedicated bilateral meetings, organised every year to support Member States with their quality assessments. During the COVID-19 pandemic, meetings were organised in a virtual mode and exchanges continued to be held with Member States to ensure a minimum level of support and guidance, despite the sanitary constraints. Analysis of on-going remedial action plans submitted in previous years was also actively carried out. A review of the correct application of the LPIS QA method is included in the conformity clearance procedure.

As regards market support measures within the CMO Regulation: (1) sectoral support programmes and (2) the EU school scheme, DG AGRI, based on major audit findings, also requests Member States to set up remedial action plans and to report on their progress.

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 1306/2013¹⁵², Commission Delegated Regulation (EU) No 907/2014¹⁵³ and Commission Implementing Regulation (EU) No 908/2014¹⁵⁴.

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

¹⁵² 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).

¹⁵³ 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).

¹⁵⁴ 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).

conformity clearance procedure when errors are found in the annual accounts and and/or findings from certification/accreditation missions require that a financial correction is proposed.

The Commission adopts an annual clearance of accounts decision per Fund¹⁵⁵, by which it conveys that it accepts the Paying Agencies annual accounts on the basis of the certificates and reports from the Certification Bodies, but without prejudicing any subsequent decisions to recover expenditure which proves not to have been effected in conformity with the applicable rules (this is reserved for the conformity clearance). The Commission must adopt these decisions by 31 May of the year following the financial year in question (for agricultural expenditure a financial year starts on 16 October of one year and ends on 15 October of the next year).

4.1.2 Conformity clearance – checking the system

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

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

Financial corrections

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

Explanatory Box: Annex 7 - 4.1.2-1

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

¹⁵⁵ Separate decisions are adopted for the accounts of the 27 Member States and that of the Paying Agencies in the United Kingdom.

Every year, the Commission’s Directorate General for Agriculture and Rural Development carries out around 200 audits, half of which include on-the-spot missions¹⁵⁶ to the Paying Agencies and/or Certification Bodies in the Member States. The Paying Agencies and Certification Bodies to be visited are selected on the basis of a detailed risk analysis, and the audit work normally concentrates on the work of the Certification Bodies on legality and regularity and the functioning of the Paying Agencies’ management and control systems (see Explanatory box 1.1 in Annex 7 – Part 1 for more information on the Central Risk Analysis (CRA)).

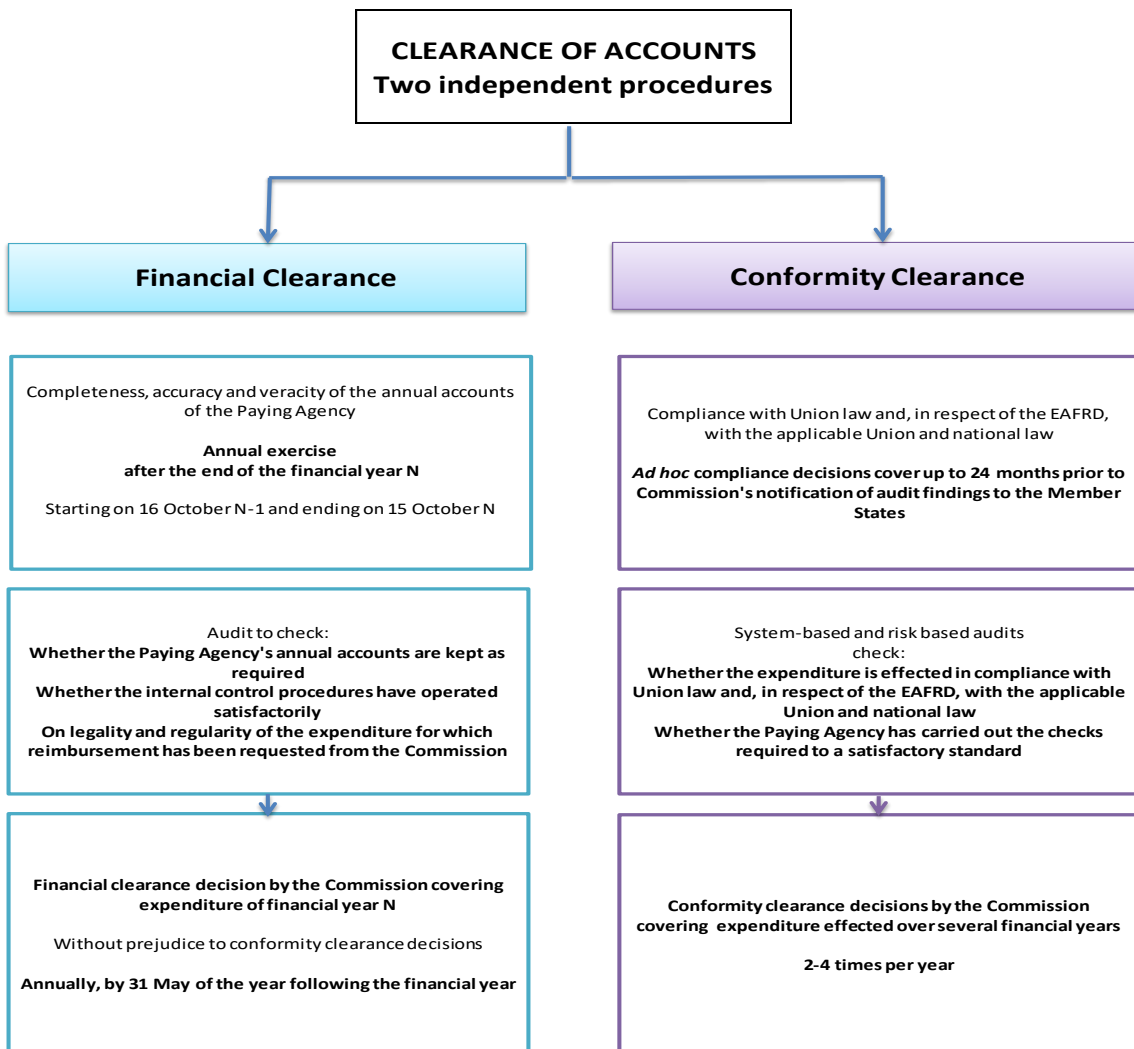


Diagram: Annex 7-4.1.2-1

¹⁵⁶ For parts of 2021, it was not possible to carry out on-the-spot missions due to the COVID-19 pandemic restrictions, so instead remote audits were carried out (see also point 2.1.1.2.1).

4.1.3 How does the conformity procedure work in practice?

If an audit (including DG AGRI audits, Certification Body audits and occasionally ECA audits) reveals deficiencies in the functioning of the national systems, the Commission initiates a conformity clearance procedure with a view to determining whether to impose a net financial correction on the Member State in question and, if so, what the amount of that correction that needs to be excluded from Union financing should be. Such a procedure comprises the following steps (see diagram Annex 7 – 4.4):

- **The Commission officially notifies the Member State of the audit findings** and indicates the corrective measures, which the Member State should take to remedy the deficiencies found. The Member State then has two months to reply to the Commission's findings.
- **The Commission arranges a bilateral meeting with the Member State** where both parties shall endeavour to reach an agreement on the corrective measures to be taken as well as on the gravity of the infringement and the financial damage caused to the EU budget. The Member State has fifteen working days after having received the minutes of the meeting to react and 2 months to provide further.
- **The Commission formally communicates its conclusions to the Member State**, including the financial correction, which it envisages to impose on the Member State.
- Within 30 working days following receipt of these conclusions, **the Member State may submit the case for conciliation** to the "Conciliation Body"(see Explanatory Box below). The Conciliation Body has four months to try to reconcile the positions of the Commission and the Member State and, at the end of this period, to draw up a report on the results of its efforts and any recommendations it may wish to make to the parties.
- After having examined the Conciliation Body's report, **the Commission notifies the Member State of its final conclusions.**

What is the role of the Conciliation Body?

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

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

Only reasoned requests from the Member States are accepted by the Conciliation Body. A request for conciliation is only admissible when the correction proposed by the Commission services either exceeds EUR 1 million or accounts for more than 25% of the Member

State's total annual expenditure under the budget headings concerned or, if these thresholds are not reached, if the request concerns a matter of principle relating to the application of EU rules.

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

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

Explanatory Box: Annex 7 - 4.1.3-1

Once this procedure has been completed, any resulting financial correction is included in a formal decision adopted by the Commission (referred to as *ad-hoc* decision) after having consulted the Member States through the Committee on the Agricultural Funds. Such a conformity decision can then be challenged by the Member States before the Court of Justice of the European Union.

Throughout the procedure Member States have the right to a fair contradictory procedure. Also because Member States have the right (which they regularly exercise) to challenge the conformity decisions in the Court of Justice of the European Union, the Commission is very vigilant that it fully respects the Member States' rights under the conformity procedure. Failure to do so would expose the EU budget to the risk that financial corrections would have to be reimbursed to the Member States.

4.1.4 Shortening the conformity clearance procedure

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

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

concerned to the final result of the analysis by the Commission of the recommendations of the Conciliation Body takes at least six months¹⁵⁷.

The Commission has streamlined the procedure to the extent possible. Firstly, the CAP Horizontal Regulation describes precisely the nature, scope and sequence of the successive steps, as well as the different types of financial corrections. Secondly, the legal provisions of the Delegated Act (method and criteria for calculating the financial correction) and Implementing Act (details of the conformity procedure, with deadlines for each step of the procedure) are intended to further streamline the legal framework and limit the risk of unnecessary delays. Thirdly, on that stronger basis, DG AGRI intensified its monitoring of the progress of the conformity procedures to ensure a strict respect of the deadlines.

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

¹⁵⁷ It can take even longer if the whole case has to be re-examined.

Annex 7 – Part 4 – Conformity Clearance Procedure and Net Financial Corrections

**Conformity Clearance Procedure
DG AGRI Conformity Procedure for Net Financial Corrections**

Example of the timing of the procedure for an audit mission carried out on-the-spot at the end of September 2018 (standard procedure)

YEAR	Month	Procedural steps	Procedural Phase	Coverage of the financial correction
		Preparatory Phase		
2018	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				
2019	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		
	J	Minutes of Bilateral Meeting		
2020	A	Bilateral meeting with MS to discuss the deficiencies identified, action to be taken and the risk to the EU Budget	Contradictory phase with MS	Financial correction may cover expenditure incurred for 24 months prior to notification
	S	Minutes of Bilateral Meeting		
	O	Member State's reply to the minutes of bilateral meeting		
	N D			
2020	J		Conciliation phase for MS	Financial correction may cover expenditure incurred for the period after notification of finding until MS can show that remedial action has been taken
	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	MS submission of reasoned request for conciliation -optional to MS-		
2021	J	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.	Conciliation phase for MS	Financial correction may cover expenditure incurred for the period after notification of finding until MS can show that remedial action has been taken
	J	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.		
	A	Preparation of the Final Letter		
2021	O		Final Letter to MS with definitive financial correction	Financial correction may cover expenditure incurred for the period after notification of finding until MS can show that remedial action has been taken
	N D	Preparation of the Final Letter		
END OF CONFORMITY PROCEDURE				
	A		Comitology & Commission decision procedure	Financial correction may cover expenditure incurred for the period after notification of finding until MS can show that remedial action has been taken
	M			
	J	Commission decision on financial corrections		
	J			
2021	A		Comitology & Commission decision procedure	Financial correction may cover expenditure incurred for the period after notification of finding until MS can show that remedial action has been taken
	S	Actual reimbursement to EU Budget by MS		

Diagram: Annex 7 – 4.1.4-1

4.2 Net financial corrections

4.2.1 How does the Commission calculate net financial corrections?

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

Where this is not possible, **flat-rates** (Article 12(6) of Commission Delegated Regulation (EU) No 907/2014) are used which take account of the severity of the deficiencies in the national management and control systems in order to reflect the financial risk for the EU budget. In order to ensure equal treatment of all cases of this kind, the Commission has adopted guidelines¹⁵⁸, which provide for standard correction rates of 2%, 3%, 5%, 7%, 10% or 25% of the expenditure at risk, depending on whether the deficiencies concern key or ancillary control requirements, which are determined for each aid schemes.

What are key and ancillary controls?

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

- **Ancillary controls** involve all other administrative operations required to correctly process claims, such as a risk analysis and appropriate supervision of the procedures.

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

Explanatory Box: Annex 7 - 4.2.1-1

¹⁵⁸ Guidelines on the calculation of the financial corrections in the framework of the conformity and financial clearance of accounts procedures C(2015) 3675 final.

On this basis, the guidelines provide that:

- When a Member State has adequately performed the key controls, but completely failed to operate one or two ancillary controls then a correction of 2% is justified in view of the lower risk of financial damage to the Union's budget, and in view of the lesser gravity of the infringement;
- When one or two key controls are not applied, in the number, frequency, or depth required by the regulations, then a correction of 5% is justified, as it can reasonably be concluded they do not provide sufficient level of assurance of the regularity of claims, and that the risk to the Funds was significant;
- When one or more key controls are not applied or applied so poorly or so infrequently that they are completely ineffective in determining the eligibility of the claim or preventing irregularities, then a correction of 10% is justified, as it can reasonably be concluded that there was a high risk of wide-spread financial damage to the Union's budget;
- When three or more deficiencies are detected with respect to the same control system, a financial correction of 3% is justified if the deficiencies concern only ancillary controls, which have completely failed;
- When three or more deficiencies are detected with respect to the same control system, a financial correction of 7% is justified if these deficiencies include maximum two key controls not being carried out in the number, frequency, or depth required by the Regulations;
- When a Member State's application of a control system is found to be absent or gravely deficient, and there is evidence of wide-spread irregularity and negligence in countering irregular or fraudulent practices", then a correction of 25% is justified as it can reasonably be assumed that the freedom to submit irregular claims with impunity will occasion exceptionally high financial damages to the Union's budget.

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

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

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

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

This is particularly the case since 2010 when, due to the financial and economic crisis, Member States requested more frequently the benefit of an existing provision in the legislation allowing reimbursement of financial corrections via annual instalments (rather than a one-off payment): if the amount to be reimbursed by the Member State is more than 0.01% of its GDP, it may request that the deductions are made in annual instalments (maximum 3) instead of all at once. **In 2021, instalment decisions have been adopted in respect of EUR 230.712 million of financial corrections** (see Annex 7 – 4.2.3-1 for details).

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

4.2.2 Net financial corrections in 2021

Table Annex 7 – 4.2.2-1 below sets out the net financial corrections (except cross-compliance, reimbursements following court judgments, individual corrections for market measures ABB02 that are no longer relevant, late payments and overshooting of ceilings.) reimbursed to the EU budget for ABB02, ABB03 and ABB04: over the past three years for the EAGF Market Measures (ABB02) and over the past five years for the EAGF Direct Payments (ABB03) and for the EAFRD (ABB04) and its average:

DG AGRI corrective capacity from financial corrections executed 2017-2021				
	ABB02	ABB03	ABB04	Total
2017		517.097	303.807	
2018		548.407	139.456	
2019	51.822	506.832	170.883	729.537
2020	30.052	178.095	147.640	355.787
2021	33.147	448.828	99.310	581.285
Total	115.021	2 199.259	861.096	
3/5-year average	38.340	439.852	172.219	650.411

million EUR

Table: Annex 7 – 4.2.2-1

As mentioned in the main body of the report (under sub-section 2.1.1.3.1), DG AGRI uses a historical average of the net financial corrections executed for calculating its corrective capacity. To take into account that the 2015 and 2016 amounts of financial corrections included significant amounts related to backlog cases¹⁵⁹ and to avoid overestimating the corrective capacity, DG AGRI since 2016 used an average of the five previous years instead

¹⁵⁹ Backlog cases refer to conformity clearance enquiries, which had been opened before 1 January 2014 and had been pending for a considerable period and therefore also covered several financial years and thus resulted in substantial financial corrections being decided during the period where DG AGRI made an effort to close all such old cases.

of the three previous years used in 2014 and 2015, as it was considered to give a better assessment of what financial corrections can be expected to be made in respect of the reporting year of the AAR (i.e. 2021 expenditure). The corresponding figures for each of the years 2014 to 2019 were already published in previous DG AGRI AARs. In 2020, for EAFRD, a 5-year average continues to be used in view of the multi-annual programming for EAFRD. For EAGF Direct payment, a 5-year average is also used since the amount of financial corrections is more stable over time and gives a realistic estimation of the future financial corrections. As regards ABB02, it is not appropriate to use the 5-year average. The amount of corrections for 2017 was exceptionally high, thus not representative of the average corrections applied for ABB02. Such high corrections for ABB02 are not expected in the future.

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

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

Cross-compliance corrections executed in 2021 and 5-years average				
million EUR				
	ABB02	ABB03	ABB04	Total
2021	0.077	21.698	3.919	25.694
5-year average	0.160	35.332	5.305	40.797

Table: Annex 7 – 4.2.2-2

4.2.3 Instalments and Deferrals

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

The following table Annex 7 - 4.2.3-1 sets out the financial impact of the instalment decisions, showing when they were adopted and when the various instalments are actually reimbursed by the Member States.

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

			Year of reimbursement					
Ad-hoc decision	Adopted	Amount in instalments	2019	2020	2021	2022	2023	2024
52	2016	219.177	73.059					
54	2017	275.195	91.732					
55	2017	11.303	3.768	3.768				
56	2018	15.299	5.100	5.100				
57	2018	126.333	42.111	42.111				
58	2018	28.277	9.426	9.426	9.426			
59	2019	132.112	44.037	44.037	44.037			
60	2019	13.523	4.508	4.508	4.508			
63	2020	71.314		23.771	23.771	23.771		
64	2020	82.035		7.739	27.345	27.345	19.606	
65	2021	7.656			2.552	2.552	2.552	
67	2021	223.056			5.193	74.352	74.352	69.159
Total		1 205.280	273.741	140.460	116.832	128.020	96.510	69.159

Table: Annex 7 – 4.2.3-1

4.2.4 Amounts of financial corrections decided each year

Sub-section 2.1.1.3 of the main body of this report provides further information on financial impact of financial corrections and how they protect the EU budget. Three conformity clearance decisions were adopted by the Commission in 2021:

Financial corrections decided in 2021 (and net financial impact ¹⁶⁰)				
million EUR				
Commission Conformity Decisions		EAGF	EAFRD	Total
ad-hoc 65	EU 2021/261	142.859 (66.766)	2.89 (2.711)	145.749 (69.477)
ad-hoc 65 UK	EU 2021/262	5.833 (5.833)		5.833 (5.833)
ad-hoc 66	EU 2021/988	199.437 (199.271)	33.632 (28.936)	233.069 (228.207)
ad-hoc 66 UK	EU 2021/987	0.109 (0.109)	6.183 (6.183)	6.292 (6.292)
ad-hoc 67	EU 2021/2020	223.813 (223.637)	41.204 (41.150)	265.017 (264.787)
ad-hoc 67 UK	EU 2021/2019	29.000 (28.984)	0.499 (0.499)	29.499 (29.483)
Total		601.050 (524.600)	84.409 (79.479)	685.459 (604.079)

Table: Annex 7 – 4.2.4-1

¹⁶⁰ Net financial impact after taking account of other financial corrections on the same expenditure.

Impact of net financial corrections on Member States

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

Explanatory Box: Annex 7 - 4.2.4-1

4.2.5 Mechanisms for net financial corrections

4.2.5.1 Focus on more risky expenditure

Under the 2013 CAP Reform, DG AGRI audit activities are driven by risk analysis, i.e. more audits focus on Member States, measures and programmes affected by higher risks. Formerly, DG AGRI conducted an annual Central Risk Analysis (CRA) covering all CAP expenditure in all Member States in order to produce an annual audit work programme. In mid-2014, in line with its audit strategy, DG AGRI developed a rolling three-year audit programme. (Explanatory boxes 1-1 and 1-2 in Annex 7 - Part 1 set out the elements which comprise the risk analysis). The risk assessment for this multi-annual plan was complemented by risk mapping (see Part 1 of this Annex) and has been carried out out mid-year in order to exploit the opinions of the Certification Bodies (which are available in March) and to take into account any follow up work resulting from the AAR (in particular action plans which have to be followed up with the Member States). This approach ensures sufficient audit coverage of the overall expenditure while taking into account DG AGRI's audit capacity. Where the risk is considered to be high, the Paying Agency concerned will continue to be subject to intense audit supervision by DG AGRI in order to ensure that remedial actions are undertaken in line with an agreed schedule of work.

4.2.5.2 The Commission is legally bound to correct

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

This legislation frames the procedure even more tightly with the method and the criteria for fixing the amount of financial corrections set out in the delegated act. In the case of flat-rate corrections, it is specified how the severity of deficiency shall be assessed, taking into account its nature (key or ancillary control) but also its recurrence (repetition from a previous year without improvement) and the accumulation with other deficiencies (the risk

of errors is likely to be higher when there are several deficiencies). The Commission guidelines¹⁶¹ on how it determines financial corrections fully reflect these provisions. The implementing act sets out mandatory legal deadlines for both Member State and Commission for the various steps of the conformity clearance procedure.

4.2.5.3 Less recourse to flat-rate corrections

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

¹⁶¹ Guidelines on the calculation of the financial corrections in the framework of the conformity and financial clearance of accounts procedures C(2015) 3675 final.

Part 5: Debt management by the Member States

5.1 Legal Framework

Regulation (EU) No 1306/2013¹⁶² on the financing of the CAP requires the Member States to recover sums lost as a result of irregular payments detected. However, the recovery procedures, in accordance with the principle of subsidiarity, are the full responsibility of the Member States concerned and, thus, subject to their individual administrative and judicial procedures. Therefore, while some procedures deliver rapid results, others take more time.

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

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

From financial year 2014, the 50/50 rule is applied to EAFRD in the financial year when it occurs and not at the closure of the programme. Consequently, the Member States are required to indicate amounts to be charged under the 50/50 rule also for EAFRD 2007-2013 as well as for EAFRD 2014-2022 programmes¹⁶³.

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.

¹⁶² Regulation (EU) 1306/2013 is still applicable for financial year 2021.

¹⁶³ Article 54(2) of Regulation (EU) No 1306/2013.

5.2 Amounts recovered by the Member States in financial year 2021 for the EAGF

Table Annex 7 – 5.2-1 below sets out the amounts recovered in 2021 from the beneficiaries by the Member States as reported in their debtors' ledger for the EAGF¹⁶⁴.

MS	EAGF recoveries	EAGF recoveries cross-compliance	EAGF recoveries Total
AT	827 154	489 733	1 316 887
BE	770 290	2 165 674	2 935 964
BG	136 120	3 030 890	3 167 009
CY	72 518	124 518	197 036
CZ	359 757	2 373 014	2 732 771
DE	4 722 217	5 751 917	10 474 134
DK	733 611	335 411	1 069 022
EE	25 500	256 260	281 760
ES	12 118 957	5 629 307	17 748 264
FI	604 873	371 002	975 875
FR	12 208 315	16 357 153	28 565 467
GB	1 649 586	352 410	2 001 996
GR	2 442 795	3 629 205	6 072 000
HR	548 590	665 971	1 214 562
HU	861 839	3 959 024	4 820 863
IE	2 572 771	3 389 631	5 962 402
IT	8 553 115	18 289 508	26 842 623
LT	1 657 770	2 051 886	3 709 656
LU	11 845	79 921	91 766
LV	242 330	578 784	821 114
MT	20 729	79 375	100 104
NL	561 071	1 282 256	1 843 326
PL	5 960 684	1 091 437	7 052 121
PT	2 349 463	2 437 498	4 786 961
RO	3 738 180	5 475 396	9 213 576
SE	270 742	790 436	1 061 178
SI	239 646	118 742	358 388
SK	1 340 702	805 189	2 145 890
Total	65 601 169	81 961 547	147 562 716

Table: Annex 7 – 5.2-1

For the purpose of calculating corrective capacity (see Table Annex 7 – 5.2-2 below and sub-section 2.1.1.3 of the main body of the report), amounts recovered from the beneficiaries by the Member States and reimbursed to the Commission as assigned revenue (67 02) for the EAGF in 2021 are taken into account. These amounts slightly differ from the debtors' ledgers as reported by the Member State as it accounts for recovered

¹⁶⁴ Since the entry into force of the Commission Implementing Regulation (EU) No 908/2014 laying down rules for the application of Regulation (EU) No 1306/2013, Paying Agencies are required to record the budget code of the amounts recovered. However, this requirement is only applicable to new debt cases (as per Article 41(5) of Regulation (EU) No 907/2014). Consequently, since Paying Agencies are still presently reporting old debts cases, it is still not possible to provide a breakdown of recovered amounts at ABB level and this is why the corrective capacity is still reported at Fund level.

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 2021 and assigned revenue from (disjoined) financial clearance decisions of previous financial years.

The total amount recovered and reimbursed to the EU budget is EUR 112.7 million. This corresponds to the amount declared by DG AGRI in the consolidated accounts for 2021. Amounts recovered in respect of cross-compliance infringements (i.e. EUR 33.8 million) are indicated separately and deducted to show the amount of recoveries for 2021 which DG AGRI considers to be relevant for its corrective capacity, i.e. EUR 78.9 million for 2021.

MS	EAGF recoveries	EAGF recoveries cross-compliance	EAGF recoveries Total
AT	473 944	370 368	844 312
BE	765 647	1 401 584	2 167 231
BG	2 073 006	1 130 422	3 203 428
CY	97 409	52 345	149 754
CZ	668 006	1 540 667	2 208 673
DE	4 125 811	7 004 318	11 130 129
DK	108 328	478 470	586 798
EE	83 307	150 602	233 909
ES	11 767 111	2 387 019	14 154 130
FI	552 063	384 311	936 375
FR	20 883 999	4 055 973	24 939 972
GB	0	0	0
GR	4 086 078	1 012 478	5 098 556
HR	780 835	360 318	1 141 152
HU	1 883 737	240 668	2 124 405
IE	2 473 265	3 009 847	5 483 112
IT	9 935 535	3 059 372	12 994 907
LT	1 237 675	-50 082	1 187 593
LU	11 845	183 739	195 584
LV	465 943	230 056	695 999
MT	20 714	59 530	80 244
NL	824 046	758 019	1 582 065
PL	5 330 623	1 034 653	6 365 276
PT	2 477 271	1 792 894	4 270 164
RO	5 687 667	1 698 144	7 385 810
SE	225 204	1 036 870	1 262 074
SI	186 500	116 351	302 851
SK	1 704 612	306 274	2 010 887
Total	78 930 182	33 805 210	112 735 392

Table: Annex 7 – 5.2-2

5.3 Amounts recovered by the Member States and the UK in financial year 2021 for the EAFRD

Table Annex 7 – 5.3-1 below sets out the amounts recovered in 2021 from the beneficiaries by the Member States and the UK as reported in their debtors' ledger for the EAFRD¹⁶⁵.

¹⁶⁵ Including other penalties and sanctions.

MS	EAFRD recoveries	EAFRD recoveries cross-compliance	EAFRD recoveries Total
AT	2 057 009	56 716	2 113 726
BE	793 804	156 336	950 140
BG	10 733 581	1 574 330	12 307 911
CY	18 745	37 488	56 233
CZ	1 722 085	635 348	2 357 432
DE	5 416 849	461 390	5 878 239
DK	168 428	0	168 428
EE	3 923 973	140 931	4 064 904
ES	6 803 153	394 927	7 198 080
FI	780 398	141 924	922 322
FR	8 584 492	1 028 352	9 612 844
GB	7 052 039	230 814	7 282 853
GR	2 289 426	1 455 774	3 745 200
HR	1 220 319	3 450 611	4 670 931
HU	2 084 347	3 661 423	5 745 771
IE	1 839 553	152 348	1 991 902
IT	5 582 822	10 364 493	15 947 315
LT	978 623	294 159	1 272 782
LU	2 580	85 682	88 263
LV	543 540	137 318	680 859
MT	371 252	34 381	405 633
NL	78 360	59 056	137 416
PL	8 337 456	1 207 136	9 544 592
PT	11 137 516	658 505	11 796 021
RO	19 440 350	2 051 635	21 491 985
SE	629 756	16 501	646 257
SI	350 343	96 863	447 206
SK	884 069	343 251	1 227 321
Total	103 824 871	28 927 692	132 752 564

Table: Annex 7 – 5.3-1

For the purpose of calculating the corrective capacity, (see sub-section 2.1.1.3 of the main body of the report), recoveries in respect of 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 2021 which DG AGRI considers relevant for its corrective capacity is EUR 103.8 million.

The total amount of EAFRD recoveries in 2021 that could be reused by Member States within the same programme amounts to EUR 132.7 million.

5.4 Application of the 50/50 Rule

The financial consequences of non-recovery for cases dating from 2017 (4 year deadline for recovery) or 2013 (8 year deadline in case of legal proceedings) will be determined for 2021 in accordance with the 50/50 rule mentioned above by charging approximately EUR 40.8 million to the Member States concerned¹⁶⁶. On the other hand, around EUR 60.3 million represents cases reported as fully irrecoverable during financial year 2021¹⁶⁷. The final figures will be established in May 2022 when the financial clearance decision for financial year 2021 will be adopted. Due to the application of the 50/50 rule, important non-recovered sums have already been charged to the Member States for EAGF, EAFRD and TRDI expenditure.

The overall outstanding amount still to be recovered from the beneficiaries at the end of financial year 2021 was EUR 1 444 million for all the Funds. Of this amount, EUR 1 179.7 million is outstanding to the EU budget (the difference, EUR 264.3 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 2021, 59% of the new EAGF debts, registered as from 2007, had already been recovered (the recovery rate for FY2020 was 56 %). The detailed breakdown of this recovery rate has developed as follows:

	Recovery rate														
	until end of 2007	until end of 2008	until end of 2009	until end of 2010	until end of 2011	until end of 2012	until end of 2013	until end of 2014	until end of 2015	until end of 2016	until end of 2017	until end of 2018	until end of 2019	until end of 2020	until end of 2021
year of discovery of the irregularity	2007	33%	47%	50%	54%	60%	60%	63%	64%	68%	71%	75%	75%	75%	76%
	2008	-	24%	39%	46%	48%	56%	58%	59%	66%	67%	94%	95%	96%	96%
	2009	-	-	24%	33%	42%	44%	46%	49%	52%	63%	84%	84%	85%	86%
	2010	-	-	-	29%	39%	44%	45%	47%	49%	53%	66%	66%	66%	66%
	2011	-	-	-	-	23%	35%	41%	45%	51%	53%	62%	62%	63%	65%
	2012	-	-	-	-	-	34%	61%	66%	69%	72%	73%	77%	78%	79%
	2013	-	-	-	-	-	-	23%	30%	36%	39%	41%	42%	46%	64%
	2014	-	-	-	-	-	-	-	14%	28%	32%	33%	34%	38%	39%
	2015	-	-	-	-	-	-	-	-	45%	61%	64%	67%	72%	77%
	2016	-	-	-	-	-	-	-	-	-	39%	38%	41%	45%	47%
	2017	-	-	-	-	-	-	-	-	-	-	21%	32%	35%	38%
	2018	-	-	-	-	-	-	-	-	-	-	-	50%	60%	69%
	2019	-	-	-	-	-	-	-	-	-	-	-	-	26%	38%
	2020	-	-	-	-	-	-	-	-	-	-	-	-	-	49%
	2021	-	-	-	-	-	-	-	-	-	-	-	-	-	27%
2007-2021															59%

Table: Annex 7 – 5.4-1

¹⁶⁶ Please note that these amounts relate to EAGF, EAFRD and TRDI.

¹⁶⁷ For EAFRD, from financial year 2014 the Member States have to report as well the irrecoverable cases established during the financial year in question.

The recovery rates quoted in this table are based on the data communicated by the Paying Agencies in their annual accounts and only present a snapshot of the situation as at 15 October 2021 of the recovery rate of the Paying Agencies in relation to the unduly paid amounts for EAGF. This should not be confused with the financial exposure of the Fund since parts of these amounts have already been returned to the fund through the 50/50 mechanism. The recovery rate in the table above only gives an indication of the Paying Agencies' average recovery rate, over time, of the undue amounts from the beneficiaries. For most of the debt cases outstanding, national legal proceedings are on-going, the length of which varies between Member States and explains, to a large extent, the average speed of recovery. It is also noted that more recent years include new debts which have not yet been subject to the 50/50 mechanism.

Moreover, it should be noted that some of these debt amounts were already written off as unrecoverable by Member States in the period 2007-2021 (EUR 217.9 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 7-5.4-2 below.

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

Member States	New cases since Financial year 2007	Adjustments since Financial year 2007	Recoveries since Financial year 2007	Non-recoverable since Financial year 2007	Recovery rate
AT	62 713 765.16	2 811 669.72	-60 607 046.21	-305 048.84	93%
BE	83 303 343.90	-17 731 220.59	-40 644 961.86	-11 574 796.03	75%
BG	6 455 535.72	934 896.31	-3 263 355.11	-266 496.00	46%
CY	3 064 374.79	-41 917.26	-2 470 906.86	-11 675.93	82%
CZ	6 531 991.56	2 102 905.92	-4 115 221.60	-10 131.56	48%
DE	120 369 904.07	-6 752 609.74	-97 019 721.90	-4 265 656.43	89%
DK	38 188 192.69	18 893 019.62	-30 375 867.81	-26 057 512.72	98%
EE	2 992 600.71	-1 018 846.97	-1 595 880.27	-142 403.53	87%
ES	338 286 560.93	-55 304 614.38	-206 247 296.98	-43 509 762.31	86%
FI	14 647 484.66	-71 391.34	-13 179 522.45	-280 231.47	92%
FR	478 773 100.49	-100 691 444.45	-155 337 881.71	-15 909 340.65	43%
GB	96 731 831.71	-11 317 566.43	-51 316 372.52	-943 840.07	61%
GR	163 824 943.34	-40 726 156.50	-44 082 226.43	-37 584.40	36%
HR	6 791 825.29	-559 469.30	-3 882 456.76	-11 913.89	62%
HU	120 082 152.95	-72 161 239.81	-21 547 772.69	-16 896 324.46	69%
IE	37 926 049.59	-3 291 358.75	-31 168 448.10	-677 970.41	92%
IT	417 015 330.66	-55 002 317.89	-208 006 842.74	-38 825 338.59	64%
LT	15 811 147.23	-3 218 812.23	-11 616 933.97	-151 960.50	93%
LU	1 241 526.55	-650 551.65	-450 691.20	-2 268.15	77%
LV	3 445 910.47	-24 797.42	-2 728 294.89	-97 209.33	82%
MT	1 564 839.47	277 692.58	-723 796.67	-31 423.77	40%

NL	80 970 183.74	4 442 060.22	-31 492 415.90	-41 421 367.35	72%
PL	856 188 700.55	-588 698 878.43	-48 174 744.82	-12 493 101.53	19%
PT	91 934 528.69	-22 950 838.91	-52 470 411.68	-2 903 488.06	79%
RO	127 118 872.28	-8 441 975.34	-41 993 964.85	-129 419.14	35%
SE	30 929 696.40	-5 842 467.30	-21 535 554.15	-183 688.49	86%
SI	19 529 667.39	-8 777 933.32	-9 611 046.48	-241 222.22	91%
SK	8 470 346.56	-1 043 552.29	-3 931 205.60	-474 169.15	57%
Total	3 234 904 407.54	-974 857 715.94	-1 199 590 842.20	-217 855 345.00	59%

Table: Annex 7 – 5.4-2

The recovery rates quoted in this table are based on the data communicated by the Paying Agencies in their annual accounts. Similarly to the previous table, this table presents a snapshot of the situation of recoveries as at 15 October 2021.

5.5 DG AGRI Enquiries

Based on the annual accounts of financial year 2021, the global amount subject to debt management is approximately **EUR 1.44 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 2021, as regards the effectiveness of irregularities and debt management and control systems (IDMCS) can be described as follows:

- the IDMCS implemented in the following Paying Agencies is partially effective and improvements are necessary: BG01, CZ01, DE17, ES01, ES08, ES12, ES17, FR19, GB05, GB06, GB09, IT01, IT26, LT01, MT01, PL01, PT03, RO01 and RO02.

The accreditation of the Paying Agency MT01 – ARPA is under probation since 1/7/2021 and an accreditation action plan, drawn up by the Competent Authority, is ongoing for a period of 12 months to address the deficiencies and weaknesses found in the debt management control system. As regards IT01 – AGEA, under probation since 9 September 2020, the ongoing accreditation action plan also covers deficiencies found in the debt management control system.

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

Part 6: Cross-compliance

Cross-compliance is a mechanism by which farmers are penalised when they do not respect a series of rules which stem in general from policies other than the CAP and which apply to EU citizens independently of the CAP.

The respect of cross-compliance obligations does not constitute an eligibility criterion for CAP payments and therefore the checks of these requirements do not pertain to the legality and regularity of the underlying transactions. Penalties imposed for non-compliance with cross-compliance requirements are therefore not taken into account for the calculation of the error rates for the CAP.

The control statistics referred to below do not therefore correspond to errors in underlying transactions.

The results of the checks on cross-compliance are shown in table Annex 7 – 6-1 for claim year 2020 (financial year 2021). That table shows that on average 1.66% of all claimants were checked as regards their compliance with cross-compliance requirements in claim year 2020. Thereby the minimum control rate of 0.5% set by Regulation (EU) 2020/532 introducing derogations due to the COVID-19 pandemic, was globally respected. Where those derogations reduced the minimum control rate for cross-compliance, the average control rate was not proportionally lower compared to the one in claim year 2019 (2.46%). The claim year 2020 rate of farmers checked on the spot and subsequently subject to a cross-compliance sanction was 24.14%.

According to the control statistics, total cross-compliance sanctions in respect of claim year 2020 amounted to EUR 42.1 million. Sanctions following regulatory on-the-spot checks amounted to EUR 26.9 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 million (2.70% of the aid covered by on-the-spot checks). Additional EUR 24.4 million of sanctions was applied following repetition and intentional non-compliance.

Member State	Population	Subject to on-the-spot checks		Results of on-the-spot checks	
	Total number of beneficiaries	Number of beneficiaries	As share of total number of beneficiaries	Beneficiaries sanctioned for non-compliances	As share of total number of on-the-spot-checks
	number	number	%	Number	%
	A	B	C=B/A	D	E=D/B
AT	103 529	1 668	1.61%	253	15.17%
BE	35 331	3 309	9.37%	597	18.04%
BG	62 742	915	1.46%	571	62.40%
CY	31 176	158	0.51%	56	35.44%
CZ	31 207	2 391	7.66%	199	8.32%
DE	290 678	5 501	1.89%	2 165	39.36%
DK	36 909	382	1.03%	146	38.22%
EE	18 384	272	1.48%	8	2.94%
EL	511 568	3 231	0.63%	1 260	39.00%
ES	582 378	6 007	1.03%	1 710	28.47%
FI	47 675	870	1.82%	158	18.16%
FR	312 772	6 591	2.11%	1 906	28.92%
HR	109 501	748	0.68%	420	56.15%
HU	149 774	4 428	2.96%	568	12.83%
IE	126 698	733	0.58%	395	53.89%
IT	693 471	13 987	2.02%	1 605	11.47%
LT	124 482	738	0.59%	304	41.19%
LU	1 743	256	14.69%	79	30.86%
LV	47 078	962	2.04%	242	25.16%
MT	6 254	94	1.50%	67	71.28%
NL	47 011	243	0.52%	33	13.58%
PL	742 961	10 780	1.45%	2 120	19.67%
PT	139 681	2 264	1.62%	1 447	63.91%
RO	586 366	14 912	2.54%	3 232	21.67%
SE	58 943	336	0.57%	174	51.79%
SI	56 107	582	1.04%	225	38.66%
SK	18 484	257	1.39%	75	29.18%
UK	54 884	819	1.49%	129	15.75%
EU-28 2020	5 027 787	83 434	1.66%	20 144	24.14%
EU-28 2019	5 099 170	125 546	2.46%	28 929	23.04%

Table: Annex 7 – 6-1

Table Y- Overview of AGRI's estimated cost of controls at Commission (EC) level

Table Y - Overview of AGRI's estimated cost of controls at Commission (EC) level

*The absolute values are presented in EUR***EXPENDITURE**

AGRI	Ex ante controls***			Ex post controls			Total	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Relevant Control System (RCS) / Other as defined in Annex 6 of the AAR*	EC total costs	related payments Made	Ratio (%)** (a)/(b)	EC total costs	total value verified and/or audited	Ratio (%) (d)/(e)	EC total estimated cost of controls (a)+(d)	Ratio (%)** (g)/(b)
Shared management	44.542.030,00 €	55.521.719.006,28 €	0,08%	17.665.400,00 €	N / A	0,00%	62.207.430,00 €	0,11%
			0,00%			0,00%		0,00%
			0,00%			0,00%		0,00%
			0,00%			0,00%		0,00%
			0,00%			0,00%		0,00%
			0,00%			0,00%		0,00%
			0,00%			0,00%		0,00%
			0,00%			0,00%		0,00%
			0,00%			0,00%		0,00%
			0,00%			0,00%		0,00%
			0,00%			0,00%		0,00%
			0,00%			0,00%		0,00%
			0,00%			0,00%		0,00%
			0,00%			0,00%		0,00%
OVERALL total estimated cost of control at EC level for expenditure	44.542.030,00 €	55.521.719.006,28 €	0,08%	17.665.400,00 €	- €	0,00%	62.207.430,00 €	0,11%

NB: DG AGRI operates under shared management. It does not collect the data for ex ante and ex-post controls separately.

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

IPARD (Instrument for Pre-Accession Assistance in Rural Development) expenditure is managed by DG AGRI under the decentralised or indirect management mode¹⁶⁸.

Description of the management and control system

For IPARD funds, assurance is obtained based on a management and control system for programmes established in line with both the principles of the agricultural funds and the relevant external aid provisions of the Financial Regulation.

In particular, the management and control system has a structure similar to the one applicable under EAGF and EAFRD, with however some more stringent conditions. The main ones are the following:

- The accreditation of the structures at national level only, is not sufficient to enable the management and control systems in the beneficiary countries to start operating. In accordance with the rules established in the Financial Regulation for indirect management, following the setup of the management and control system by the national authorities, the Commission needs to formally entrust the budget implementation tasks to the beneficiary countries, after having verified their level of preparedness;
- Once budget implementation tasks have been entrusted, substantial changes to the management and control procedures need the prior approval of DG AGRI before they can be put into operation;
- More extensive control procedures and stricter conditions for payments to the recipients apply, compared to the same measures in EAFRD.

¹⁶⁸ Chapter 2, Section 1 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 30 July 2018 on the financial rules applicable to the general budget of the Union.

Audit work by DG AGRI

The Framework and Sectoral Agreements for IPARD provide for financial and conformity audits. Following the above agreements, principles and procedures similar to EAGF and EAFRD apply with however some important differences as described above.

The audit work by DG AGRI focuses on the verification of compliance with the conditions laid down in the legal framework, as set out in the applicable regulations and agreements signed between each beneficiary country and the Commission.

The audit work is about assessing the procedures and structures of the entities in charge of the implementation of the IPARD policy area/component prior to entrustment/conferral of management (entrustment audits)¹⁶⁹, ex-post audits (conformity audits) and the audit work conducted by independent Audit Authorities¹⁷⁰ at national level (whose results are used in the financial clearance) as well as audit work to verify the proper functioning of the said Audit Authorities (Verifications audits).

Explanatory box: Annex 7 - 8-1

IPARD I (2007-2013)

IPARD is a pre-accession Programme of the EU for the programming period 2007-2013, its implementation has finished. It is an integral part of the IPA (Instrument for Pre-accession Assistance), of which the main objectives are to assist candidate and potential candidate countries in their harmonisation and implementation of the EU acquis, as well as preparation for the management of the future EU funds. The objectives of IPARD are to provide assistance for the implementation of the acquis concerning the Common Agricultural Policy and to contribute to the sustainable adaptation of the agricultural sector and rural areas in the candidate country.

IPARD continues to operate **without ex-ante controls by the Commission**. This approach was deliberately chosen by the Commission in view of the potentially large number of small projects to be implemented under the programmes, which would require a considerable number of additional staff in the EU delegations. This form of management is also considered to be the best preparation for candidate countries for the implementation of rural development funds after accession.

The IACS (Integrated Administration and Control System) is not yet operational in the IPARD countries, because it is not a legal requirement for pre-accession countries and because area and animal based measures are still being subsidised with national funds. This will change with the implementation of IPARD III programmes as all IPARD beneficiary countries have included area based measure in their programmes. Currently only Turkey has set up a system to implement, on a small, pilot scale, an area support measure (measure 4 agri-

¹⁶⁹ The "conferral of management powers" in IPARD 2007-2013 corresponds to the "Entrustment of budget implementation tasks" in IPARD 2014-2020.

¹⁷⁰ The Audit Authorities in IPARD correspond to the Certification Bodies in EAGF/EAFRD.

environment-climate and organic farming), under IPARD II, and the measure's implementation is on-going.

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

For weaknesses detected in the 2018 audit, the Turkish authorities have put in place corrective measures. An adjustment for financial year 2021 is therefore not required. In addition, due to an inconsistency identified as the source of non-compliance between the IPARD programme and the Sectoral Agreement, the Turkish authorities modified¹⁷¹ the provisions about the common eligibility criteria of beneficiaries as defined in the IPARD Programme and brought them in line with the Sectoral Agreement for the future.

Audit work as regards financial clearance for IPARD I

Under IPARD I, the beneficiary countries have to send the **Accounts**, the Statement of Assurance (**Management Declaration**) and the **Audit Authority opinion and report** on the management and control system as well as on the expenditure declared to the Commission. DG AGRI assesses the above documents and, by 15 July N+1, has to inform the countries on the result of the clearance of accounts exercise. In case the conditions to clear the accounts are met, the Commission adopts a decision by 30 September N+1. In 2021, there was no expenditure declared under IPARD I.

The 2017 accounts of North Macedonia, that were not cleared due to the presence of material errors in the expenditure, were proposed for clearance in 2021¹⁷², following the closure of the relevant conformity enquiry¹⁷³. In addition, a decision for exclusion of certain ineligible expenditure for financial year 2016 as a result of a conformity enquiry was also adopted in 2021¹⁷⁴.

Conclusion for IPARD I (2007-2013)

There was no expenditure under IPARD I for indirect management (ABB05). The decisions for closure of the IPARD I programmes for the 3 beneficiary countries are planned for 2022.

IPARD II (2014-2020)

Albania had expenditure of EUR 17 467 787.48 in 2021. An extension from n+3 to n+4 for the financial year 2017 was granted (expenditure deadline 31/12/2021).

Montenegro had expenditure of EUR 2 661 517.64 in 2021. An extension from n+3 to n+4 for the FY 2017 was granted (expenditure deadline 31/12/2021).

¹⁷¹ The related implementing decision was adopted on 21 October 2019.

¹⁷² The decision for acceptance of the accounts was adopted in February 2021.

¹⁷³ The decision for exclusion of the amount of EUR 210 414.92 was adopted in February 2021.

¹⁷⁴ The decision for exclusion of the amount of EUR 76 564.63 was adopted in June 2021.

North Macedonia had expenditure of EUR 7 267 749.57 in 2021.

Serbia had expenditure of EUR 10 455 434.99 in 2021. An extension from n+3 to n+4 for financial year 2017 was granted (expenditure deadline 31/12/2021).

Turkey effected expenditure of EUR 142 399 042.54 in 2021. An extension from n+3 to n+4 for financial year 2017 was granted (expenditure deadline 31/12/2021).

The Turkish authorities have put in place corrective measures for the weaknesses identified in a 2018 audit. A top up for financial year 2021 is therefore not required.

Audit work as regards acceptance of accounts for IPARD II

Under IPARD II, the beneficiary countries have to send the **Accounts** and the **Management Declaration** by 15 February N+1 and the **Audit Authority opinion and Annual Audit Activity Report** on the management and control system as well as on the expenditure declared to the Commission by 15 March N+1.

DG AGRI assesses the above documents and, by 15 July N+1, has to inform the countries on the result of the acceptance of accounts exercise. In case the conditions to accept the accounts are met, the Commission adopts a decision.

In 2021, DG AGRI accepted the accounts for 2020 for **Albania, North Macedonia, Serbia and Turkey**¹⁷⁵. The accounts for Montenegro for 2020 were not yet proposed for acceptance due to material financial errors. DG AGRI launched conformity enquiries for Montenegro, Turkey and North Macedonia as a result of the acceptance of accounts procedure for financial year 2020.

Conclusion for IPARD II (2014-2020)

The IPARD agencies must carry out 100% on-the-spot controls to all projects (at least once during the lifetime of the project). In order to provide an opinion on the legality and regularity of the expenditure, the Audit Authorities carry out on-the-spot controls for a selection of transactions. For most of the countries, given the low number of payments, the Audit Authorities test a percentage (15-30%) of all payments and, consequently, any errors found are projected to the whole expenditure. On the basis of the Audit Authorities' findings, DG AGRI considers proposing financial corrections in the context of the annual acceptance of accounts.

As regards expenditure implemented under indirect management (ABB05), taking into account the results of previous DG AGRI audits and the Audit Authorities' findings for financial year 2020¹⁷⁶, DG AGRI considers a certain part of the expenditure to be at risk.

¹⁷⁵ The acceptance of accounts decisions were adopted in January 2021.

¹⁷⁶ Audit Authorities' results for financial year 2021 were not available for this report

The table below shows the amount at risk for IPARD II.

It is not considered necessary to issue a reservation for IPARD II expenditure (ABB05) for financial year 2021.

Overall adjusted error rate as regards IPARD II expenditure and cleared pre-financing (ABB 05) in 2021						
Country	Payments made (EUR)	Pre-financing paid (EUR)	Cleared pre-financing (EUR)	TOTAL relevant expenditure (EUR) (payments made - pre-financing + cleared amounts)	Adjusted error rate	Amount at risk (EUR)
AL	17 467 787.48	0	0	17 467 787.48	0%	0
ME	2 661 517.64	0	0	2 661 517.64	11.00%	292 872.18
MK	7 267 749.57	0	0	7 267 749.57	0.41%	29 714.52
RS	10 455 434.99	0	0	10 455 434.99	0%	0
TR	142 399 042.54	0	0	142 399 042.54	0%	0
Total ABB 05	180 251 532.22	0	0	180 251 532.22	0.18%	322 586.70

Table: Annex 7 -8-1

Conclusion for Indirect management

Title 15	Agriculture and rural development	Payments made (EUR)	Prefinancing paid (EUR)	Cleared prefinancing (EUR)	Relevant expenditure (EUR)	Adjusted error rate	Amount at risk (EUR)
1502	Instrument for Pre-accession Assistance	180 251 532	-	-	180 251 532	0.18%	322 587
Total		180 251 532				0.18%	322 587

Table: Annex 7 - 8-2

Taking IPARD II for the EUR 180.25 million in indirect management under the pre-accession programmes, **the maximum amount at risk is estimated at EUR 0.32 million indicating an estimated adjusted error rate for relevant expenditure of 0.18%.**

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

As reported by REA, the take up of the new mandate has been challenging but well prepared by the agency. The Agency's performance has been maintained and the operations are progressing according to the plans. The COVID-19 pandemic continued to affect programme implementation.

Research activities

The agricultural research activity is part of the new research programme "Horizon Europe" (HE) (successor to Horizon 2020), under the *Cluster 6 'Food, Bio economy, Natural Resources, Agriculture and Environment'*. Cluster 6 of Horizon Europe provides a major part of the financial contribution to the EU mission "A Soil Deal for Europe".

REA has been entrusted with the implementation of the workprogram under cluster 6 and the development and the launch of the work programme related to the "soil mission". REA will continue to implement the remaining stages of the grant agreements concluded under H2020 (the so called legacy).

The supervision of these delegated activities to REA is exercised through DG AGRI's participation in the quarterly Steering Committee meetings, regular coordination meetings both at Director and at working levels, the annual planning and reporting cycle from the AWP to the AAR - including the interim reporting, the budget cycle and management reporting.

Despite the delay in the adoption of the Horizon Europe programme, the implementation of Cluster 6 calls started well. In 2021, a first soil mission call was launched. 2021 performance indicators remain good and the implementation of the Horizon Europe 2021 workprogram is well on track.

There are no critical risks reported by the agency and no identified reservations (error rates fall within the target). The root causes of errors are identified and targeted actions are taken to address any identified weaknesses. Based on the most relevant keys indicators and the controls results, REA has assessed the effectiveness, efficiency and economy of the control system and reached a positive conclusion on the cost effectiveness of controls for which it is responsible. Overall, the internal audits carried out in 2021 highlighted many strengths in REA's internal control system and recommended actions for further improvements in very specific areas.

Budget implementation:

The agricultural research activity is implemented under a shared budget line for the Cluster 6. This is also the case for the "Soil mission". Consequently, the budgetary execution data available at the level of the clusters are not exclusively related to the agricultural research activity. Appropriations implemented by REA for cluster 6:

Commitment appropriations: 1.034.424.400 EUR (100% execution);
 Payment appropriations: 1.620.000 EUR (100% execution).

Appropriations related to the agricultural research activity under H2020 implemented by REA:

Payment appropriations (PA): 212.013.787 EUR (100% execution).

Within the frame of activities of DG AGRI as parent DG of the Research and Innovation family, DG AGRI has been actively involved in the co-creation process for the preparation of the new delegation package, the establishment of the Memorandum of Understanding, the new governance structure, the establishment of the operating rules and the budget process. DG AGRI is actively engaged in several inter-service groups:

- The research Budget Network (RBN);
- The legal Mechanism issue Group (LMIG);
- The Coordination of research family Parent DGs on supervision and governance;
- The R&I audit network.

Agricultural Promotion

As decided by the College, REA became responsible for the implementation of the agricultural promotion activity as of 1 April 2021. The handover from CHAFEA was realized without major difficulties. Both agencies prepared the transfer intensively with the assistance of the relevant commission services. As a parent DG, DG AGRI was actively involved in this process. The Memorandum of Understanding relating to the promotion activity as well as the guidelines for the own initiatives have been finalized in close collaboration with all parties involved.

REA reported that the 2021 work programme has mainly been implemented as planned, except for the traditional procurement activities. Because of the pandemic, fairs, conferences, stands etc. had to be cancelled. No identified reservations or critical risks related have been reported.

Budget execution of the agricultural promotion activity, 2021 appropriations (C1) delegated to REA:

- in commitments (CA): EUR 96.900.000 (100%);
- in payments (PA) EUR 53.636.394 (100%).

Cross sub-delegations

When the Authorising Officer by Delegation cross sub-delegates the management of a budget line or part of a line to one or several Directors-General or Heads of Service, the Authorising Officers by cross sub-delegation shall report to the Authorising Officer by Delegation on the implementation of the amounts cross sub-delegated. In their reports, they have to provide assurance that the programmes, operations and actions were implemented in respect of the powers cross sub-delegated to them. In this respect, they shall inform in writing of the management problems encountered and the solutions proposed to remedy them.

In order to implement its 2021 budget, DG AGRI cross sub-delegated the management of some actions to Directorate-General RTD.

No reservations, nor qualifications were reported by DG RTD in the context of the management of the sub-delegated budget line in 2021.

The cross sub-delegation is summarised in the table below:

In 2021, DG AGRI has cross sub-delegated activities to DG RTD.

B2021 credits transferred by DG AGRI	
Cross sub-delegation to :	RTD
Budget Line (Non-Differentiated Credits):	08. 01 01 72
Transferred Commitment Credit	2.330.335,35 EUR
Transferred Payment Credit	2.330.335,35 EUR
Consumed Commitment Credit	2.330.335,35 EUR
Consumed Payment Credit	2.330.335,35 EUR

Table: Annex 7 - 9-1

Part 10 - Interruptions, reductions and suspensions

In 2021, DG AGRI continued to apply the interruptions and reductions/suspensions of monthly payments (EAGF) and interim payments (EAFRD) in order to safeguard the EU financial interests. The Commission powers for this preventive mechanism are laid down in the CAP Horizontal Regulation (EU) No 1306/2013 (and the Common Provisions Regulation (EU) No 1303/2013).

The deadline for EAFRD payments can be interrupted for verifications due to inconsistent, incomplete or unclear information¹⁷⁷. If there is a clear indication of a deficiency in the management and control system or that expenditure is linked to an irregularity with serious financial consequences, expenditure can be interrupted¹⁷⁸ - as for other structural funds.

Payments for both pillars may be reduced or suspended if payments have not been made in accordance with EU rules¹⁷⁹, or when there is an evidence of a deficiency in the national management and control or recovery systems.

In particular, if the declarations of expenditure or the annual accounts enable the Commission to establish that expenditure has been effected by bodies which are not accredited Paying Agencies, that the payment deadlines or financial ceilings set by Union law have not been respected or that expenditure has otherwise not been effected in accordance with Union rules, the Commission may reduce or suspend the monthly or interim payments to the Member State, after giving the Member State the opportunity to submit its comments¹⁸⁰.

Where the declarations of expenditure or the annual accounts do not enable the Commission to establish that the expenditure has been effected in accordance with Union rules, the Commission shall ask the Member State concerned to supply further information and comments within 30 days. If the Member State does not reply within that period or if the reply is unsatisfactory or demonstrates that the expenditure has not been effected in accordance with Union rules, the Commission may reduce or suspend the monthly or interim payments to the Member State.

In the case of deficiencies in the national control system, the Commission may reduce or suspend the monthly or interim payments to a Member State if one or more of the key components of such control system do not exist or are not effective due to the gravity or persistence of the deficiencies found, or if there are similar serious deficiencies in the system for the recovery of irregular payments, and either these deficiencies are of a continuous nature or the Commission concludes that the Member State is not in a position to implement in the immediate future the necessary remedial measures in accordance with

¹⁷⁷ Article 22 of Commission Implementing Regulation (EU) No 908/2014.

¹⁷⁸ Article 83 of the Common Provisions Regulation (EU) No 1303/2013.

¹⁷⁹ Article 41 of Regulation (EU) No 1306/2013.

¹⁸⁰ Article 41(1) of Regulation (EU) No 1306/2013.

an action plan¹⁸¹. Before acting, the Commission informs the Member State concerned of its intention and asks it to react within 30 days.

Reductions and suspensions shall be applied in accordance with the principle of proportionality and shall be without prejudice to the application of the conformity clearance procedures.

Since 2014, DG AGRI has a Suspension Board, an advisory body to the Director-General, co-chaired by two Deputy Directors-General responsible for the 1st pillar and the 2nd pillar. The Board meets regularly taking into account the rhythm of interim payments (monthly payments for EAGF and quarterly payments for EAFRD) and the existence of potential cases. If necessary, the Board has been consulted by an ad hoc written consultation.

The interruptions and reductions/suspensions are provisional. When relevant, these could be accompanied by an audit of DG AGRI audit service. If the deficiency is confirmed, the relevant expenditure is definitely excluded from EU financing by application of a financial correction.

An overview of interruptions and reductions/suspension applied in 2021 for each of the funds (EAGF and EAFRD) is provided below.

EAGF

Reductions/Suspensions of payments in respect of EAGF declarations of expenditure reimbursed in 2021.

The **reductions** made in 2021 concerned 20 Member States and a total amount of **EUR 2 230 712.91**. There were no reductions in the monthly payments due to deficiencies in the control system in 2021. The reductions concern overruns of ceilings, deadlines and other eligibility issues. There were also reimbursements for a total amount of **EUR 12 657 733.76**. Reimbursements linked to suspensions are done through offsetting against the financial corrections which results from the final decisions on the expenditure at risk, which has been suspended.

The total balance is then **EUR 10 427 020.85**.

In addition, amounts to be recovered in the framework of the clearance procedure amounted to **EUR 527 626 868.24**¹⁸². At the same time, the Commission had to repay an amount of **EUR 211 717 301.76** to two Member States following Court rulings in the context of previous clearance procedures.

¹⁸¹ Article 41(2) of Regulation (EU) No 1306/2013.

¹⁸² EAGF amounts related to the execution of the clearance of accounts decisions for UK are not included in this report.

There were no changes in the suspensions of payments due to deficiencies in the control system. For one Member State there is still an amount of **EUR 526 116.83** to reimburse.

The following table shows the amounts and number of cases reduced/suspended for each Member State:

Summary of reductions and payment suspensions executed during financial year 2021

Member States	Reductions	Number of cases	Payment Suspension	Number of cases
BG	383 488.16	1		
EE	12 106.67	1		
IE	865 691.00	1		
ES	-987 158.20	6		
HR	-40 378.24	35		
IT	2 306 514.25	10		
CY	20 454.21	4		
LT	17 454.98	1		
LU	75 834.34	2		
HU	-86 238.06	2		
MT	82.21	1		
NL	23 642.03	2		
AT	-1 916.88	2		
PT	2 665 801.03	9		
RO	6 054 854.27	3		
SI	154 603.44	1		
SK	-1 115 021.53	4		
FI	77 207.17	1		
Total MS	10 427 020.85	86	0.00	0

Table: Annex 7 - 10-1

EAFRD

Interruptions and reductions/suspensions of payments in respect to EAFRD declarations of expenditure for financial year 2021

The interruptions and reductions/suspensions of EAFRD payments concerned 3 out of 115 RDPs from the 2014-2022 programming period.

The following table shows the cases of interruptions and reductions/suspensions by Member State and quarter with the corresponding amounts and measures. It covers the quarterly declarations of expenditure received and processed during the budget year 2021. The Q4/2020 data corresponds to payments made as from 01/02/2021 based on

declarations received by 31/01/2021. The Q3/2021 data corresponds to declarations received by 10/11/2020 and executed by 31/12/2021.

PROGRAMMING PERIOD 2014-2022

Member States	Quarter	Type	Amount interrupted	Amount reduced / suspended	Measure
Austria	2020Q4	Interruption	1 768 061.00		11
	2020Q4	Suspension		1 768 061.00	11 ¹⁸³
	2021Q2	Interruption	589 354.00		11
Romania	2021Q3	Interruption	20.94		10
	2021Q3	Interruption	2 469.99		13
Slovakia	2020Q4	Interruption	944 825.84		4
	2020Q4	Interruption	514 269.79		7
	2020Q4	Interruption	119 036.64		8
	2020Q4	Interruption	96 803.40		16
	2020Q4	Suspension		944 825.84	4 ¹⁸³
	2020Q4	Suspension		514 269.79	7 ¹⁸³
	2020Q4	Suspension		119 036.64	8 ¹⁸³
	2020Q4	Suspension		96 803.40	16 ¹⁸³
	2021Q1	Interruption	3 779 924.52		4 ¹⁸⁴
	2021Q1	Interruption	604 410.10		7 ¹⁸⁴
	2021Q1	Interruption	199 957.47		8 ¹⁸⁴
	2021Q1	Interruption	106 594.91		16 ¹⁸⁴
	2021Q2	Interruption	529 091.08		4 ¹⁸⁴
2021Q2	Interruption	670 972.62		7 ¹⁸⁴	
2021Q2	Interruption	192 026.83		8 ¹⁸⁴	
2021Q2	Interruption	103 242.31		16 ¹⁸⁴	
	2021Q3	Interruption	2 326.94		8
Total			10 223 388.38	3 442 996.67	

Table: Annex 7 - 10-2

The following table shows the number of interruption and reduction/suspension cases related to EAFRD declarations of expenditure for the Member States concerned.

Member State	Number of interruption	Number of reductions / suspensions
Austria	3	1 ¹⁸⁵
Romania	2	
Slovakia	13	4

Table: Annex 7 - 10-3

¹⁸³ The suspension was previously an interruption that was lifted and transformed into a suspension.

¹⁸⁴ The interruption will be transformed into suspension beginning of 2022.

¹⁸⁵ The suspensions were previously interruptions which were lifted and transformed into suspensions.

EAGF¹⁸⁶

Total of financial corrections and Payment Suspensions executed during the financial year 2021

in EUR

Member States	EXPENDITURE declared by MS T104	Reductions	EXPENDITURE taken into account for the monthly payments	Payment Suspension	Amounts paid out
BE	555 085 375.54		555 085 375.54		555 085 375.54
BG	864 308 572.42	383 488.16	864 692 060.58		864 692 060.58
CZ	867 205 026.90		867 205 026.90		867 205 026.90
DK	807 652 441.01		807 652 441.01		807 652 441.01
DE	4 728 709 121.83		4 728 709 121.83		4 728 709 121.83
EE	166 809 522.29	12 106.67	166 821 628.96		166 821 628.96
IE	1 184 271 448.80	865 691.00	1 185 137 139.80		1 185 137 139.80
EL	2 036 268 714.91	191 200 711.42	2 227 469 426.33		2 227 469 426.33
ES	5 653 612 393.91	-987 158.20	5 652 625 235.71		5 652 625 235.71
FR	7 326 702 014.31	20 516 590.34	7 347 218 604.65		7 347 218 604.65
HR	359 556 867.26	-40 378.24	359 516 489.02		359 516 489.02
IT	4 226 365 964.02	2 306 514.25	4 228 672 478.27		4 228 672 478.27
CY	52 540 770.33	20 454.21	52 561 224.54		52 561 224.54
LV	296 434 442.30		296 434 442.30		296 434 442.30
LT	513 455 996.49	17 454.98	513 473 451.47		513 473 451.47
LU	34 674 094.49	75 834.34	34 749 928.83		34 749 928.83
HU	1 308 400 513.90	-86 238.06	1 308 314 275.84		1 308 314 275.84
MT	5 070 956.79	82.21	5 071 039.00		5 071 039.00
NL	701 449 904.92	23 642.03	701 473 546.95		701 473 546.95
AT	706 430 573.23	-1 916.88	706 428 656.35		706 428 656.35
PL	3 344 902 750.25		3 344 902 750.25		3 344 902 750.25
PT	853 961 932.54	2 665 801.03	856 627 733.57		856 627 733.57
RO	1 939 576 331.57	6 054 854.27	1 945 631 185.84		1 945 631 185.84
SI	139 003 233.25	154 603.44	139 157 836.69		139 157 836.69
SK	394 889 567.79	-1 115 021.53	393 774 546.26		393 774 546.26
FI	525 024 504.32	77 207.17	525 101 711.49		525 101 711.49
SE	685 057 853.15		685 057 853.15		685 057 853.15
Total MS	40 277 420 888.52	222 144 322.61	40 499 565 211.13	0.00	40 499 565 211.13

¹⁸⁶ Executed by the monthly decisions, taken in accordance with Article 18(3) of Regulation (EU) N° 1306/2013. Further corrections may have occurred within the context of the annual clearance of accounts.

Part 11 - Fraud prevention, detection and correction

Objective: The risk of fraud is minimised through the application of effective anti-fraud measures and the implementation of the Commission Anti-Fraud Strategy (CASF)¹⁸⁷ aimed at the prevention, detection and correction¹⁸⁸ of fraud

Indicator: Implementation of the actions included in DG AGRI's anti-fraud strategy over the whole strategic plan lifecycle (2020-2024)

Source of data: DG AGRI's annual activity report, DG AGRI's anti-fraud strategy, OLAF reporting

Baseline (2021)	Target (2024)	Latest known results (2021)	
DG AGRI's AFS	100% of action points implemented in time	100%	
Main outputs in 2021:			
Description	Indicator	Target	Latest known results (31/12/21)
Referral of allegations of fraud and other serious irregularities to the European Anti-fraud Office (OLAF)	Referrals of allegations	100% of the financial recommendations	100% of the financial recommendations
Ongoing assessment of the risk of fraud based on OLAF investigation reports and audits by DG AGRI	Fraud risk assessment as at 12/01/2016	Update of fraud risk assessment if needed by 31/12/2022	DG AGRI fraud risk assessment will be updated before 31/12/2022 in time for the application of the new CAP on 01/01/2023
Follow-up of OLAF financial recommendations	Financial corrections / recoveries following OLAF financial recommendations	100% by the deadlines set for Member States	100% by the deadlines set for Member States

Table: Annex 7 - 11-1

¹⁸⁷ Communication from the Commission 'Commission Anti-Fraud Strategy: enhanced action to protect the EU budget', COM(2019) 176 of 29 April 2019 – 'the CAFS Communication' – and the accompanying action plan, SWD/2019/170 – 'the CAFS Action Plan'.

¹⁸⁸ Correction of fraud is an umbrella term, which notably refers to the recovery of amounts unduly spent and to administrative sanctions.

Part 12: European Court of Auditors: Special Reports

In 2021, the ECA published 8 special reports concerning DG AGRI's activities.

1. Special Report 11/2021: Exceptional support for EU milk producers in 2014-2016 - Potential to improve future efficiency

The ECA examined how well the Commission and the relevant authorities in Member States had managed their response to the dairy market disturbance of years 2014-2016. The ECA found that the Commission and the Member States had taken broad measures to help farmers during the market disturbance, but that the analysis they made was generally insufficient to decide on the level of support needed and its targeting.

ECA recommended to better deal with market imbalances; improve budgeting and targeting; and prepare for future market disturbances, and in particular:

- To improve the way it deals with potentially significant market imbalances, the Commission should update its procedures so that, before approving any support for production reduction in the future, it would:
 - examine whether conditions attached to CAP support, for example coupled support, contribute to oversupply;
 - reduce the risk of deadweight by considering the inclusion of appropriate safeguards in the regulations.
- to ensure a more efficient use of public funds, the Commission should:
 - establish thresholds for analysing potentially significant market disturbances;
 - be prepared to analyse the likely impact of a market disturbance on the dairy sector, taking into account the stabilising effect of existing support and, if it then concludes that exceptional support is needed, link it to clear objectives and targets.
- to draw lessons from the 2014-2016 market disturbance and help prepare for the future, the Commission should analyse the effects of the various models for delivering exceptional aid on dairy farms' behaviour and liquidity, and on market stabilisation and the environment, together with the role of risk management by producers and dairies, and should then publish its findings.

The Commission agreed on the possibility to consider the effects of EU support with regard to market disturbances in a holistic way, and to consider safeguards to avoid deadweight.

The Commission will factor in the stabilising effect of direct support in the assessment of market disturbances, and set more restrictive conditions/objectives if and when further exceptional support measures are implemented.

However, the Commission considers that market disturbances are of a multidimensional and unforeseen nature, making it impossible and undesirable to predefine operational thresholds that would confine any eventual course of action within a predetermined

framework. Market disturbances have to be addressed on an ad-hoc basis and with a holistic approach.

The Commission will carry out a study to help draw lessons from the 2014-2016 market disturbance with respect to the effects of the various exceptional measures on dairy farms' behaviour and liquidity, and on market stabilisation and the environment, together with the role of risk management by producers and dairies on crisis management.

2. Special report 16/2021: Common Agricultural Policy and climate: Half of EU climate spending but farm emissions are not decreasing (multi DG audit, DG AGRI chef de file, DG CLIMA, DG ENV, DG SANTE, JRC and DG BUDG associated)

The ECA examined whether the CAP-supported climate mitigation practices had been able to reduce greenhouse gas emissions from agriculture. The ECA found that the EUR 100 billion of CAP funds attributed to climate action had had little impact on such emissions, which had not changed significantly since 2010. According to the ECA, the CAP mostly finances measures with a low potential to mitigate climate change; it does not seek to limit or reduce livestock (50 % of agriculture emissions) and supports farmers who cultivate drained peatlands (20 % of emissions).

The ECA recommended that the Commission takes action so that the CAP reduces emissions from agriculture; takes steps to reduce emissions from cultivated drained organic soils; and reports regularly on the contribution of the CAP to Climate mitigation.

As regards DG AGRI activities, ECA recommended to:

- take action so that the CAP reduces emissions from agriculture, and in particular, the Commission should:
 - invite the Member States to establish a target for reducing greenhouse gas emissions from their agricultural sector;
 - assess Member States' CAP strategic plans in view of limiting the risk that CAP schemes increase or maintain greenhouse gas emissions from agriculture; and
 - ensure the CAP provides effective incentives to reduce greenhouse gas emissions from livestock and fertilisers that contribute to achieving EU climate goals.
- take steps to reduce emissions from cultivated drained organic soils, and in particular, the Commission should:
 - introduce a monitoring system to support the assessment of the impact of the new CAP on peatland and wetland; and
 - incentivise the rewetting/restoration of drained organic soils, for example through direct payments, conditionality, rural development interventions or other carbon farming approaches.
- report regularly on the CAP's contribution to climate mitigation, and in particular, in line with the EU's increased climate ambition for 2030, the Commission should:

- set monitoring indicators that allow an annual assessment of the effect of the new CAP funded climate mitigation measures on net greenhouse gas emissions and report them regularly; and
- assess the potential to apply the polluter-pays principle to emissions from agricultural activities, and reward farmers for long-term carbon removals.

EU agriculture has reduced its GHG emissions by 21.4% since 1990 while agricultural production has increased. The new CAP 2023-2027 includes EU common objectives for climate mitigation and adaptation. Member States have to describe in their CAP Strategic Plans how their "green architecture" will allow the objectives and targets set at EU level to be reached, using the instruments available at EU level.

These instruments include an enhanced conditionality, strengthening the legal baseline of compulsory practices. On this basis, Member States will have to devote a significant part of the new CAP budget to financing sustainable farming practices, through in particular the eco-schemes and rural development interventions. Investments, research, practical advice for farmers, etc. will also contribute to reaching the climate objectives.

For instance, for the CAP objective on climate change mitigation, Member States will have to demonstrate in their CAP Strategic Plans that the GAEC standards and interventions under both CAP pillars are effective, and that financial resources proposed are in line with their overall National Energy and Climate Plans (NECP) on meeting greenhouse gas reduction targets under climate legislation.

The new CAP foresees the minimal protection of peatland and wetland in the framework of the future conditionality (GAEC 2). Member States will be able to devote a significant part of the future CAP budget to rewetting/restoration of drained organic soils through the eco-schemes and a range of rural development interventions. The Commission will carefully consider this aspect when assessing the new CAP Strategic Plans and carefully take into consideration the level of climate action proposed.

In addition, through the carbon farming initiative, the Commission will promote carbon farming as a business model that creates a new source of income for the actors of the bioeconomy, based on the climate benefits they provide.

The Commission considers that yearly result indicators foreseen for the new CAP Strategic Plans will provide information on Member States' progress in the implementation of the interventions beneficial for climate. A meaningful assessment of the effects of these measures on net greenhouse gas emissions requires data over multiple years, including information on the various external factors impacting GHG emissions (the CAP not being the single factor driving GHG emissions). Such assessments will be addressed through evaluations, i.e. not on a yearly basis.

The new CAP, the Farm to Fork Strategy and the Green Deal do foresee positive incentives to reward farmers for long-term carbon removals. In particular, through the carbon farming initiative, the Commission will promote carbon farming as a business model that creates a new source of income for the actors of the bio economy, based on the climate benefits they provide. The Commission is also developing proposals for a regulatory framework for certifying carbon removals based on robust and transparent carbon accounting.

3. Special Report 20/2021: Sustainable water use in agriculture: CAP funds more likely to promote greater rather than more efficient water use (multi DG audit, DG AGRI chef de file, DG ENV associated)

The ECA examined to what extent the Water Framework Directive (WFD) and the CAP promote the sustainable use of water in agriculture. The ECA found that agricultural policies at both EU and Member State level were not consistently aligned with EU water policy.

The ECA recommended that the Commission asks Member States to better justify exemptions to the WFD implementation in agriculture and that the Commission links CAP payments to environmental standards on sustainable water use.

As regards DG AGRI activities, ECA recommended to:

- tie CAP payments to compliance with environmental standards, and in particular, the Commission should:
 - make rural development support for investments in irrigation conditional on the implementation of policies that incentivise sustainable water use in Member States;
 - link all CAP payments to farmers, including those made through the Common market organisation, to explicit environmental requirements on sustainable water use, including through conditionality;
 - require safeguards to prevent the unsustainable use of water for crops funded through voluntary coupled support.
- use EU funds to improve the quantitative status of water bodies, and in particular, the Commission should:
 - ensure, when approving the Member State CAP strategic plans, that Member States apply the new CAP rules so that funded irrigation projects contribute to the Water Framework Directive (WFD) objectives;
 - evaluate the impact of rural development funding and market support on water use in the new CAP.

The Commission will significantly strengthen the integration of water policy objectives in the CAP and incentivise sustainable water use. The new CAP further strengthens the coherence between the CAP and the WFD through various aspects. The CAP Strategic Plans, including support for investments in irrigation, will need to take account of the analysis, objectives and targets included in the WFD and the River Basin Management Plans (RBMPs) and make an adequate contribution to them.

The Commission accepts to link all relevant CAP payments to farmers to sustainable water use. In the framework of the new CAP, the relevant provisions of the WFD will be introduced into the scope of the enhanced conditionality. The Commission does, however, not accept to extend conditionality to other CAP payments not directly granted to farmers, such as CMO payments.

The Commission accepts to link the full payment of Voluntary Coupled Support (VCS) to the respect of relevant provisions of the WFD through conditionality. The Commission does not accept the inclusion of additional safeguards in the CAP because the proper implementation of the WFD already ensures the sustainable use of water for crops, and conditionality makes the link between CAP payments and the WFD.

The Commission accepts that the assessment of the CAP Strategic Plans has to follow the principles established in the new CAP linked with WFD and the relevant planning instruments, such as the RBMPs. When assessing the CAP Strategic Plans, the Commission will ensure, in line with the provisions of the new CAP, that investments in irrigation are in line with the objective of the WFD to reach good status of water bodies. Furthermore, the Commission will assess whether the CAP Strategic Plans sufficiently take into account the analysis, objectives and targets included in the WFD and the RBMPs, and whether they make an adequate contribution to those objectives and targets.

The evaluation of the impact of rural development funding and market support on water use in the new CAP will be addressed in the context of the multiannual evaluation plan of the new CAP.

4. Special Report 21/2021: EU funding for biodiversity and climate change in EU forests: positive but limited results (multi DG audit, DG AGRI and DG ENV chefs de file, DG CLIMA, JRC, DG RTD and DG ENER associated)

The ECA focused on the EU's efforts to protect biodiversity and address climate change in EU forests. The ECA found that in the areas where the EU is fully competent to act, the EU has had a positive but limited impact on protecting biodiversity and addressing climate change in EU forests.

The ECA recommended to the Commission to improve this contribution, strengthen the fight against illegal logging and improve the focus of rural development forestry measures on biodiversity and climate change.

As regards DG AGRI activities, ECA recommended to:

- better focusing rural development forestry measures on biodiversity and climate change, and in particular, the Commission should ensure that:
 - funded forestry actions take place in line with sustainable forest management;
 - it has relevant information enabling it to assess the contribution of EU funded forestry measures to biodiversity and climate change mitigation and adaptation in forests.

The new EU Forest Strategy has the aim to facilitate the uptake of forest interventions by Member States through the more flexible policy design and other actions, such as enhanced knowledge and good practice sharing, and promoting payments for ecosystem services' schemes.

The Commission considers that support for forestry measures under the European Agricultural Fund for Rural Development (EAFRD) is an integral part for the achievement of the targets of the policy and acknowledges the multi-functionality of forests.

When approving the CAP Strategic Plans, the Commission will assess if the requirements at EU level are fulfilled and the designed interventions are based on the SWOT analysis and needs assessment, ensuring that they are in line with the increased ambition of the European Green Deal objectives and the Commission's specific recommendations to individual Member States.

Forestry measures supported under the EAFRD should be in line with the principles of sustainable forest management, taking into account the multi-functionality of forests.

Under the new CAP, only investments in afforestation, which are consistent with climate and environmental objectives in line with sustainable forest management principles, as developed in the Pan-European Guidelines for Afforestation and Reforestation, will be eligible.

Moreover, support for the forestry sector has to be based on a forest management plan or an equivalent instrument.

5. Special Report 22/2021: Sustainable finance: More consistent EU action needed to redirect finance towards sustainable investment (multi DG audit, DG FISMA chef de file, DG BUDG, DG ECFIN, DG CLIMA, DG ENV, DG ENER, DG GROW, DG TAXUD, DG AGRI associated)

The ECA examined whether the Commission has been taking the right action to redirect financing towards sustainable investments.

The ECA concluded that more consistent EU action is needed. While the Commission rightly focused on increasing transparency in the market, there were no accompanying measures to address the cost of unsustainable economic activities, and many actions have been delayed. In addition, the Commission needs to apply consistent criteria to determine the sustainability of EU budget investments and better target efforts to generate sustainable investment opportunities.

Moreover, the ECA highlighted that the "do no significant harm" principle has not been introduced into the relevant Common Agriculture Policy legislation and that EU Taxonomy includes stricter criteria of what contributes to climate action in agriculture compared to the tracking system in the EU budget.

6. Special Report 12/2021: The Polluter Pays Principle: Inconsistent application across EU environmental policies and actions (multi DG audit, DG ENV chef de file, DG REGIO, DG AGRI associated)

The ECA assessed whether the Commission's actions related to the Environmental Liability Directive for regulating environmental damage from economic activity brought results and whether the Commission and Member States protected the EU budget from being used to bear expenses that polluters should have paid.

The ECA found that the "Polluter Pays Principle" (PPP) is reflected and applied to varying degrees in the different EU environmental policies and that its coverage and application was incomplete. The EU budget is sometimes used to fund clean-up actions that should, under the PPP, have been borne by polluters.

7. Special Report 10/2021: Gender mainstreaming in the EU budget: time to turn words into action (multi DG audit, DG BUDG chef de file, SG, DG JUST, DG EAC, DG EMPL, DG REGIO, DG ECFIN, ESTAT, DG AGRI associated)

The ECA assessed whether gender mainstreaming had been applied in the EU budget to promote equality between women and men from 2014 onwards.

The ECA found that the Commission's strategy for gender equality did not sufficiently promote the use of gender mainstreaming, that the EU's budget cycle did not adequately take gender equality into account, that the Commission paid little attention to the gender analysis of the policies and programmes examined (amongst which the European Agricultural Guarantee Fund) and that its institutional framework, although it had been reinforced, did not yet fully support gender mainstreaming.

The ECA concluded that the Commission had not yet lived up to its commitment to gender mainstreaming in the EU budget.

8. Special Report 07/2021: EU space programmes Galileo and Copernicus: services launched, but the uptake needs a further boost (multi DG audit, DG DEFIS chef de file, JRC, DG AGRI associated)

The ECA assessed the measures taken by the Commission since 2014 to promote the uptake of services derived from the EU space programmes Galileo and Copernicus, towards achieving the expected economic and societal benefits.

The ECA found shortcomings in the monitoring of uptake and noted that some key features of Galileo are not yet available. The objectives and the impact of several key actions supporting the uptake of the services provided by Galileo and Copernicus were not clear, and the Commission had only partly taken advantage of the potential to promote these services in EU legislation or standards.

In addition, the ECA noted that a significant step forward was the adoption of a legal base, encouraging Member States to use Earth observation for monitoring the implementation of the Common Agricultural Policy.

ANNEX 8: Specific annexes related to "Assessment of the effectiveness of the internal control systems"

This annex provides additional information on the assessment of Internal Control in DG AGRI and complements Section 2.1.3 of the AAR 2021.

Process, sources and methodology for the Internal Control assessment in DG AGRI

In DG AGRI, the internal control system is based on the clear definition of **roles** and **responsibilities** within the DG. The internal control monitoring indicators have been selected together with the **DG AGRI services** contributing to internal control. The **Director-General** signs the most important notes related to internal control. **Senior management** is consulted and kept informed of important activities under internal control, i.e. risk management, the annual report to the Commissioner and the management supervision reports. The **Director¹⁸⁹ for Risk Management and Internal Control (RMIC)** addresses to the Director-General an annual note on the functioning of the internal control system in the DG, thereby supporting the conclusions in the Annual Activity Report.

In addition to the assessment of the internal control principles (see Section 2.1.3), **DG AGRI managers** formally reported on the supervision carried out on the activities under their responsibilities in the course of 2021. Despite the very **important workload** and the difficult context of prolonged teleworking induced by the COVID-19 pandemic, the managers did not report any major operational risk/issue having an effect on the achievement of objectives.

As regards recommendations issued by the **Internal Audit Service (IAS)** (see Section 2.1.2.1), in 2021 DG AGRI accepted all recommendations (important and very important) and submitted the respective action plans that were assessed as satisfactory to mitigate the risks identified by the IAS. There are no overdue critical or very important IAS audit recommendation or delays in the implementation of the agreed recommendations. Only one 'very important' recommendation for the audit on DG AGRI's monitoring and supervision arrangements regarding the Land Parcel Identification System (LPIS) is open and due by 30.06.2022.

As regards recommendations issued by the **European Court of Auditors (ECA)** in its special reports (see Section 2.1.2.3) or in its annual report (see Section 2.1.2.2), DG AGRI is taking action to implement the recommendations that were addressed to the Directorate-General and which have been accepted. DG AGRI considers that most of the ECA observations are related to considerations that are not directly linked to identified weaknesses in the DG's internal control systems and therefore have no impact on the assurance.

¹⁸⁹ A major reorganisation of DG AGRI entered into force on 16.01.2022. In 2021 and until 15.01.2022, the RMIC function was held by the Deputy-Director General in charge of Directorates G, H and I. Since 16.01.2022, the function for Risk Management and Internal Control (RMIC) is held by the Director of Directorate I.

Risk Management

DG AGRI has in place a **solid risk management process** ensuring an appropriate coverage of its objectives/activities. In 2021, DG AGRI performed a comprehensive risk identification and assessment by requesting contributions from all services. The process is organised as a bottom-up exercise with top-down steering when launching and concluding. The Director-General and the senior management were involved at all stages of the process. The assessment covered in particular the substance of the risks, their rating (likelihood and impact), mitigating controls in place and related action plans. No critical risks have been identified.

Procedures, exceptions and non-compliance events

DG AGRI's main processes and procedures are adequately documented by **internal procedures** to provide a clear reference framework to staff on how work has to be carried out. Guidance, templates and assistance are provided to DG AGRI services in setting up/updating the internal procedures, and an ex-ante check is conducted to verify the presence of the key elements (context/legal basis, scope, actors, steps, timeline).

The functioning of the internal control systems is monitored throughout the year by the registration of possible exceptions and non-compliance events. Accordingly, a register of **exceptions to process/procedures and non-compliance events** was finalised and the content analysed in parallel with the assessment of the functioning of internal control for the year 2021. The purpose of this register is to make sure that the exceptions to the procedures and the non-compliance events are not caused by systemic faults in the processes, and, if necessary, to correct the processes and the relevant procedures.

For the year 2021, the register included four exceptions (of which two were linked to previous non-compliance events), and five non-compliance events. These exceptions to procedures and non-compliance events remained limited and non-systemic in DG AGRI and therefore they have no impact on the assurance given by the Authorising Officer.

ANNEX 9: Specific annexes related to "Control results" and "Assurance: Reservations"

1) Annex related to "Control results" - Table X: Estimated risk at payment and at closure

Table X : Estimated risk at payment and at closure

DG AGRI	'payments made' (2021;MEUR)	minus new prefinancing [plus retentions made] (in 2021;MEUR)	plus cleared prefinancing [minus retentions released and deductions of expenditure made by MS] (in 2021;MEUR)	'relevant expenditure' (for 2021;MEUR)	Detected error rate or equivalent estimates	estimated risk at payment (2021;MEUR)	Adjusted Average Recoveries and Corrections (adjusted ARC, %)	estimated future corrections [and deductions] (for 2021;MEUR)	estimated risk at Closure (2021;MEUR)
-1	-2	-3	-4	-5	-6	-7	-8	-9	-10
Direct management	281.47	- 6.81	4.69	279.34	1.00% - 1.00%	2.79 - 2.79	0.00% - 0.00%	0.00 - 0.00	2.79 - 2.79
Market measures ABB02	2 505.33	0.00	0.00	2 505.33	2.12% - 2.12%	53.03 - 53.03	1.42% - 1.42%	35.53 - 35.53	17.49 - 17.49
Direct payments ABB03	37 920.61	0.00	0.00	37 920.61	1.44% - 1.44%	547.31 - 547.31	1.42% - 1.42%	537.83 - 537.83	9.48 - 9.48
Rural Development ABB04	14 631.74	0.00	20.62	14 652.36	2.85% - 2.85%	417.20 - 417.20	1.82% - 1.82%	267.24 - 267.24	149.96 - 149.96
Indirect management	180.25	0.00	0.00	180.25	0.18% - 0.18%	0.32 - 0.32	0.00% - 0.00%	0.00 - 0.00	0.32 - 0.32
Total without contribution to EA's operating budget	55 519.39	- 6.81	25.31	55 537.89		1 020.65 - 1 020.65	1.51% 1.51%	840.60 - 840.60	180.05 - 180.05
					Overall risk at payment in %	1.84% - 1.84% (7) / (5)		Overall risk at closure in %	0.32% - 0.32% (10) / (5)
REA	2.33	0.00	0.00	2.33	1.00% - 1.00%	0.02 - 0.02	0.00% - 0.00%	0.00 - 0.00	0.02 - 0.02
Sub-total contributions (if more than one)	2.33	0.00	0.00	2.33		0.02 0.02		0.00 0.00	0.02 0.02
Total DG (with contributions to EAs)	55 521.72	- 6.81	25.31	55 540.22					

2) Reservations

A. Reservation fiche 1 ABB02 - Expenditure on Market Measures: 4 aid schemes comprising 6 Member States (8 elements of reservation): Germany, France, Italy, Spain (for 3 aid schemes), Hungary and Romania

DG	Agriculture and Rural Development
Title of the reservation, including its scope	Expenditure on Market Measures for fruit and vegetables operational programmes for producer organisations in Germany, France, Italy and Spain; for wine sector in Spain and Hungary, for wine crisis distillation in Romania; and for POSEI in Spain.
Domain	Shared Management – European Agricultural Guarantee Fund
Programme (or other relevant segment) in which the reservation is made and total (annual) amount of this programme	<p>ABB02: Market Measures</p> <p>Payments made for this ABB in 2021 amount to EUR 2 505.33 million.</p> <p>Reservations have been made concerning 6 Member States and the respective error rates can be seen in the tables in Annex 7 – Part 3.1</p>
Reason for the reservation	<p>The reservation is made due to the significant occurrence of weaknesses in the underlying transactions (legality and regularity).</p> <p>In the case of the 4 reservations for <u>fruit and vegetables operational programmes for producer organisations</u>, deficiencies have been identified by the DG AGRI audit services in the checks on the eligibility of the operational programmes carried out by the Member States concerned (Germany, Italy), in the checks verifying the soundness of the estimates (Spain) and in the definition of standard unit costs (France). Furthermore, the Member State (Germany) reported an error rate above materiality. The Certification Bodies identified deficiencies in three Member States (Germany, France, Spain). In France, the Certification Body expanded the scope of the deficiencies found by DG AGRI.</p> <p>In the <u>wine sector</u>, DG AGRI audits found deficiencies (Spain, Hungary) and the Member State (Hungary) reported an error rate above materiality. The Certification Body also identified deficiencies in Spain.</p> <p>Under the <u>wine crisis distillation measure</u>, DG AGRI identified deficiencies in the checks setting up of price for wine distillation, possible creation of artificial conditions to receive the aid, and the price paid to distillers in Romania.</p> <p>In Spain, under <u>POSEI</u> DG AGRI identified deficiencies in the performance of on-the-spot controls of sufficient quality.</p>
Materiality criterion/criteria	<p>DG AGRI's materiality criteria related to the legality and regularity of the transactions was breached in the above cases.</p> <p>In the cases where the error rate is above (or equal to) 5% (15), they were all automatically subject to reservation (3) except where (in 12 out of the 15 cases) the amount at risk was below DG AGRI's <i>de minimis</i> threshold of EUR 1 million established in its materiality criteria (Annex 5); in all cases, the high adjusted error rate was determined further to assessment and adjustment of the error rate by DG AGRI based on Certification Body and DG AGRI audits.</p> <p>In 5 cases where the adjusted error rate was between 2% and 5%, it was considered necessary to make a reservation where the amount at risk was above the <i>de minimis</i> threshold (Germany, Italy, France, Spain- Fruit and vegetables operational</p>

	<p>programmes for producer organisations and Spain- POSEI).</p> <p>In 9 cases (Belgium, the United Kingdom and Portugal- Fruit and vegetables operational programmes for producer organisations, Germany, France and Portugal- Wine sector, Spain, the United Kingdom and Romania- EU school scheme), it was considered that it was not necessary to carry over reservations from the 2020 AAR with regard to 2021 expenditure.</p> <p>The reasons for each decision are detailed in Annex 7 – Part 3.1.</p> <p>In total, 2 reservations (Germany and Italy- Fruit and vegetables operational programmes for producer organisations) from 2020 are repeated in 2021 as deficiencies persist, while 6 new reservations are introduced (France and Spain- Fruit and vegetables operational programmes for producer organisations, Spain and Hungary - Wine sector, Romania – Wine crisis distillation, Spain- POSEI).</p> <p>The overall outcome of this exercise is that reservations for 4 aid schemes (8 elements of reservation) are necessary.</p> <p>Further details may be found at Annex 7 – Part 3.1 (ABB02).</p>
<p>Quantification of the financial impact (amount at risk)</p>	<p>The amount at risk for the expenditure under reservation is EUR 36.38 million.</p>
<p>Impact on the assurance</p>	<p>The estimated level of error impacts on the assurance regarding the legality and regularity of the underlying transactions financed by the EAGF for Market Measures.</p> <p>However, the average annual amount of net corrections executed over the past three years for Market Measures and considered for the corrective capacity is EUR 38.34 million.</p> <p>While these amounts refer to expenditure incurred in years prior to 2021, there are conformity procedures underway in respect of the deficient management and control systems which are subject to reservation. Thus, the Director General can be confident that the EU budget is ultimately sufficiently protected by the corrective capacity of the Commission's net financial corrections.</p>
<p>Responsibility for the weakness</p>	<p>The concerned Member States are responsible for the proper implementation of the Market Measures concerned in their territory. The Commission supervises them in this respect, notably through audits carried out on-the-spot and, through strict monitoring, a follow-up of the implementation of milestones where action plans are required.</p>
<p>Responsibility for the corrective action</p>	<p><u>At Commission level</u></p> <ul style="list-style-type: none"> • For 8 of the reservations (Germany, France, Italy and Spain) • Fruit and vegetables operational programmes for producer organisations, Spain and Hungary- Wine sector, Romania- Wine distillation crisis; Spain- POSEI), high error rates resulting in reservations derive from deficiencies which have been identified by the DG AGRI audit services during their audits and by the Certification Bodies' findings, the latter is followed up in the conformity clearance exercise for 2021. Therefore, the corrective actions necessary have already been identified and notified to the Member States concerned. • DG AGRI monitors action plans implementation closely and follows them up with the Member State, including on-the-spot where necessary. • DG AGRI provides further guidance and support to the Member State authorities where necessary. • DG AGRI will impose net financial corrections to recover to the EU budget the ineligible expenditure until remedial actions have been implemented. • Failure by the Member State to implement an action plan will be addressed where appropriate by DG AGRI via suspension/reduction of payments in line with Article 41(2) of Regulation (EU) No 1306/2013.

At Member State level

- The Member State is responsible for implementing the necessary corrective actions within an appropriate time schedule, including addressing the findings from the Certification Body.
- The Member State is required to report regularly on progress milestones in line with the agreed schedule

Reservation fiche 2 ABB03 – Direct Payments: 14 Paying Agencies, comprising 7 Member States: Cyprus, Croatia, France, Hungary, Italy (8 Paying Agencies), Portugal and Slovakia

DG	Agriculture and Rural Development
Title of the reservation, including its scope	Expenditure on Direct Payments for 14 Paying Agencies, comprising 7 Member States: Cyprus, Croatia, France, Hungary, Italy (8 Paying Agencies), Portugal and Slovakia
Domain	Shared Management – European Agricultural Guarantee Fund
Programme (or other relevant segment) in which the reservation is made and total (annual) amount of this programme	<p>ABB03: Direct Payments</p> <p>Payments made for this ABB in 2021 amount to EUR 37 920.61 million.</p> <p>Reservations have been made for 14 Paying Agencies with material error rates which can be seen in the tables in Annex 7 – Part 3.2.</p>
Reason for the reservation	<p>The reservation is made due to the significant occurrence of weaknesses in the underlying transactions (legality and regularity).</p> <p>For Cyprus, based on the Certification Body’s assessment, an adjustment was made to the error rate reported by the Member State.</p> <p>Fro Croatia, DG AGRI identified deficiencies in the administrative and on-the-spot controls in relation to VCS animal measures and the checks on the active farmer provision. The Certification Body also found deficiencies.</p> <p>For Hungary, the Member State reported high error rates above materiality for the Small farmers’ scheme and Young farmers’ scheme. The Certification Body and DG AGRI audit also revealed deficiencies.</p> <p>For France, the Member State reported a high error rate for POSEI animal premia measures and area aid in Mayotte.</p> <p>In Italy, DG AGRI identified deficiencies affecting the Italian Paying Agencies (8 Paying Agencies are under reservation) in particular with regard to the correct recording of permanent grassland in the LPIS and the fixing of payment entitlements. An action plan was agreed and was implemented by the Member State in 2020 claim year (financial year 2021). Due to the COVID-19 pandemic, the completion of the action plan is still to be verified on-the-spot.</p> <p>For Portugal, the Certification Body identified deficiencies concerning the quality of administrative and on-the-spot checks which were supported by findings of previous DG AGRI audits.</p> <p>For Slovakia, DG AGRI identified deficiencies in the VCS animal measures and in the on-the-spot checks. The Member State reported high error rates above materiality.</p>
Materiality criterion/criteria	<p>DG AGRI's materiality criteria related to the legality and regularity of the transactions was breached in the above cases.</p> <p>In line with DG AGRI's materiality criteria in Annex 5, 1 Paying Agency (France-POSEI) where the error rate is above 5% was automatically subject to a reservation.</p> <p>For the 14 Paying Agencies with an error rate between 2% and 5% (Cyprus, Croatia, Hungary, Italy (9 Paying Agencies), Portugal and Slovakia), an examination was carried out of any risk mitigating factors.</p> <p>In 13 out of the 14 cases, it was considered that it would not be necessary to make reservations, because the amount at risk is below <i>de minimis</i> threshold (Italy (1 Paying Agency)).</p> <p>In 6 cases (Austria, Bulgaria, Finland, France, Greece and Romania), it was considered</p>

	<p>that it was not necessary to carry over reservations from the 2020 AAR with regard to 2021 expenditure.</p> <p>The reasons for each decision are detailed in Annex 7 – Part 3.2.</p> <p>In total, 10 reservations from 2020 are repeated in 2021 as deficiencies persist, while 4 new reservations are introduced (Cyprus, Croatia, France (POSEI) and Hungary).</p> <p>The overall outcome of this exercise is that 14 reservations are necessary at Paying Agency level.</p> <p>Further details may be found at Annex 7 – Part 3.2 (ABB03).</p>
<p>Quantification of the financial impact (amount at risk)</p>	<p>The amount at risk for the expenditure under reservation is EUR 170.44 million.</p>
<p>Impact on the assurance</p>	<p>Whereas the estimated level of error for ABB03 Direct Payments is below materiality level for some Paying Agencies, the estimated level of error impacts on the assurance regarding the legality and regularity of the underlying transactions financed by the EAGF for Direct Payments.</p> <p>In addition, the average annual amount of net corrections executed over the past three years for direct aid was EUR 439.85 million.</p> <p>While these amounts refer to expenditure incurred in years prior to 2021, there are conformity procedures underway in respect of the deficient management and control systems which are subject to reservation. Thus, the Director-General can be confident that the EU budget is ultimately sufficiently protected by the corrective capacity of Commission's net financial corrections.</p>
<p>Responsibility for the weakness</p>	<p>The concerned Member States and Paying Agencies are responsible for the proper implementation of the Direct Payments schemes concerned in their territory. The Commission supervises them in this respect, notably through audits carried out on-the-spot and through strict monitoring a follow-up of the implementation of milestones where action plans are required.</p>
<p>Responsibility for the corrective action</p>	<p><u>At Commission level</u></p> <ul style="list-style-type: none"> • For all of the Paying Agencies concerned by the reservations, the deficiencies had already been identified by the DG AGRI audit services during their audits on the spot. The Certification Bodies findings are also followed up in the conformity clearance exercise for 2021. Therefore, the corrective actions necessary have already been identified and notified to the Member States concerned. • DG AGRI monitors action plan implementation closely and follows them up with the Member State, including on the spot where necessary. • DG AGRI provides further guidance and support to the national authorities where necessary. • DG AGRI will impose net financial corrections to recover to the EU budget the ineligible expenditure until remedial actions have been implemented. • Failure by the Member State to implement an action plan will be addressed where appropriate by DG AGRI via suspension/reduction of payments in line with Article 41(2) of Regulation (EU) No 1306/2013. <p><u>At Member State level</u></p> <ul style="list-style-type: none"> • The Member State is responsible for implementing the necessary corrective actions within an appropriate time schedule, including addressing the findings from the Certification Body. • The Member State is required to report regularly on progress milestones in line with the agreed schedule.

Reservation fiche 3 ABB04 – Rural Development: 26 Paying Agencies comprising 17 Member States: Belgium (1 Paying Agency), Bulgaria, Czech Republic, Germany (3 Paying Agencies), Denmark, Spain (3 Paying Agencies), Finland, France (2 Paying Agencies), the United Kingdom (4 Paying Agencies), Croatia, Hungary, Italy (2 Paying Agencies), The Netherlands, Poland, Portugal, Sweden and Slovakia

DG	Agriculture and Rural Development
Title of the reservation, including its scope	Expenditure on Rural Development for 26 Paying Agencies comprising 17 Member States: Belgium (1 Paying Agency), Bulgaria, Czech Republic, Germany (3 Paying Agencies), Denmark, Spain (3 Paying Agencies), Finland, France (2 Paying Agencies), the United Kingdom (4 Paying Agencies), Croatia, Hungary, Italy (2 Paying Agencies), the Netherlands, Poland, Portugal, Sweden and Slovakia
Domain	Shared Management – European Agricultural Fund for Rural Development
Programme (or other relevant segment) in which the reservation is made and total (annual) amount of this programme	<p>ABB04: Rural Development</p> <p>Payments made for this ABB in 2021 amount to EUR 14 631.92 million.</p> <p>Reservations have been made concerning 26 Paying Agencies and their respective error rates can be seen in the tables in Annex 7 – Part 3.3.</p>
Reason for the reservation	<p>The reservation is made due to the significant occurrence of weaknesses in the underlying transactions (legality and regularity).</p> <p>In Belgium (Flanders), DG AGRI identified deficiencies in several Non-IACS measures, and the Member State reported a high error rate for IACS measures.</p> <p>For Bulgaria, the Certification Body identified deficiencies both for the IACS and Non-IACS measures. The Member State reported a high error rate for IACS measures.</p> <p>For Czech Republic, DG AGRI identified deficiencies for Non-IACS. The Member State reported a high error rate for the IACS measures. The minimum control rate was not achieved.</p> <p>For Germany (Baden-Wuerttemberg), the Certification Body identified deficiencies in the IACS measures. DG AGRI identified deficiencies in the Non-IACS measures. The Member State reported a high error rate in the Non-IACS measures.</p> <p>For Germany (Bayern), the Certification Body identified deficiencies in the IACS and Non-IACS measures. The Member State reported a high error rate for the IACS measures.</p> <p>For Germany (Mecklenburg-Vorpommern), both the Certification Body and DG AGRI identified deficiencies in the Non-IACS measures. The Member State reported a high error rate in IACS measures.</p> <p>For Denmark, both the Certification Body and DG AGRI detected deficiencies in the IACS and Non-IACS measures and the Member State has reported a high error rate for one IACS measure.</p> <p>For Spain (Aragon), the Member State reported high error rate for the IACS measures. The Certification Body identified deficiencies for the Non-IACS measures.</p> <p>For Spain (Castilla y Leon), both the Certification Body and DG AGRI identified deficiencies for the IACS and Non-IACS measures. The Member State reported high error rate in the IACS measures.</p> <p>For Spain (FEGA), both the Certification Body and DG AGRI identified deficiencies for the Non-IACS measures.</p> <p>For Finland, DG AGRI identified deficiencies in the Non-IACS measures and the Member</p>

	<p>State itself has reported a high error rate for the IACS measures. The Certification Body has found deficiencies for the IACS and Non-IACS measures.</p> <p>For France (ODARC), deficiencies were found in the IACS measures by DG AGRI. The Member State has reported a high error rate for one IACS measures. The Certification Body detected deficiencies in the Non-IACS measures. The on-the-spot control rate was not achieved for the IACS measures.</p> <p>For France (ASP), the Certification Body found deficiencies in thr IACS and Non-IACS measures. DG AGRI identified deficiencies in IACS measures. The Member State has reported a high error rate for Non-IACS measures.</p> <p>In the United Kingdom (Northern Ireland), for thr IACS measures, the National Authority reported a high error rate. The Certification Body found deficiencies in the IACS and Non-IACS measures. DG AGRI identified deficiencies in one IACS measure.</p> <p>For the United Kingdom (Scotland), the Certification Body identified deficiencies in the Non-IACS measures also supported by DG AGRI findings.</p> <p>For the United Kingdom (Wales), the Certification Body identified deficiencies in the IACS and Non-IACS measures also supported by DG AGRI findings for the Non-IACS measures.</p> <p>For the United Kingdom (England), deficiencies were detected by the Certification Body in the IACS and Non-IACS measures. DG AGRI identified deficiencies in IACS measures and in the administrative checks on active farmer.</p> <p>For Croatia, deficiencies were found in the Non-IACS measures by the Certification Body. DG AGRI identified deficiencies in the IACS and Non-IACS measures. The Member State has reported a high error rate for IACS and Non-IACS measures.</p> <p>For Hungary, the Member State has reported a high error rate for the IACS measures. Both the Certification Body and DG AGRI identified deficiencies in the IACS and Non-IACS measures.</p> <p>For Italy (Calabria), DG AGRI identified deficiencies, in one IACS measure. The Certification Body identified deficiencies in the Non-IACS measures.</p> <p>For Italy (Sardegna), the Member State reported a high error rate for the IACS measures.</p> <p>For Luxembourg, DG AGRI also identified deficiencies in the IACS and Non-IACS measures and the on-the-spot control rate for the IACS measures was not achieved.</p> <p>For the Netherlands, the Certification Body identified deficiencies in the IACS and Non-IACS measures. The Member State has reported a high error rate for one Non-IACS measure. DG AGRI also identified deficiencies in one Non-IACS measure.</p> <p>In Poland, the Certification Body identified deficiencies in the IACS and Non-IACS measures. The Member State has reported a high error rate for the IACS measures. DG AGRI also identified deficiencies in the Non-IACS measures.</p> <p>For Portugal, deficiencies were found by DG AGRI and the Certification Body in the IACS and Non-IACS measures. The Member State has reported high error rates for the IACS and Non-IACS measures.</p> <p>For Sweden, deficiencies for the IACS and Non-IACS measures were identified by DG AGRI. The Member State reported a high error rate in one IACS measure.</p> <p>For Slovakia, DG AGRI identified deficiencies in all Non-IACS measures. The Member State reported a high error rate for the IACS measures.</p>
<p>Materiality criterion/criteria</p>	<p>DG AGRI's materiality criteria related to the legality and regularity of the transactions was breached in the above cases.</p> <p>35 out of the 72 Paying Agencies have an adjusted error rate above 2%, of which 9 were above 5%: Bulgaria, Germany (one Paying Agency), Denmark, Spain (one Paying Agency), the United Kingdom (three Paying Agencies), Portugal and Slovakia. In line with DG AGRI's materiality criteria in Annex 5, all 9 cases where the error rate is above 5%</p>

	<p>were automatically subject to a reservation.</p> <p>For 26 Paying Agencies with an error rate between 2% and 5%, an examination was carried out of any risk mitigating factors. In 3 cases (Germany (two Paying Agencies) and Spain (one Paying Agency)) it was considered that, given the mitigating factors present it would not be necessary to make reservations.</p> <p>For 6 Paying Agencies (Germany (one Paying Agency), Italy (one Paying Agency), Luxembourg and Spain (three Paying Agencies)), the amount at risk is below DG AGRI's <i>de minimis</i> threshold of EUR 1 million as established in Annex 5 (materiality criteria), therefore no reservation was necessary.</p> <p>For the remaining 17 Paying Agencies, a reservation was deemed necessary.</p> <p>In 11 cases (Austria, Belgium, Germany (one Paying Agency), Estonia, Greece, Italy (three Paying Agencies), Spain (two Paying Agencies) and Romania). it was considered that it was not necessary to carry over reservations from the 2020 AAR with regard to 2021 expenditure.</p> <p>The reasons for each decision are detailed in Annex 7 – Part 3.3.</p> <p>In total, 17 reservations from 2020 are repeated in 2021 as deficiencies persist while 9 new reservations are introduced (Germany (three Paying Agencies), Hungary, Italy (one Paying Agency), The Netherlands, Spain (two Paying Agencies), the United Kingdom (one Paying Agency).</p> <p>The overall outcome of this exercise is that 26 reservations are necessary at Paying Agency level.</p> <p>Further details may be found in Annex 7 – Part 3.3 ABB04.</p>
<p>Quantification of the financial impact (amount at risk)</p>	<p>The amount at risk for the expenditure under reservation is EUR 331.06 million.</p>
<p>Impact on the assurance</p>	<p>The estimated level of error impacts on the assurance regarding the legality and regularity of the underlying transactions financed by the EAFRD.</p> <p>However, DG AGRI considers that consideration shall also be given to the corrective capacity of the net financial corrections applied to claw back undue expenditure to the EU budget. The average annual amount of net corrections executed over the past five years for Rural Development is around EUR 197.636 million.</p> <p>While these amounts refer to expenditure incurred in years prior to 2020, there are conformity procedures underway in respect of the deficient management and control systems which are subject to reservation. Thus, the Director-General can be confident that the EU budget is ultimately sufficiently protected by the corrective capacity of Commission's net financial corrections.</p>
<p>Responsibility for the weakness</p>	<p>The concerned Paying Agencies are responsible for the proper implementation of the rural development programmes in their territory. The Commission supervises them in this respect, notably through audits carried out on the spot and through strict monitoring a follow-up of the implementation of milestones where action plans are required.</p>
<p>Responsibility for the corrective action</p>	<p><u>At Commission level</u></p> <ul style="list-style-type: none"> • For all of the Paying Agencies concerned by the reservations, the deficiencies had already been identified by the DG AGRI audit services during their audits on the spot. The Certification Bodies findings are also followed up in the conformity clearance exercise for 2021. Therefore, the corrective actions necessary have already been identified and notified to the Member States concerned. • DG AGRI monitors action plan implementation closely and follows them up with the Member State, including on the spot where necessary. • DG AGRI provides further guidance and support to the national authorities where

necessary.

- DG AGRI will impose net financial corrections to recover to the EU budget the ineligible expenditure until remedial actions have been implemented.
- Where necessary DG AGRI will interrupt payments as provided by Article 36(7) of Regulation (EU) No 1306/2013.
- Failure by the Member State to implement an action plan will be addressed where appropriate by DG AGRI via suspension/reduction of payments in line with Article 41(2) of Regulation (EU) No 1306/2013.

At Member State level

- The Member State is responsible for implementing the necessary corrective actions within an appropriate time schedule, including addressing the findings from the Certification Body.
- The Member State is required to report regularly on progress milestones in line with the agreed schedule.

B. Operational Programmes / Paying Agencies under reservation and targeted actions

N°	Country code	Ref ¹⁹⁰	Title	Type of Reservation	Reasons for Reservation	Financial impact (M€) in 2021 ¹⁹¹	Structural weakness (Y/N)	Actions to be taken
BE – 1 Reservation ABB04 = EUR 1.91 million								
1	BE	ABB04-Rural Development	BE02 Flanders	Financial	The Member State has reported high error rates for the IACS measures. A DG AGRI audit in 2020 identified deficiencies in several Non-IACS measures. Based on the Certification Body's assessment, a further adjustment was made to the IACS error rate reported by the Member State. <i>Adjusted error rate: 4.15%</i>	EUR 1.91 million	N	The Member State should continue and reinforce the ongoing action plan addressing the underlying causes of the high error rates under the IACS measures and the deficiencies identified by DG AGRI in the Non-IACS measures, and by the Certification Body in the IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
BG– 1 Reservation ABB04 = EUR 18.11 million								
1	BG	ABB04-Rural Development	BG01	financial	The Member State reported a high total error rate for Non-IACS measures. Based on the Certification Body's assessment, a further adjustment was made to the IACS and Non-IACS error rate reported by the Member State.	EUR 18.11 million	N	The Member State should continue and reinforce the ongoing action plan addressing the Certification Body findings for IACS and Non-IACS measures, as well as the underlying causes of high error rates for Non-IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.

¹⁹⁰ For ABB02, the starting point of the adjusted error rate that will eventually trigger a reservation/action plan is the control statistics per Member State and not per Paying Agency. Therefore, in line with the methodology used, the reservation is at Member State level.

¹⁹¹ See amounts at risk and adjusted error rates in Annex 7 – Part 3.

N°	Country code	Ref ¹⁹⁰	Title	Type of Reservation	Reasons for Reservation	Financial impact (M€) in 2021 ¹⁹¹	Structural weakness (Y/N)	Actions to be taken
					Adjusted error rate: 5.11%			
CY– 1 Reservation ABB03 = EUR 1.63 million								
1		ABB03-Direct Payments	CY01	financial	Based on the Certification Body assessment, an adjustment was made to the error rate reported by the Member State. Adjusted error rate: 3.45%	EUR 1.63 million	N	The Member State should take the necessary remedial actions to identify and address the causes of the errors identified.
CZ– 1 Reservation ABB04 = EUR 7.98 million								
1	CZ	ABB04-Rural Development	CZ01	financial	The Member State has reported a high error rate for IACS measures. Furthermore, the minimum control rates were not achieved. A DG AGRI audit in 2019 identified deficiencies in several Non-IACS measures. Adjusted error rate: 2.23%	EUR 7.98 million	N	The Member State should continue and reinforce the ongoing action plan addressing the deficiencies identified by DG AGRI for Non-IACS measures and the underlying causes of high error rates for IACS measures and ensure that minimum control rates are respected.
DE– 4 Reservations ABB02 = EUR 1.768 million / ABB04 = EUR 15.70 million								
1	DE	ABB02-¹⁹²Operational Programmes for Producer Organisations	N/A	financial	A DG AGRI audit in 2021 identified deficiencies in the administrative checks to establish the eligibility of	EUR 1.768 million	N	The Certification Body will follow the remedial actions taken by the German authorities, including addressing the high error rate. The ongoing conformity clearance

¹⁹² The overall ABB02 expenditure is relatively stable: a decrease of 2.19% (MEUR 56) is observed in financial year 2021.

N°	Country code	Ref ¹⁹⁰	Title	Type of Reservation	Reasons for Reservation	Financial impact (M€) in 2021 ¹⁹¹	Structural weakness (Y/N)	Actions to be taken
					operational programmes. In addition, the Member State reported an error rate above materiality. In addition, based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State. <i>Adjusted error rate: 3.06%</i>			procedure will ensure that the financial risk to the EU budget is covered.
2	DE	ABB04-Rural Development	DE03 Baden-Wuerttemberg	financial	The Member State reported a high total error rate, due to high error rate in one IACS measure. A DG AGRI audit in 2021 identified deficiencies in several Non-IACS measures. Based on the Certification Body's assessment, a further adjustment was made to the IACS error rate reported by the Member State. <i>Adjusted error rate: 3.52%</i>	EUR 4.05 million	N	The Member State should implement an action plan to address the deficiencies identified by DG AGRI for Non-IACS measures and by the Certification Body for the IACS measures, as well as the underlying causes of the high error rate for the IACS measure. The ongoing conformity clearance procedures for Non-IACS measures will ensure that the financial risk to the EU budget is covered.
3	DE	ABB04-Rural Development	DE04 Bayern	financial	A DG AGRI audit in 2020 identified deficiencies in several Non-IACS measures. Based on the Certification Body's assessment, a further adjustment was made to the IACS error rate reported by	EUR 3.82 million	N	The Member State should implement an action plan to address the deficiencies identified by DG AGRI audit in Non-IACS measures and by the Certification Body for IACS. The ongoing conformity clearance procedures for Non-IACS measures will ensure that the financial risk to the EU budget is covered.

N°	Country code	Ref ¹⁹⁰	Title	Type of Reservation	Reasons for Reservation	Financial impact (M€) in 2021 ¹⁹¹	Structural weakness (Y/N)	Actions to be taken
					the Member State. <i>Adjusted error rate: 2.61%</i>			
4	DE	ABB04-Rural Development	DE11 Mecklenburg-Vorpommern	financial	The Member State reported a high total error rate due to high error rates in IACS measures. A DG AGRI audit in 2021 identified deficiencies in Non-IACS measures. Based on the Certification Body's assessment, a further adjustment was made to the Non-IACS error rate reported by the Member State. <i>Adjusted error rate: 6.16%</i>	EUR 7.83 million	N	The Member State should implement an action plan to address the deficiencies identified by DG AGRI and the Certification Body for Non-IACS measures and the underlying causes of the high error rates in IACS measures. The ongoing conformity clearance procedures for Non-IACS measures will ensure that the financial risk to the EU budget is covered.
				DK– 1 Reservation ABB04 = EUR 5.93 million				
1	DK	ABB04-Rural Development	DK01	financial	The Member State reported a high error rate for one IACS measure. A DG AGRI audit in 2021 identified deficiencies in all IACS measures and in all Non-IACS measures. Based on the Certification Body's assessment, an adjustment was made to the IACS and Non-IACS error rate reported by the Member State. <i>Adjusted error rate:</i>	EUR 5.93 million	N	The Member State should continue and reinforce the ongoing action plan addressing the underlying causes of the high reported error rates for one IACS measure and deficiencies identified by DG AGRI audit for IACS and Non-IACS measures, as well as by the Certification Body for IACS and Non-IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.

N°	Country code	Ref ¹⁹⁰	Title	Type of Reservation	Reasons for Reservation	Financial impact (M€) in 2021 ¹⁹¹	Structural weakness (Y/N)	Actions to be taken
					5.08%			
ES– 6 Reservations ABB02 = EUR 17.312 million / ABB04 = EUR 10.23 million								
1	ES	ABB02- Operational Programmes for Producer Organisations	N/A	financial	A DG AGRI audit in 2020 identified weaknesses in the administrative checks verifying the soundness of the estimates. In addition, based on the Certification Bodies' assessment, an adjustment was made to the error rate reported by the Member State. <i>Adjusted error rate: 3.65%</i>	EUR 10.298 million	N	The Certification Body will follow up the correct implementation of the remedial actions by the Spanish authorities addressing the Certification Body's findings. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
2	ES	ABB02- Wine sector	N/A	financial	A DG AGRI audit identified late payments affecting wine restructuring and conversion of vineyards, as well as weaknesses in the administrative checks concerning wine promotion to third countries. In addition, based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State for the measures. <i>Adjusted error rate: 2.04%</i>	EUR 4.117 million	N	The Member State should implement an action plan addressing the deficiencies identified by DG AGRI and the Certification Bodies and the issues with late payments. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.

N°	Country code	Ref ¹⁹⁰	Title	Type of Reservation	Reasons for Reservation	Financial impact (M€) in 2021 ¹⁹¹	Structural weakness (Y/N)	Actions to be taken
3	ES	ABBO2- POSEI	N/A	financial	A DG AGRI audit in 2020 identified deficiencies in the performance of on-the-spot controls of sufficient quality. <i>Adjusted error rate: 4.39%</i>	EUR 2.897 million	N	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.
4	ES	ABBO4-Rural Development	ES02 Aragon	financial	The Member State reported a high error rate for IACS measures. Based on the Certification Body's assessment, an adjustment was made to the Non-IACS error rate reported by the Member State. <i>Adjusted error rate: 4.12%</i>	EUR 2.79 million	N	The Member State should implement an action plan addressing the underlying causes for high error rate under IACS measures and the findings of the Certification Body for Non-IACS. The Member State has reported that remedial actions to address the deficiencies detected for Non-IACS are ongoing. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
5	ES	ABBO4-Rural Development	ES08 Castilla y Leon	financial	The Member State reported a high error rate in IACS measures. DG AGRI audits in 2021 identified deficiencies in several IACS measures and in Non-IACS measures. Based on the Certification Body's assessment, an adjustment was made to the IACS and Non-IACS error rate reported by the Member State.	EUR 5.87 million	N	The Member State should implement an action plan to address the findings of DG AGRI enquiries and of the Certification Body on IACS and non-IACS measures, as well as the underlying causes of the high error rates for IACS. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

N°	Country code	Ref ¹⁹⁰	Title	Type of Reservation	Reasons for Reservation	Financial impact (M€) in 2021 ¹⁹¹	Structural weakness (Y/N)	Actions to be taken
					<i>Adjusted error rate: 4.41%</i>			
6	ES	ABB04-Rural Development	ES18 FEGA	financial	A DG AGRI audit in 2022 identified deficiencies for one Non-IACS measure. Based on the Certification Body's assessment, an adjustment was made to the Non-IACS error rate reported by the Member State. <i>Adjusted error rate: 2.93%</i>	EUR 1.57 million	N	The Member State should address the deficiencies detected by DG AGRI audit and by the Certification Body for the Non-IACS measures.
				FI– 1 Reservation ABB04 = EUR 12.68 million				
1	FI	ABB04-Rural Development	FI01	financial	The Member State reported a high total error rate for several IACS measures. A DG AGRI audit in 2021 identified deficiencies in the Non-IACS measures. Based on the Certification Body's assessment, an adjustment was made to the IACS and Non-IACS error rate reported by the Member State. <i>Adjusted error rate: 2.96%</i>	EUR 12.68 million	N	The Member State should continue and reinforce the action plan addressing the high error rates in the IACS measures and deficiencies identified by DG AGRI audit and the Certification Body for the Non-IACS measures. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
				FR– 4 Reservations ABB02 = EUR 7.476 million / ABB03 = EUR 1.681 million / ABB04 = EUR 80.47 million				
1	FR	ABB02- Operational Programmes for Producer Organisations	N/A	financial	Based on the Certification Body's assessment, an adjustment was	EUR 7.476 million	N	The Member State should finalize the remedial action being taken, i.e. the review and update of the studies supporting the calculation of specific

N°	Country code	Ref ¹⁹⁰	Title	Type of Reservation	Reasons for Reservation	Financial impact (M€) in 2021 ¹⁹¹	Structural weakness (Y/N)	Actions to be taken
					made to the error rate reported by the Member State. This adjustment includes the weakness identified in 2020 by a DG AGRI audit that relates to weaknesses in the administrative checks verifying the calculation of specific costs. <i>Adjusted error rate: 5.94%</i>			costs. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
2	FR	ABB03-Direct Payments	FR19 (POSEI)	financial	The Member State has reported a high error rate for POSEI animal premia measures and area aid in Mayotte. <i>Adjusted error rate: 6.70%</i>	EUR 1.681 million	N	The Member State should identify and address the underlying causes of the high error rate for the POSEI measures concerned.
3	FR	ABB04-Rural Development	FR18 ODARC	Financial	The Member State has reported a high error rate for one IACS measure. The on-the-spot control rate was not achieved for IACS measures. DG AGRI audits in 2020 and 2021 identified deficiencies in the IACS measures. The Member state has not revised their implementing system for claim year 2021. Based on the Certification Body's assessment, a further adjustment was	EUR 1.04 million	N	The Member State should continue and reinforce the ongoing action plan addressing the deficiencies identified by DG AGRI audits in IACS measures and by the Certification Body for Non-IACS, as well as the causes underlying the high error rate for the IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.

N°	Country code	Ref ¹⁹⁰	Title	Type of Reservation	Reasons for Reservation	Financial impact (M€) in 2021 ¹⁹¹	Structural weakness (Y/N)	Actions to be taken
					made to the Non-IACS error rate reported by the Member State. <i>Adjusted error rate: 5.00%</i>			
4	FR	ABB04-Rural Development	FR19 ASP	Financial	The Member State reported a high error rate for Non-IACS measures. The on-the-spot control rate was not achieved for the IACS measures. A DG AGRI audit in 2020 identified deficiencies for the IACS measures. Based on the Certification Body's assessment, a further adjustment was made to the Non-IACS error rate reported by the Member State. The adjustment made based on the Certification Body's work to the error rate is also supported by the findings of previous DG AGRI audits. <i>Adjusted error rate: 4.19%</i>	EUR 79.43 million	N	The Member State should continue and reinforce the ongoing action plan addressing the deficiencies identified by DG AGRI audits for IACS and Non-IACS measures and by the Certification Body for Non-IACS, as well as the underlying causes for the high error rate in the Non-IACS measures and the low control rate in the IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
				GB– 4 Reservations ABB04 = EUR 46.13 million				
1	GB	ABB04-Rural Development	GB05 Northern Ireland	financial	The National Authority reported high total error rate and high random error rate for IACS. A DG AGRI audit in	EUR 1.29 million	N	The National Authorities should continue and reinforce the action plan to address the underlying causes for the high error rates in IACS and the deficiencies detected by the DG AGRI audit for IACS and

N°	Country code	Ref ¹⁹⁰	Title	Type of Reservation	Reasons for Reservation	Financial impact (M€) in 2021 ¹⁹¹	Structural weakness (Y/N)	Actions to be taken
					2020 identified deficiencies in one IACS measure. Based on the Certification Body's assessment, a further adjustment was made to the IACS and Non-IACS error rates reported. <i>Adjusted error rate: 4.05%</i>			by the Certification Body for the IACS and Non-IACS measures.
2	GB	ABBO4-Rural Development	GB06 Scotland	financial	A DG AGRI audit in 2021 identified deficiencies in several IACS measures. Another DG AGRI audit in 2020 identified deficiencies in several Non-IACS measures. <i>Adjusted error rate: 7.68%</i>	EUR 7.18 million	N	The National Authorities should implement an action plan to address the deficiencies identified by DG AGRI in IACS and non-IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
3	GB	ABBO4-Rural Development	GB07 Wales	financial	A DG AGR audit in 2021 identified deficiencies in Non-IACS measures. Based on the Certification Body's assessment, a further adjustment was made to the IACS error rates reported. <i>Adjusted error rate : 6.36%</i>	EUR 4.75 million	N	The National Authority should continue and reinforce the action plan to address the deficiencies identified by DG AGRI for the IACS and Non-IACS measures and by the Certification Body for IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
4	GB	ABBO4-Rural Development	GB09 England	financial	The Member State reported a high error rate in IACS measures. For one IACS measure the control rate was not achieved.	EUR 32.91 million	N	The National Authorities should continue and reinforce the action plan to address the deficiencies identified by the DG AGRI audits for IACS and Non-IACS measures. The ongoing conformity clearance

N°	Country code	Ref ¹⁹⁰	Title	Type of Reservation	Reasons for Reservation	Financial impact (M€) in 2021 ¹⁹¹	Structural weakness (Y/N)	Actions to be taken
					A DG AGRI audit in 2020 identified deficiencies in IACS measures. A DG AGRI audit in 2021 identified deficiencies in Non-IACS measures. <i>Adjusted error rate: 7.59%</i>			procedures will ensure that the financial risk to the EU budget is covered.
HR– 2 Reservations ABB03 = EUR 8.28 million / ABB04 = EUR 11.88 million								
1	HR	ABB03-Direct Payments	HRO1	financial	A DG AGRI audit in 2021 identified weaknesses in the administrative and on-the-spot controls in relation to VCS animal measures and the checks on the active farmer provision. The weakness identified in the VCS measures also had an impact on the Small farmers' scheme (cf. Article 63(2)(b) of Regulation (EU) N°1307/2013). Based on the Certification Body assessment, an adjustment was made to the error rate reported by the Member State. <i>Adjusted error rate: 2.38%</i>	EUR 8.28 million	N	The Member State should implement an action plan for the VCS animal measures (which will continue as interventions under the new CAP) to be agreed in the framework of the ongoing conformity procedure. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
2	HR	ABB04-Rural Development	HRO1	financial	The Member State reported high error rates for IACS measures.	EUR 11.88 million	N	The Member State should continue and reinforce the ongoing action plan to address the underlying causes of high error rates reported

N°	Country code	Ref ¹⁹⁰	Title	Type of Reservation	Reasons for Reservation	Financial impact (M€) in 2021 ¹⁹¹	Structural weakness (Y/N)	Actions to be taken
					The Member State reported a high total error rate for Non-IACS measures, due to a very high error rate in one measure. A DG AGRI audit in 2021 identified deficiencies in several IACS measures. A DG AGRI audit in 2020 identified deficiencies in the IACS and Non-IACS measures. Based on the Certification Body's assessment, a further adjustment was made to the Non-IACS error rates reported. <i>Adjusted error rate: 3.11%</i>			under IACS and Non-IACS measures and deficiencies identified by the DG AGRI audits for IACS and Non-IACS measures and by the Certification Body for the Non-IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
HU– 3 Reservations ABB02 = EUR 1.077 million / ABB03 = EUR 37.23 million / ABB04 = EUR 21.96 million								
1	HU	ABB02- Wine sector	N/A	financial	A DG AGRI audit in 2021 identified deficiencies in wine restructuring and wine green harvesting concerning the administrative checks defining the standard scales of unit costs and deficiencies on the implementation of the actions. In addition, the Member State reported an error rate above materiality. <i>Adjusted error rate:</i>	EUR 1.077 million	N	The Member State should implement an action plan addressing the deficiencies identified by DG AGRI and the underlying causes of the high error rate. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

N°	Country code	Ref ¹⁹⁰	Title	Type of Reservation	Reasons for Reservation	Financial impact (M€) in 2021 ¹⁹¹	Structural weakness (Y/N)	Actions to be taken
					6.53%			
2	HU	ABB03-Direct Payments	HU02	financial	The Member State reported high error rates above materiality for the Small farmers' scheme and Young farmers' scheme. Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State. In addition, an adjustment is made based on DG AGRI audit revealing deficiencies in the control of artificial creation of conditions. <i>Adjusted error rate: 2.92%</i>	EUR 37.23 million	N	The Member State should implement an action plan identifying and addressing the causes of the high error rates, as well as the deficiencies found by the Certification Body.
3	HU	ABB04-Rural Development	HU02	financial	The Member State reported a high total error rate for IACS measures. A DG AGRI audit in 2021 identified deficiencies in several IACS measures. Another DG AGRI audit in 2017 identified deficiencies in one IACS-Forestry measure. In 2021 a DG AGRI audit identified deficiencies in several	EUR 21.96 million	N	The Member State should implement an action plan addressing the deficiencies identified by DG AGRI and by the Certification Body for the IACS and Non-IACS measures and the underlying causes of high error rates for the IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.

N°	Country code	Ref ¹⁹⁰	Title	Type of Reservation	Reasons for Reservation	Financial impact (M€) in 2021 ¹⁹¹	Structural weakness (Y/N)	Actions to be taken
					Non-IACS measures. Another DG AGRI audit in 2019 identified weaknesses in controls of Plant protection products. A DG AGRI audit in 2020 identified deficiencies in one Non-IACS measure. Based on the Certification Body's assessment, a further adjustment was made to the IACS and Non-IACS error rates reported. <i>Adjusted error rate: 3.81%</i>			
				IT– 11 Reservations ABB02 = EUR 6.434 million / ABB03 = EUR 97.98 million / ABB04 = EUR 4.81 million				
1	IT	ABB02- Operational Programmes for Producer Organisations	N/A	financial	A DG AGRI audit in 2020 identified deficiencies in the administrative checks to establish the eligibility of operational programmes, and in the technical quality and consistency of estimates in AGEA (IT01). In addition, deficiencies in the administrative checks to establish the eligibility of operational programmes for the whole Italy. <i>Adjusted error rate:</i>	EUR 6.434 million	N	The Member State should continue to implement the action plan addressing the deficiencies identified by DG AGRI. A conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

N°	Country code	Ref ¹⁹⁰	Title	Type of Reservation	Reasons for Reservation	Financial impact (M€) in 2021 ¹⁹¹	Structural weakness (Y/N)	Actions to be taken
					2.44%			
2	IT	ABB03-Direct Payments	IT01 AGEA	financial	DG AGRI audits in 2018 identified deficiencies affecting all Paying Agencies and mainly concerning the LPIS (correct recording of permanent grassland) and the fixing of payment entitlements. Pending the verification of the action plan implementation due to the COVID-19 pandemic, it is considered that a top-up is needed also for the 2021 expenditure. <i>Adjusted error rate: 2.51%</i>	EUR 44.93 million	N	In application of Article 5(1) of Regulation (EU) 2020/2220, the payment entitlements are legal and regular as of 1.1.2021. An action plan was agreed and was implemented by the Member State in 2020. Due to the COVID-19 pandemic, the completion of the action plan is still to be verified on-the-spot. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
3	IT	ABB03-Direct Payments	IT05 Veneto	financial	DG AGRI audits in 2018 identified deficiencies affecting all Paying Agencies and mainly concerning the LPIS (correct recording of permanent grassland) and the fixing of payment entitlements. Pending the verification of the action plan implementation due to the COVID-19 pandemic, it is	EUR 8.64 million	N	In application of Article 5(1) of Regulation (EU) 2020/2220, the payment entitlements are legal and regular as of 1.1.2021. An action plan was agreed and was implemented by the Member State in 2020. Due to the COVID-19 pandemic, the completion of the action plan is still to be verified on-the-spot. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

N°	Country code	Ref ¹⁹⁰	Title	Type of Reservation	Reasons for Reservation	Financial impact (M€) in 2021 ¹⁹¹	Structural weakness (Y/N)	Actions to be taken
					considered that a top-up is needed also for the 2021 expenditure. <i>Adjusted error rate: 2.75%</i>			
4	IT	ABB03-Direct Payments	IT07 Toscana	financial	DG AGRI audits in 2018 identified deficiencies affecting all Paying Agencies and mainly concerning the LPIS (correct recording of permanent grassland) and the fixing of payment entitlements. Pending the verification of the action plan implementation due to the COVID-19 pandemic, it is considered that a top-up is needed also for the 2021 expenditure. <i>Adjusted error rate: 2.14%</i>	EUR 3.41 million	N	In application of Article 5(1) of Regulation (EU) 2020/2220, the payment entitlements are legal and regular as of 1.1.2021. An action plan was agreed and was implemented by the Member State in 2020. Due to the COVID-19 pandemic, the completion of the action plan is still to be verified on-the-spot. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
5	IT	ABB03-Direct Payments	IT08 Emilia Romagna	financial	DG AGRI audits in 2018 identified deficiencies affecting all Paying Agencies and mainly concerning the LPIS (correct recording of permanent grassland) and the fixing of payment entitlements. Pending the verification of the action plan implementation due	EUR 7.08 million	N	In application of Article 5(1) of Regulation (EU) 2020/2220, the payment entitlements are legal and regular as of 1.1.2021. An action plan was agreed and was implemented by the Member State in 2020. Due to the COVID-19 pandemic, the completion of the action plan is still to be verified on-the-spot. The ongoing conformity clearance procedure will ensure that the

N°	Country code	Ref ¹⁹⁰	Title	Type of Reservation	Reasons for Reservation	Financial impact (M€) in 2021 ¹⁹¹	Structural weakness (Y/N)	Actions to be taken
					to the COVID-19 pandemic, it is considered that a top-up is needed also for the 2021 expenditure. <i>Adjusted error rate: 2.17%</i>			financial risk to the EU budget is covered.
6	IT	ABB03-Direct Payments	IT10 Piemonte	financial	DG AGRI audits in 2018 identified deficiencies affecting all Paying Agencies and mainly concerning the LPIS (correct recording of permanent grassland) and the fixing of payment entitlements. Pending the verification of the action plan implementation due to the COVID-19 pandemic, it is considered that a top-up is needed also for the 2021 expenditure. <i>Adjusted error rate: 2.75%</i>	EUR 8.86 million	N	In application of Article 5(1) of Regulation (EU) 2020/2220, the payment entitlements are legal and regular as of 1.1.2021. An action plan was agreed and was implemented by the Member State in 2020. Due to the COVID-19 pandemic, the completion of the action plan is still to be verified on-the-spot. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
7	IT	ABB03-Direct Payments	IT23 Lombardia	financial	DG AGRI audits in 2018 identified deficiencies affecting all Paying Agencies and mainly concerning the LPIS (correct recording of permanent grassland) and the fixing of payment entitlements. Pending the	EUR 9.32 million	N	In application of Article 5(1) of Regulation (EU) 2020/2220, the payment entitlements are legal and regular as of 1.1.2021. An action plan was agreed and was implemented by the Member State in 2020. Due to the COVID-19 pandemic, the completion of the action plan is still to be verified on-the-spot. The ongoing conformity clearance procedure will ensure that

N°	Country code	Ref ¹⁹⁰	Title	Type of Reservation	Reasons for Reservation	Financial impact (M€) in 2021 ¹⁹¹	Structural weakness (Y/N)	Actions to be taken
					verification of the action plan implementation due to the COVID-19 pandemic, it is considered that a top-up is needed also for the 2021 expenditure. <i>Adjusted error rate: 2.33%</i>			the financial risk to the EU budget is covered.
8	IT	ABB03-Direct Payments	IT24 Bolzano	financial	DG AGRI audits in 2018 identified deficiencies affecting all Paying Agencies and mainly concerning the LPIS (correct recording of permanent grassland) and the fixing of payment entitlements. Pending the verification of the action plan implementation due to the COVID-19 pandemic, it is considered that a top-up is needed also for the 2021 expenditure. <i>Adjusted error rate: 2.78%</i>	EUR 1.14 million	N	In application of Article 5(1) of Regulation (EU) 2020/2220, the payment entitlements are legal and regular as of 1.1.2021. An action plan was agreed and was implemented by the Member State in 2020. Due to the COVID-19 pandemic, the completion of the action plan is still to be verified on-the-spot. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
9	IT	ABB03-Direct Payments	IT26 Calabria	financial	DG AGRI audits in 2018 identified deficiencies affecting all Paying Agencies and mainly concerning the LPIS (correct recording of permanent grassland) and the fixing of	EUR 4.60 million	N	In application of Article 5(1) of Regulation (EU) 2020/2220, the payment entitlements are legal and regular as of 1.1.2021. An action plan was agreed and was implemented by the Member State in 2020. Due to the COVID-19 pandemic, the completion of the

N°	Country code	Ref ¹⁹⁰	Title	Type of Reservation	Reasons for Reservation	Financial impact (M€) in 2021 ¹⁹¹	Structural weakness (Y/N)	Actions to be taken
					payment entitlements. Pending the verification of the action plan implementation due to the COVID-19 pandemic, it is considered that a top-up is needed also for the 2021 expenditure. <i>Adjusted error rate: 2.49%</i>			action plan is still to be verified on-the-spot. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
10	IT	ABB04-Rural Development	IT26 Calabria	Financial	A DG AGRI audit in 2017 identified deficiency in IACS measures. Based on the Certification Body's assessment, a further adjustment was made to the Non-IACS error rate reported by the Member State. <i>Adjusted error rate: 3.49%</i>	EUR 3.04 million	N	The Member State should continue the ongoing action plan addressing the deficiencies identified by DG AGRI in IACS measures and by the Certification Body in Non-IACS measures.
11	IT	ABB04-Rural Development	IT27 Sardegna	financial	The Member State has reported a high error rate for the IACS measures. <i>Adjusted error rate: 2.14%</i>	EUR 1.77 million	N	The Member State should address the underlying causes for the high error rate in IACS measures.
				NL– 1 Reservation ABB04 = EUR 5.44 million				
1	NL	ABB04-Rural Development	NL04	financial	A DG AGRI audit in 2021 identified deficiencies in one Non-IACS measure. Based on the Certification Body's assessment, a further	EUR 5.44 million	N	The Member State should implement an action plan to address the deficiencies identified by DG AGRI audit for one Non-IACS measure and by the Certification Body for IACS and Non-IACS measures.

N°	Country code	Ref ¹⁹⁰	Title	Type of Reservation	Reasons for Reservation	Financial impact (M€) in 2021 ¹⁹¹	Structural weakness (Y/N)	Actions to be taken
					adjustment was made to the IACS and Non-IACS error rate reported by the Member State. <i>Adjusted error rate: 3.34%</i>			The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
PL– 1 Reservation ABB04 = EUR 28.96 million								
1	PL	ABB04-Rural Development	PL01	financial	The Member State reported a high error rate in IACS measures. DG AGRI audit in 2019 identified deficiencies in a Non-IACS measure. Based on the Certification Body's assessment, a further adjustment was made to the Non-IACS error rate reported by the Member State. <i>Adjusted error rate: 2.04%</i>	EUR 28.96 million	N	The Member State should continue and reinforce the ongoing action plan to address the deficiencies identified by DG AGRI and by the Certification Body for Non-IACS measures and for the underlying causes of the high error rate in one IACS measure. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
PT– 2 Reservations ABB03 = EUR 23.85 million / ABB04 = EUR 21.91 million								
1	PT	ABB03-Direct Payments	PT03	financial	The Certification Body reported findings concerning the quality of administrative and on-the-spot checks. The adjustment made based on the Certification Body's work to the error rate is also supported by the findings of previous DG AGRI audits.	EUR 23.85 million	N	An action plan was agreed and was implemented by the Member State to address the previous DG AGRI findings. The completion of the action plan is to be verified on-the-spot. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

N°	Country code	Ref ¹⁹⁰	Title	Type of Reservation	Reasons for Reservation	Financial impact (M€) in 2021 ¹⁹¹	Structural weakness (Y/N)	Actions to be taken
					<i>Adjusted error rate: 3.15%</i>			
2	PT	ABB04-Rural Development	PT03	financial	The Member State reported a high error rate for both IACS and Non-IACS measures. A DG AGRI audit in 2019 identified deficiencies in all IACS measures. A DG AGRI audit in 2019 identified deficiencies in Non-IACS measures. Another DG AGRI audit in 2020 identified deficiencies in Non-IACS measures. Based on the Certification Body's assessment, a further adjustment was made to the Non-IACS error rate reported by the Member State. <i>Adjusted error rate: 5.47%</i>	EUR 21.91 million	N	The Member State should revise and reinforce the ongoing action plan to address the underlying causes of high error rates reported under IACS and Non-IACS measures and the deficiencies detected by DG AGRI for IACS and Non-IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
				RO– 1 Reservations ABB02 = EUR 2.308 million				
1	RO	ABB02- Wine crisis distillation	N/A	financial	A DG AGRI audit in 2021 identified deficiencies in wine distillation concerning the administrative checks setting up of price for wine distillation, possible creation of artificial conditions to receive	EUR 2.308 million	N	Due to temporary nature of the measure, no remedial actions are required at this stage. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

N°	Country code	Ref ¹⁹⁰	Title	Type of Reservation	Reasons for Reservation	Financial impact (M€) in 2021 ¹⁹¹	Structural weakness (Y/N)	Actions to be taken
					the aid, and the price paid to distillers. <i>Adjusted error rate: 10.00%</i>			
SE– 1 Reservation ABB04 = EUR 15.60 million								
1	SE	ABB04-Rural Development	SE01	financial	The Member State reported a high total error rate, due to high error rate in one IACS measure. A DG AGRI audit in 2021 identified deficiencies in the IACS measures. Another DG AGRI audit in 2021 identified deficiencies in the Non-IACS measures. Another DG AGRI audit in 2020 identified deficiencies in Non-IACS measures. <i>Adjusted error rate: 4.88%</i>	EUR 15.60 million	N	The Member state should continue and reinforce the ongoing action plan addressing the high error rate in one IACS measure and the deficiencies identified by DG AGRI for the IACS and Non-IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
SK– 2 Reservations ABB03 = EUR 9.77 million / ABB04 = EUR 21.35 million								
1	SK	ABB03-Direct Payments	SK01	financial	The Member State reported high error rates above materiality. A DG AGRI audit in 2020 identified weaknesses in the VCS animal measures and weaknesses with on-the-spot checks. Based on the opinion issued by the Certification Body, an	EUR 9.77 million	N	The Member State should continue implementing the ongoing action plan, identify and address the reasons for the high error rates reported. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

N°	Country code	Ref ¹⁹⁰	Title	Type of Reservation	Reasons for Reservation	Financial impact (M€) in 2021 ¹⁹¹	Structural weakness (Y/N)	Actions to be taken
					adjustment was made to the error rated reported by the Member State. <i>Adjusted error rate: 2.54%</i>			
	SK	ABB04-Rural Development	SK01	financial	The Member State reported a high error rate in IACS measures. DG AGRI audit in 2020 identified deficiencies in all Non-IACS measures. The adjustment made to the error rate for the Non-IACS measures is also supported by the findings reported by the Certification Body. <i>Adjusted error rate: 15.37%</i>	EUR 21.35 million	N	The Member State should continue and reinforce the ongoing action plan to address the deficiencies identified by DG AGRI for Non-IACS measures and the underlying causes of high error rate in IACS measures. The financial risk to the EU budget for the Non-IACS measures is partly covered by payment suspensions. The ongoing conformity clearance procedures will ensure that the remaining financial risk to the EU budget is covered.

C. Reservations issued for Operational Programme or Paying Agency in last year's AAR and lifted in 2021

N°	Country code	Ref	Title	Type	Reasons for Reservation	Financial impact (M€) in 2020 ¹⁹³	Reason for lifting the reservation
1	BE	ABBO2- BE for operational programmes of producer organisations	N/A	financial	DG AGRI found deficiencies in the administrative checks as regards the calculation of the specific costs, and on-the-spot check for the implementation of the operational programme.	EUR 1.628 million	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required.
2	GB	ABBO2- GB for operational programmes of producer organisations	N/A	financial	DG AGRI found deficiencies in the administrative checks to establish the eligibility of operational programmes, and the on-the-spot checks verifying the compliance with the recognition criteria.	EUR 1.849 million	No expenditure in financial year 2021 for operational programmes of producer organisations in the United Kingdom.
3	PT	ABBO2- PT for operational programmes of producer organisations	N/A	financial	DG AGRI found deficiencies in the checks to establish the access to the aid claimed and on-the-spot checks of sufficient quality	EUR 1.448 million	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required.
4	DE	ABBO2- DE for wine measures	N/A	financial	The Certification Body identified deficiencies related to the increase of funding rate under the temporary conditions due to the COVID-19 pandemic. Based on the Certification Body's assessment, an adjustment was made to the error rate	EUR 2.604 million	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required.

¹⁹³ Amounts at risk and adjusted error rates extracted from the Annual Activity Report 2020.

N°	Country code	Ref	Title	Type	Reasons for Reservation	Financial impact (M€) in 2020 ¹⁹³	Reason for lifting the reservation
					reported by the Member State for the measure Wine investment.		
5	FR	ABBO2- FR for wine measures	N/A	financial	A DG AGRI audit in 2020 identified deficiencies in wine restructuring and conversion concerning the administrative checks and the application of penalties. Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State for the measures Wine investment and Wine Promotion to third countries. In addition, for the measure Wine Promotion to third countries the Member State has reported an error rate above the materiality.	EUR 3.720 million	The Member State has taken necessary action with regard to deficiencies detected in the past and which were the subject of reservations in previous year by improving their reporting on the control statistics.
6	PT	ABBO2-PT for wine measures	N/A	financial	A DG AGRI audit in 2020 identified deficiencies in wine restructuring concerning the administrative checks defining the standard scales of unit costs and verifying the implementation of all the actions funded. Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State for Wine Promotion to third countries. For Wine Restructuring the Member	EUR 1.543 million	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required.

N°	Country code	Ref	Title	Type	Reasons for Reservation	Financial impact (M€) in 2020 ¹⁹³	Reason for lifting the reservation
					State has reported a high error rate.		
7	ES	ABB02- ES for support to the EU school scheme	N/A	financial	A DG AGRI audit in 2019 identified deficiencies as regards the checks to establish the access to the aid and the selection of aid applicants. Based on the Certification Body's assessment, further adjustments were made to the error rate reported by the Member State.	EUR 1.569 million	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required.
8	GB	ABB02-GB for support to the EU school scheme	N/A	financial	The national authorities reported a high error rate for school year 2018/2019. Based on the Certification Body's assessment, an adjustment was made to the reported error rate by the Member State. The Certification Body identified deficiencies in the checks on the eligibility to the aid as well as in the on-the-spot controls.	EUR 2.618 million	No expenditure in financial year 2021 for the EU school scheme in the United Kingdom.
9	RO	ABB02-RO for support to the EU school scheme	N/A	financial	A DG AGRI audit in 2020 identified deficiencies as regards the checks to establish the eligibility to the aid and the checks on the reasonableness of costs for a cost-based system.	EUR 2.019 million	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required Following the deficiencies identified by DG AGRI and reported in AAR 2020 an action plan is being implemented with remedial action addressing the deficiencies.
10	AT	ABB03-Direct Payments	AT01	financial	A DG AGRI audit in 2018 identified deficiencies in the allocation of payment entitlements. A DG AGRI audit in 2019 identified deficiencies in the administrative checks for animal-based voluntary	EUR 2.45 million	In application of Article 5(1) of Regulation (EU) 2020/2220, the payment entitlements are legal and regular as of 1.1.2020.

N°	Country code	Ref	Title	Type	Reasons for Reservation	Financial impact (M€) in 2020 ¹⁹³	Reason for lifting the reservation
					coupled support measures.		
11	BG	ABB03-Direct Payments	BG01	financial	The Member State reported high error rates for voluntary coupled support measures, the Young farmer scheme, Small farmers' scheme and Cotton. A DG AGRI audit in 2019 identified deficiencies in performance of on-the-spot checks of sufficient quality.	EUR 14.22 million	The Member State has taken action for the cause leading to the top-up for area and the corresponding reservation.
12	FI	ABB03-Direct Payments	FI01	financial	A DG AGRI audit in 2019 identified deficiencies in the LPIS and in performance of on-the-spot checks of sufficient quality, which also had an effect on the Payment Entitlements.	EUR 3.41 million	The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
13	FR	ABB03-Direct Payments	FR19	financial	A DG AGRI audit on Corsica in 2018 identified deficiencies in performance of on-the-spot checks of sufficient quality for permanent grassland which also had an effect on the establishment of payment entitlements. DG AGRI audits in 2020 identified deficiencies in performance of on-the-spot checks of sufficient quality. DG AGRI audits in 2020 identified deficiencies in payment entitlements and animal-based voluntary coupled support measures. The adjustment made to the error rate for is also supported	EUR 108.85 million	The adjusted error rate is now below 2 % and the ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

N°	Country code	Ref	Title	Type	Reasons for Reservation	Financial impact (M€) in 2020 ¹⁹³	Reason for lifting the reservation
					by the findings reported by the Certification Body.		
14	GR	ABB03-Direct Payments	GR01	financial	A DG AGRI audit in 2019 identified deficiencies in performance of on-the-spot checks of sufficient quality for pasture land.	EUR 23.98 million	The completion of the action plan is to be verified on-the-spot.
15	RO	ABB03-Direct Payments	RO02	financial	DG AGRI audits in 2018 identified deficiencies in the definition of land laying fallow and in the performance of on-the-spot checks of sufficient quality for animal-based voluntary coupled support measures.	EUR 34.44 million	The Member State has taken the necessary actions to remedy the deficiencies identified by DG AGRI that led to reservation in the 2020 AAR.
16	AT	ABB04-Rural Development	AT01	financial	The Member State has reported a high error rate for IACS measures. A 2019 audit by DG AGRI detected deficiencies in organic farming measure. DG AGRI audits in 2020 detected deficiencies in IACS measures (10, 11 and 14) for: pre-notification of the OTSC more than 48 hours and lack of administrative controls and deficiencies related to incorrect calculation of payments for M13. The adjustment made to the error rate for IACS is also supported by the findings reported by the Certification Body.	EUR 10.34 million	The Member State has implemented actions addressing the underlying causes of the high error rates under IACS measures and the deficiencies identified by DG AGRI in the Non-IACS measures. The financial risk to the Fund for M11 is covered by the interruptions / suspensions applied in 2021. The Member should continue and reinforce the action plan to address the deficiencies detected. The financial risk to the EU budget is covered by the ongoing conformity clearance procedure.

N°	Country code	Ref	Title	Type	Reasons for Reservation	Financial impact (M€) in 2020 ¹⁹³	Reason for lifting the reservation
17	BE	ABB04-Rural Development	BE03 Wallonie	financial	The Member State reported a high error rate for the Non-IACS measures. Based on a finding from the Certification Body in financial year 2019, a DG AGRI audit in 2020 identified deficiencies in some non IACS measures. Based on the Certification Body assessment, a further adjustment was made to the IACS error rate reported by the Member State. The adjustment made to the error rate for Non-IACS is also supported by the similar findings reported by the Certification Body for financial year 2020.	EUR 0.30 million	The Member State has launched remedial actions to address the causes of high error rate for Non-IACS measures and the deficiencies identified by DG AGRI for Non-IACS measures. The Member should continue to address the deficiencies identified by DG AGRI in the Non-IACS measures.
18	DE	ABB04-Rural Development	DE27 Thüringen	financial	The Member State reported a high error rate for IACS measures.	EUR 0.92 million	The Member State implemented an action plan addressing the causes of high error rate and deficiencies identified by DG AGRI for IACS measures.
19	EE	ABB04-Rural Development	EE01	financial	The Member State reported a high error rate for IACS measures.	EUR 1.73 million	The Member State is implementing an action plan to address the causes of high error rate in IACS measures which should be continued.
20	ES	ABB04-Rural Development	ES01 Andalucia	financial	The Member State has reported high error rates for IACS and Non-IACS measures	EUR 5.02 million	The Member State has launched remedial actions to address the causes of high error rates in IACS and Non-IACS measures. The Member should continue addressing the causes of higher error rates in two IACS measures. The financial risk to the EU budget is covered by the ongoing conformity clearance procedure.
21	ES	ABB04-Rural Development	ES09 Cataluna	financial	The Member State has again reported high error rate for IACS measures. A 2019 DG AGRI audit detected	EUR 0.63 million	The Member State is implementing an action plan addressing the underlying causes of high error rates for IACS measures and the deficiencies detected by DG AGRI audits. The Member should complete the action plan.

N°	Country code	Ref	Title	Type	Reasons for Reservation	Financial impact (M€) in 2020 ¹⁹³	Reason for lifting the reservation
					<p>deficiencies in the checks on the reasonableness of costs for several Non-IACS measures.</p> <p>Based on the Certification Body assessment, a further adjustment was made to the IACS error rate reported by the Member State.</p>		
22	GR	ABB04-Rural Development	GR01	financial	<p>The Member State has reported high error rates for IACS measures.</p> <p>DG AGRI audit in 2020 identified deficiencies in one IACS measure.</p> <p>DG AGRI audit in 2017 identified deficiencies in several Non-IACS measures (transitional expenditure) which still affect financial year 2020.</p>	EUR 10.59 million	<p>The Member State implemented an action plan addressing causes for the high error rates and deficiencies identified by DG AGRI audits in IACS measures.</p> <p>The Member should address the underlying causes of slightly high error rate in an IACS measure.</p> <p>The financial risk to the EU budget is covered by the ongoing conformity clearance procedure.</p>
23	IT	ABB04-Rural Development	IT08 Emilia Romagna	financial	<p>DG AGRI audits in 2018 and 2019 detected deficiencies regarding the correct recording of the maximum eligible area in LPIS for IACS measures.</p> <p>DG AGRI audits in 2020 detected deficiencies in one IACS measure and several Non-IACS measures.</p>	EUR 1.60 million	<p>The Member State implemented an action plan addressing the deficiencies identified by DG AGRI for the IACS and Non-IACS measures.</p>
24	IT	ABB04-Rural Development	IT10 Piemonte	financial	<p>DG AGRI audits in 2018 and 2019 detected deficiencies regarding the correct recording of the maximum eligible area in LPIS for IACS measures.</p> <p>A DG AGRI audit in 2020</p>	EUR 0.33 million	<p>The necessary remedial actions were agreed with the Member State in the framework of the conformity clearance procedures following DG AGRI audits in 2020 for IACS and in 2019 for Non-IACS measures.</p> <p>The financial risk to the EU budget is covered by the ongoing conformity clearance procedure.</p>

N°	Country code	Ref	Title	Type	Reasons for Reservation	Financial impact (M€) in 2020 ¹⁹³	Reason for lifting the reservation
					detected deficiencies in one IACS measure. A 2019 DG AGRI audit detected deficiencies on the quality of the on the spot controls and on selection procedures for several Non-IACS measures.		
25	IT	ABB04-Rural Development	IT23 Lombardia	financial	DG AGRI audits in 2018 and 2019 detected deficiencies regarding the correct recording of the maximum eligible area in LPIS for IACS measures. The member state reported a high error rate for one IACS measure. A DG AGRI audit in 2020 detected deficiencies in one IACS measure.	EUR 0.56 million	The necessary remedial actions were agreed with the Member State in the framework of the conformity clearance procedures following DG AGRI audits in 2020 for IACS and in 2019 for Non-IACS measures. The financial risk to the EU budget is covered by the ongoing conformity clearance procedure.
26	RO	ABB04-Rural Development	RO01	financial	A DG AGRI audit in 2019 detected deficiencies in cross-checks with areas covered by support measure, to avoid unjustified payments in relation to the definition of maximum eligible area, for M10 and M13. A DG AGRI audit in 2020 detected deficiencies in the animal welfare measure. A DG AGRI audit in 2019 detected deficiencies in public procurement, reasonableness of costs and eligibility checks for several Non-IACS measures.	EUR 10.18 million	The Member State implemented an action plan addressing deficiencies identified by DG AGRI and Certification Body for IACS and Non-IACS measures. The financial risk to the EU budget is covered by the ongoing conformity clearance procedure.

ANNEX 10: Reporting – Human resources, digital transformation and information management and sound environmental management

A. Human resource management

Objective: DG AGRI employs a competent and engaged workforce and contributes to gender equality at all levels of management to effectively deliver on the Commission's priorities and core business

Indicator 1: Number and percentage of first female appointments to middle management positions

Source of data: SEC(2020)146

Baseline (female representation in management) (1 Dec 2019)	Target (2022) ¹⁹⁴	Latest known results (31/12/2021)
18 female middle managers (40%)	5 first female appointments to middle management positions	21 female managers (21/40 occupied management posts on 31/12/2021); 52,5% 2 ongoing selection procedures Target: 2 more before end of 2022

Indicator 2: DG AGRI staff engagement index

Source of data: Commission staff surveys 2018 and 2021 [data to be provided by DG HR]

Baseline (2018)	Target (2022)	Latest known results (31/12/21)
71% (Commission average: 69%)	≥ 71%	76% ¹⁹⁵

¹⁹⁴ The target will be revised and extended for the period 2023-2024 by January 2023.

¹⁹⁵ 2021 staff survey (provisional result)

Main outputs in 2021			
Description	Indicator	Target	Latest known results (situation 28/02/22)
AGRI competition	Implementation of EPSO planning according to timetable	In line with or ahead of timetable at the end of 2021	Final list to be published around July 2022.
Local HR Strategy	HR Strategy reflects the needs identified through participatory process	Adoption of the AGRI HR Strategy in the first quarter of 2021	Due to priorities linked to the reorganisation, the local HR Strategy will be adopted in 2022.
Reorganisation	Proposal for reorganisation	Proposal ready for submission to DG HR in the last quarter of 2021	The proposal was submitted in time and the reorganisation request was validated in December 2021.
Women in management positions in close cooperation with DG HR	First female appointments at middle management level	5 first female appointments by end 2022	No new appointments in 2021, Target: 2 more before end 2022. 2 ongoing selection procedures.
Staff engagement	Staff engagement index in Commission staff survey	= or > Commission average results in next staff survey	76% (Commission result: 72%)
Staff allocation according to interest and competences	Overall job satisfaction	= or > Commission average results in 2021 staff survey	For the question "My skills match my current job", DG AGRI scored 80% (Commission result: 77%)
Staff well-being in cooperation with DG HR/Medical Service	Well-being indicator in Commission staff survey	= or > Commission average results in 2021 staff survey	For the new question "I feel that my Directorate-General cares about my wellbeing", DG AGRI scored 52%. (Commission result: 52%)

Internal communication	Staff has appropriate and timely information to perform well at work	= or > Commission average results in 2021 staff survey	70% (Commission result: 66%)
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B. Digital transformation and information management

Objective: DG AGRI is using innovative, trusted digital solutions for better policy-shaping, information management and administrative processes to forge a truly digitally transformed, user-focused and data-driven Commission

Indicator 1: Degree of implementation of the digital strategy principles by the most important IT solutions¹⁹⁶

Source of data: DG AGRI, DG DIGIT

Information System	Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (31/12/2021)
ISAMM	2020: 55%	2022: 60%	2024: 65%	55%
Compass Corporate	2020: 68%	2022: 86%	2024: 90%	68%
SFC2021	2018-2019: 1.9 ¹⁹⁷	2020-2022: 1.9	2024: 2	1.9 ¹⁹⁸

Indicator 2: Percentage of DG AGRI's key data assets for which corporate principles for data governance have been implemented

Source of data: DG AGRI

Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (31/12/2021)
0% ¹⁹⁹	40% ²⁰⁰	60% ²⁰¹	25% ²⁰²

¹⁹⁶ The European Commission Digital Strategy (C(2018)7118) calls on Commission services to digitally transform their business processes by developing new innovative digital solutions or make evolve the existing ones in line with the principles of the strategy. At the beginning of the year N+1, the Solution Owner and IT Investments Team will assess the progress made on the basis of the proposed modernisation plan. For each of the 3 solutions, a table will reflect – per principle – the progress achieved during the last year.

¹⁹⁷ Average score on the implementation of the 11 core principles defined by the EC Digital Strategy.

¹⁹⁸ Maximum value: 2

¹⁹⁹ Data assets have been defined end 2019.

²⁰⁰ Milestone has been revised due to progress made under the new DG AGRI governance framework.

²⁰¹ Target has been revised due to progress made under the new DG AGRI governance framework.

²⁰² The indicator has been calculated according to the SG guidance “Document regarding the calculation of indicator 2 for Digital transformation and information management”.

Main outputs in 2021			
Description	Indicator	Target	Latest known results (situation 31/12/21)
IT, tools and services	Implementation of the relevant parts of the IT Master Plan, in co-operation with DG DIGIT and other DGs where relevant (Common building blocks, support to ESIF policy, ...)	95 %	97%
	Information Systems User Satisfaction (positive assessment)	≥ 80 %	83%
	Number of security breaches (new indicator)	No major security breaches	No major security breaches
Information Management	Share (%) of AGRI data assets made openly and transparently available	> 30%	40% ²⁰³
	Establishment of data governance structure, Data Policies and Data Management Work Programme	Data governance structures in place, Data Policies established and rolling Data Management Work Programme regularly adapted	Data governance structures, Data policies and Data Management Work Programme 2021-2022 have been approved by the Data Governance Board in March 2021. The Work Programme 2021-22 has been adapted in July 2021 and the stocktaking of 2021 results has occurred in December 2021. The Work

²⁰³ The data asset identification process is iteratively ongoing; the indicator is regularly adapted on the basis of the latest data asset inventory (EC data catalogue).

			Programme 2022-23 is under preparation. A new 'Data Governance' Unit has been created with the DG AGRI reorganisation entered into force in January 2022.
Document management	% of filing of documents in DG AGRI	100 % of documents ARES filed	99,84%***
	Percentage of HAN files readable / accessible by all units in the DG	>75 %	70,74%***
	Percentage of HAN files shared with other DGs	5%*	7.07%***
	Percentage of security markings applied on documents after 30/09/2019**	10%**	11.91%

* In line with the principle of sharing information within the Commission, DG AGRI set a long-term target of 40% to be achieved in the period 2020-2024 with a view to improve transparency and avoid duplications in filing at Commission level. However, progress is rather slow. This explains the proposed 5% for 2021 (lower compared to the strategic goal, but realistic given that only at the end of September 2019 the new security markings, as an important prerequisite for opening the visibility of files, were implemented in Ares. It is expected that such objective once achieved will facilitate faster progress in successive years.

** 30/09/2019: the new security markings were implemented in HAN.

*** DG AGRI made the calculation based on HAN statistics provided for 2019 and DG AGRI document management data for 2020 and 2021. In 2020, SG has decided not to provide HAN statistics to DGs. Given that DG AGRI does not have technical possibilities to extract full HAN data, the numbers provided may not be fully in line with HAN.

Data protection

DG AGRI continued to contribute to the objective set by the Action Plan on Data Protection. The following actions have been undertaken in 2021 to ensure compliance with the rules:

- In addition to encouraging participation in corporate training, DG AGRI's Data Protection Coordinator (DPC) organised several communication and awareness-raising activities, notably the DPO has been invited to a management coordination meeting; two trainings for all managers have been organised; the DPC has participated in several unit meetings and in the welcome presentations for newcomers; a data protection article has been published on My AGRInet;
- DG AGRI has also raised local awareness on data protection by regular contacts with and advice to Heads of unit and staff to acquire a level of understanding of the rules according to their needs and work context;
- the annual inventory of data processing operations has been conducted (including review of existing records and identification of records which need to be established, inventory of the use of contractors/processors, transfer of data outside the EU and the use of decentralised corporate records, need for consultation of the European Data Protection Supervisor , questions on data breaches and data subject requests);
- the DPC followed up on corporate guidance related to international transfer requirements;
- privacy statements have been checked and, where necessary, reviewed, to ensure that appropriate information is provided to the data subjects concerned.

Indicator 3: Percentage of staff attending awareness raising activities on data protection compliance

Source of data: European Commission/DG AGRI - EU Learn registrations and training presence lists

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known results (31/12/2021)
15%	100% management staff 50% non-management staff	100% non-management and management staff	<ul style="list-style-type: none"> • 100% of staff have access to updated information on My AGRInet • A presentation on data protection to 4 Units has been provided since the beginning of 2021. • A presentation on data protection was introduced in the newcomers' package.

Main outputs in 2021			
Description	Indicator	Target	Latest known results (situation 31/12/21)
Personal data protection	Data protection inventory	Yearly update	Inventory conducted in October.
	Training and awareness raising on data protection	50% of management trained 100% of staff aware of data protection rules through publication on MyAGRI.net	<ul style="list-style-type: none"> • 100% of staff have access to updated information on MyAGRI.net • 100% of managers have been trained in 2021 (the DPO has been invited to a coordination meeting and two training sessions have been organised by the DPC for managers). • 100% of newcomers followed a data protection presentation • 6 Units followed a data protection presentation

C. Sound environmental management

Objective: DG AGRI takes full account of its environmental impact in all its actions and actively promotes measures to reduce the related day-to-day impact of the administration and its work

Main outputs in 2021			
Description	Indicator	Target	Latest known results (situation 31/12/21)
AGRI EMAS Network	Identify one representative per directorate	2 network meetings by the end of the year	Volunteers identified, 5 network meetings held before year end
Increase visibility of EMAS issues	Involve managers	EMAS video featuring managers	Postponed to 2022

Green and healthy initiatives	One initiative promoted per month via the intranet and/or other channels	At least 8 green and healthy initiatives	11 initiatives promoted via the intranet and EMAS corporate
Increased awareness about e-waste	Explore the possibility of tracking system of digital use/waste	Organise at least one workshop on digital waste	A newsletter on e-waste / digital waste was published. Conference on "E-Waste versus Digital detox" given by one of AGRI EMAS correspondents
Waste sorting and recycling	Waste sorting stations in L130, in cooperation with OIB	Campaign around sorting stations in 1 st semester 2021	The campaign will be launched once staff is settled back in the office.
Single-use items	Eliminate single-use items (vending machines, stationary, ...)	Less single-use items by end 2021	N/A

ANNEX 11: Implementation through national or international public-sector bodies and bodies governed by private law with a public sector mission

(not applicable)

ANNEX 12: EAMR of the Union Delegations

(not applicable)

ANNEX 13: Decentralised agencies and/or EU Trust Funds

(not applicable)

ANNEX 14: Table of acronyms

Abbreviation	Full text
A	
AAC	Administrative Assistance and Cooperation
AAR	Annual Activity Report
ABB	Activity-Based Budgeting
ACP	African, Caribbean, and Pacific Group of States
DG AGRI	Directorate-General Agriculture and Rural Development
AEC	Agri-environment-climate
AECM	Agri-environment-climate measures
AI	Artificial Intelligence
AIR	Annual Implementation Report
AKIS	Agricultural Knowledge and Innovation Systems
AMIS	Agricultural Market Information System
ANC	Areas facing natural and other specific constraints
APO	Associations of Producer Organisations
ARES	Advanced Records System
AT	Austria
AU	African Union
AUC	African Union Commission
AWBM	Activity Without Budgetary Measure
AWP	Annual Work Programme
AWU	Annual Work Unit
B	
BCO	Broadband Competence Offices
BE	Belgium
BG	Bulgaria
BiH	Bosnia-Herzegovina
BISS	Basic income support for sustainability
BTSF	Better Training for Safer Food
DG BUDG	DG Budget
C	
CAADP	Comprehensive Africa Agriculture Development Programme
CAFS	Commission Anti-Fraud Strategy
CAP	Common Agricultural Policy
CAS	Common Audit Service
CB	Certification Body
CBT	Computer-based testing
CEF	Connecting Europe Fund
CETA	EU-Canada Free Trade Agreement (Comprehensive Economic and Free Trade Agreement)
CHAFEA	Consumers, Health, Agriculture and Food Executive Agency
CISYF	Complementary income support for young farmers

Abbreviation	Full text
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 COMM	Directorate-General Communication
DG COMP	Directorate-General Competition
COP	Cereal, Oilseed and Protein crops
CoR	Committee of the Regions
CRISS	Complementary redistributive income support for sustainability
CSF	Common Strategic Framework
CWP	Commission Work Programme
CY	Claim Year
CY	Cyprus
CZ	Czech Republic

D

DAS	Statement of assurance (Déclaration d'assurance)
DCFTA	Deep and Comprehensive Free Trade Areas
DDA	Doha Development Agenda
DE	Germany
DEP	Digital Europe Programme
DESI	Digital Economy and Society Index
DG	Directorate-General
DG DEFIS	Directorate-General Defence Industry and Space
DG DEVCO	Directorate-General International Cooperation and Development
DG DIGIT	DG Informatics
DIH	Digital Innovation Hubs
DK	Denmark
DPC	Data Protection Coordinator
DPO	Data Protection Officer
DPMS	Data Protection Records Management System
DSM	Digital Single Market

E

DG EAC	Directorate-General Education and Culture
EAFRD	European Agricultural Fund for Rural Development
EAGF	European Agricultural Guarantee Fund
EAGGF	European Agricultural Guarantee and Guidance Fund
EBCC	European Bird Census Council
ECA	European Court of Auditors
DG ECFIN	Directorate-General Economic and Financial Affairs
EE	Estonia

Abbreviation	Full text
EEA	European Environment Agency
EESC	European Economic and Social Committee
EFA	Environmental Focus Area
EFSCM	European Food Security Crisis preparedness and response Mechanism
EFSI	European Fund for Strategic Investments
EIB	European Investment Bank
EIF	European Investment Fund
EIP	European Innovation Partnership
EL (GR)	Greece
DG EMPL	Directorate-General Employment, Social Affairs and Inclusion
DG ENER	Directorate-General Energy
ENPARD	European neighbourhood programme for agriculture and rural development
ENRD	European Network for Rural Development
DG ENV	Directorate-General Environment
EP	European Parliament
EPA	Economic Partnership Agreement
EPCA	Enhanced Partnership and Cooperation Agreement
ERR	Error rate
ES	Spain
ESIF	European Structural and Investment Funds
ESPG	Environmentally sensitive permanent grassland
DG ESTAT	Eurostat
ETC/ACC	European Topic Centre on Air and Climate Change
EU	European Union
EU-15 ²⁰⁴	AT, BE, DE, DK, EL, ES, FI, FR, IE, IT, LU, NL, PT, SE, UK
EU-27	All EU Member States
EU-N10	Members States that joined the EU in 2004: Czech Republic (CZ), Estonia (EE), Cyprus (CY), Latvia (LV), Lithuania (LT), Hungary (HU), Malta (MT), Poland (PL), Slovenia (SI) and Slovakia (SK)
EU-N13	EU-N10 plus Member States that joined the EU in 2007 (Bulgaria (BG), Romania (RO) and 2013 (Croatia (HR)) respectively
EUIPO	European Union Intellectual Property Office
EUR (€)	Euro
F	
F2F	Farm to Fork Strategy
FADN	Farm Accountancy Data Network
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
FEAD	Fund for European Aid to the Most Deprived

²⁰⁴ Composition in 2004.

Abbreviation	Full text
FI	Financial instruments
FI	Finland
FNVA	Farm net value added
FPA	Framework Partnership Agreement
FP7	7 th Framework Programme
FR	France
FTA	Free Trade Agreement
FVO	Food and Veterinary Office
FWG	Forecast working group
FY	Financial Year
G	
G7	Group of Seven (leading industrialised nations: Canada, France, Germany, Italy, Japan, UK, USA)
G20	Group of Twenty (governments and central bank governors from Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, the Republic of Korea, the Russian Federation, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States, and the EU)
GAEC	Good Agricultural and Environmental Conditions
GCC	Gulf Cooperation Council
GFFA	Global Forum for Food and Agriculture
GHG	Greenhouse gases
GI	Geographical Indications
GR	Greece
DG GROW	Directorate-General Internal Market, Industry, Entrepreneurship and SMEs
GSAA	Geo-spatial aid application
GVA	Gross Value Added
H	
H2020 / HE	Horizon 2020 / Horizon Europe
HNV	High Nature Value
HR	Croatia
HR	Human Resources
HU	Hungary
I	
IA	Impact Assessment
IAC	Internal Audit Capability
IACS	Integrated Administration and Control System
IAS	Internal Audit Service
ICM	Internal Control Monitoring
ICT	Information and Communication Technology
IE	Ireland
IEPA	Interim Economic Partnership Agreement

Abbreviation	Full text
IFAD	International Fund for Agricultural Development
IGC	International Grains Council
IOC	International Olive Council
IoF	Internet of Food and Farm
IoT	Internet of Things
IPA	Instrument for Pre-accession Assistance
IPARD	Instrument for Pre-Accession Assistance Rural Development
IRR	Incompliance rate
ISAMM	Information System for Agricultural Market Management and Monitoring
ISO	International Sugar Organisation
IT	Information Technology
IT	Italy
ITSRM	IT Security Risk Management methodology
J	
JRC	Joint Research Centre
DG JUST	Directorate-General Justice and Consumers
K	
KJWA	Koronivia Joint Work on Agriculture
KPI	Key Performance Indicator
L	
LAG	Local Action Group
LAU	Local Administrative Units
LDC	Least Developed Countries
LEADER	Liaison Entre Actions de Développement de l'Économie Rurale
LISO	
LPIS	Land Parcel Identification System
LT	Lithuania
LU	Luxembourg
LV	Latvia
M	
MAFA	Multi Annual Financing Agreement (SAPARD)
DG MARE	Directorate-General Maritime Affairs and Fisheries
MEP	Member of the European Parliament
MFA	Multi Annual Financing Agreement (IPARD)
MFF	Multi-annual Financial Framework
MK	North Macedonia
MoU	Memorandum of Understanding
DG MOVE	Directorate-General Mobility and Transport
MS	Member State
MT	Malta

Abbreviation	Full text
N	
NAO	National Authorizing Officer
NIPAC	National 'Instrument for Pre-accession Assistance' Coordinator
NL	Netherlands
NPI	Non-productive investment
NRN	National Rural Networks
O	
OECD	Organisation for Economic Co-operation and Development
OIB	Office for Infrastructures and Logistics in Brussels
OJ	Official Journal
OLAF	European Anti-Fraud Office
OTSC	On-the-spot checks
P	
PA	Paying Agency
PAF	Prioritised Action Framework for Natura 2000
PECBMS	Pan-European Common Bird Monitoring Scheme
PDO	Protected Designations of Origin
PGI	Protected Geographical Indications
PL	Poland
PMEF	Performance and Monitoring Evaluation Framework
PMO	Office for Administration and Payment of Individual Entitlements
PO	Producer organisation
POSEI	Programme d'Options Spécifiques à l'Éloignement et l'Insularité (Programme of Options Specifically Relating to Remoteness and Insularity)
POSEICAN	Programme of options specific to the remote and insular nature of the Canary Islands
POSEIDOM	Programme of options specific to the remote and insular nature of the overseas departments
POSEIMA	Programme of options specific to the remote and insular nature of Madeira and the Azores
PPP	Plant protection products
PT	Portugal
R	
RAD	DG BUDG database ("Recommendations/Actions/Discharge")
RBN	Research Budget Network
RD	Rural Development
RDP	Rural Development Programme
REA	Research Executive Agency
REFIT	Regulatory Fitness and Performance Programme
DG REGIO	Directorate-General Regional and Urban Policy
RO	Romania

Abbreviation	Full text
RoO	Rules of Origin
DG RTD	Directorate-General Research and Innovation
S	
SAI	Smaller Aegean islands
SAIO	Regulation on statistics on agricultural inputs and outputs
SAPARD	Special Accession Programme for Agriculture and Rural Development
DG SANTE	Directorate-General Health and Food Safety
SAPS	Single Area Payment Scheme
SBS	Structural Business Statistics
SC	Societal Challenge (Horizon 2020)
SCAR	Standing Committee for Agricultural Research
SCIC	Directorate-General for Interpretation
SDGs	Sustainable Development Goals
SE	Sweden
SF	Support Facility
SG	Secretariat-General of the European Commission
SI	Slovenia
SJ	Legal Service of the European Commission
SK	Slovakia
SMP	Skimmed milk powder
SPS	Single Payment Scheme
SPS	Sanitary and Phytosanitary
SR	Special Report
SWD	Staff Working Document
SWOT	Strengths, weaknesses, opportunities, threats
T	
TAIEX	Technical Assistance and Information Exchange instrument
DG TAXUD	Directorate-General Taxation and Customs Union
TCA	Trade and Cooperation Agreement
TEF	Testing and Experimentation Facilities
TFEU	Treaty on the Functioning of the European Union
TFP	Total Factor Productivity
TFRA	Task Force for Rural Africa
ToR	Terms of Reference
TR	Turkey
DG TRADE	Directorate-General for Trade
TRDI	Transitional Rural Development Instrument
TRIPs	Agreement on Trade-Related Aspects of Intellectual Property Rights
TRQ	Tariff-Rate Quota
TSG	Traditional Specialities Guaranteed
TTG	Time to grant
TTI	Time to inform
TTIP	Transatlantic Trade and Investment Partnership

Abbreviation	Full text
TTP	Time to pay
U	
UAA	Utilised agricultural area
UK (GB)	United Kingdom
UN	United Nations
UNFCCC	UN Framework Convention on Climate Change
US	United States of America
USDA	US Department for Agriculture
UTP	Unfair Trading Practices
V	
VCS	Voluntary Coupled Support
W	
WIPO	World Intellectual Property Organisation
WMP	Whole milk powder
WTO	World Trade Organization