



2018

Annual Activity Report

Annexes

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

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ANNEX 1: Statement of the Deputy Director-General in charge of Risk Management and Internal Control¹

I declare that in accordance with the Commission's communication on the internal control framework², I have reported my advice and recommendations on the overall state of internal control in the DG to the Director-General.

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

25 April 2019

(e-signed)

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

¹ In DG AGRI, the Deputy-Director-General in charge of Directorates G, H and I is entrusted with the Risk Management and Internal Control (RMIC) function.

² C(2017)2373 of 19.04.2017.

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

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

2.2.1 Human Resource Management

Objective (mandatory): The DG deploys effectively its resources in support of the delivery of the Commission's priorities and core business, has a competent and engaged workforce, which is driven by an effective and gender-balanced management and which can deploy its full potential within supportive and healthy working conditions.

Indicator 1 (mandatory): Percentage of female representation in middle management

Source of data:

- SEC(2015)336: targets for female representation in management functions in the Commission for the years 2015-2019.
- SEC(2017)359: quantitative targets of first female appointments to be made per Directorate-General and service at middle management level by 1 November 2019

Baseline (01/01/2016)	Target (2019)	Latest known results (2018)
26.5%	35% <i>Targets for each Directorate-General adopted by the Commission on 15/07/15 – SEC(2015)336</i> 57% (4 out of 7) = DG AGRI's quantitative target for first appointments to middle management 2017-2019 (<i>adopted by the Commission on 19/07/17 – SEC(2017)359</i>)	36% (16/12/2018) The target of 4 first appointments until November 2019 was met as of September 2018.

Indicator 2 (mandatory): Percentage of staff who feel that the Commission cares about their well-being

Source of data: Commission staff survey

Baseline (2014)	Target	Latest known results (2018)
31%	Reach a result above Commission average (35% in 2014) <i>Target agreed at level of resource director</i>	50% - Commission average: 52%

Indicator 3 (mandatory): Staff engagement index

Source of data: Commission staff survey

Baseline (2014)	Target	Latest known results (2018)
65.3	Maintain a result above Commission average (65% in 2014) <i>Target agreed at level of resource director</i>	71% - Commission average: 69%

Indicator: Average vacancy rate of available permanent posts Source: HR Dashboard		
Baseline (2015)	Target	Latest known results (2018)
5.6 %	Vacancy rate < or = Commission average (Jan 15-Dec 15: 5.3 %) <i>Target agreed at level of resource director</i>	AGRI 5.9% - Commission 6.5 % Family DGs 7.4%
Indicator: HR capacity utilisation Definition: Staff time available for allocation to activities after deducting absences (except annual leaves and flexitime Recuperation) and use of flexible working arrangements from the total number of available working days. Source: HR Dashboard		
Baseline (Dec. 2014-Nov. 2015)	Target	Latest known results (2018)
90.3 %	Utilisation > or = Commission average (Dec 14-Nov 15: 90.1 %) <i>Target agreed at level of resource director</i>	90.2 % (Commission average: 90.6 %)
Indicator: Staff satisfaction with - job - private / professional life balance Source: Commission staff survey		
Baseline (31/12/15)	Target	Latest known results (2018)
Job satisfaction: 70.5 % Life balance: 53.3 %	Equal or better results than Commission average <i>(target agreed at level of resource director)</i> COM average: Job satisfaction: 68.5 %, Life balance: 53.7 %	Job satisfaction: 81% (Commission average: 81%) Private/professional life balance: 58% (Commission average: 57%)
Indicator: Local Overheads Source: Screening 2017		
Baseline (23/01/15)	Target (2016)	Latest known results (2018)
7.8 %	Commission average: 7.7 % <i>(target agreed at level of resource director)</i>	AGRI 5,2% (Commission: 6,2%)

Main outputs in 2018:			
Description	Indicator	Target	Latest known results (situation on 31/12/18)
Efficient and effective staff allocation	Vacancy rate	= or < Commission average	Rate on 31/12/2018: AGRI 5.08% - Commission 5,95% Average of last 12 months (data provided in HR dashboard of 1/11/2018): AGRI 5.9% - Commission 6.5 % Family DGs 7.4%

Strategic, forward planning HR management	Posts returned to DG HR (i.e. staff reduction and staff redeployment)	Within deadlines	The specific staff reduction agreement was completed in July 2018, six months ahead of the agreed deadline.
Women in management positions, in close cooperation with DG HR	First female appointments at middle management level	> 50% of overall target until 1.11.2019	57% (4 out of 7); The target of 4 first appointments until November 2019 was met as of September 2018.
Women in management positions, in close cooperation with DG HR	% of female representation in middle management	> 28% female representation in MM on 1 May 2017	16 December 2018: 36% of female representation in middle management
Staff allocation according to interest and competences	Overall job satisfaction	= or > Commission average results in next staff survey	81% (Commission average: 81%)
Staff health	Sick leave rate	= or < Commission average for the same period	4.5% in Q3/2018 (Commission average = 4.2 %)
Staff well-being, in cooperation with DG HR/Medical Service.	Well-being indicator in Commission staff survey	= or > Commission average results in next staff survey	50% (Commission average: 52%)
Management of administrative budget	Budget execution (commitments)	> 95% by end of the year	99.55% (external personnel) 98.28% (other administrative credits)
Internal communication	Staff has appropriate and timely information to perform well at work	= or > Commission average results in next staff survey	68% (Commission average: 63%)

2.2.2 Better Regulation

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

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

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

Source of data: -

Baseline 2015	Interim Milestone 2016	Target 2020	Latest known results (2018)
68% = Commission average in 2014 N/A for DG AGRI (no Impact assessment in 2015)	<i>Positive trend compared to DG's 2014 situation.</i>	<i>Positive trend compared to DG's 2018 situation.</i>	33%

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

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

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

Source of data: -

Baseline 2015	Interim Milestone 2016	Target 2020	Latest known results (2018)
64% ³		70%	73%

Indicator: Common monitoring and evaluation framework for the CAP towards 2020

Source: DG AGRI task Force on Monitoring and Evaluation

Baseline (2015)	Target (2015)	Latest known results (2018)
Common Monitoring and evaluation Framework in place. Meetings of the expert group on M&E (17.3.2015, 25.6.2015, 12.11.2015); CMEF discussed in AGRI management meeting + 2 meetings of the task force M&E. Documentation for MS available.	Comprehensive framework for the monitoring and evaluation of the whole CAP in place - 4 meetings with the expert group on M&E; - 2 meetings of DG AGRI task force on M&E; - Starting the compilation of data	4 meetings of the expert group on M&E held in 2018 (27.02.2018, 12.03.2018, 19.9.2018, 27.11.2018)

³ This figure excludes spending-related acquis, individual and temporary measures.

Indicator: Degree of implementation of the annual evaluation plan		
Source: Data collected by DG AGRI		
Baseline (2015)	Target (mid-term)	Latest known results (2018)
100 %	100 % of evaluations completed / launched according to the initially set timetable The evaluations to be conducted in a given year are decided at senior management level, based on the legal and policy requirements and introduced in a rolling evaluation and studies plan which is updated at least yearly.	66%: all evaluations foreseen for launch in 2018 launched; 100% of support studies finalised, staff working documents still to be done. These were rescheduled to Q3/2019.
Indicator: Degree of implementation of the annual studies plan set in the evaluation and studies plan		
Source: Data collected by DG AGRI		
Baseline (2015)	Target (mid-term)	Latest known results (2018)
100 %	100 % of studies completed/launched according to the initially set timetable <i>The studies to be conducted in a given year are decided at senior management level, based on the legal and policy requirements and introduced in a rolling evaluation and studies plan which is updated yearly.</i>	100%
Indicator: Contribution to the Commission Regulatory Fitness initiative (REFIT)		
Source: DG AGRI files on simplification		
Baseline (2015)	Target	Latest known results (2018)
Contribution and exchanges with SG on REFIT initiatives. Timely contribution to the REFIT platform screening exercise: periodical contribution to the "assessment fiches" prepared by SG following requests received by the REFIT Platform	Timely contribution to the REFIT initiative including follow-up of the Administrative Burden Reduction programme (ABRplus) upon request of the Secretariat General	100% (5 timely contributions to the activities of the REFIT initiative)

Main outputs in 2018:			
Description	Indicator	Target	Latest known results (situation on 31/12/18)
COORDINATION OF MONITORING AND EVALUATION OF THE CAP – Coordination of a common monitoring and evaluation framework for the CAP 2014-2020 – Analysis of results for use in policy development (indicators, studies, evaluations)	Coordination of the internal Task Force on Monitoring and Evaluation of the CAP	Organisation of 2 meetings per year	4 meetings held in 2018
	Organisation of the meetings of the expert group on "M&E of the CAP"	Organisation of 2 meetings per year	The first report to the Council and European Parliament on 'the implementation of the Common Monitoring and Evaluation Framework and first results on the performance of the Common Agricultural Policy' was published in 5 December 2018 ⁴ .
EVALUATIONS Assess the effectiveness, efficiency and coherence of CAP (1 st and 2 nd pillar) instruments in collaboration with the inter service steering group	Establishment of the DG AGRI pluri-annual evaluation and studies plan	DG AGRI evaluation plan established/updated on time for inclusion (as annex) in the inter-institutional database	Evaluation plan established on time
	Degree of implementation of the DG AGRI studies and evaluation plan	100 %	72% - staff working documents for evaluations scheduled to be finalised in 2018 were rescheduled to Q3/2019.
Manage the EP Pilot projects foreseen in the evaluation plan	Degree of implementation of EP Pilot projects and preparatory actions	100 %	100 %
Reviewing the potential for further simplification in the CAP in the short and long term	Number of Commission documents adopted with a view to simplify the policy	Ongoing	11 acts ⁵ have been adopted in view of simplification

⁴ COM(2018) 790 final

⁵ IA 2018/746; DA 2018/707; DA 2018/1145; IA 2018/1146; DA 2019/33; IA 2019/34; IA 2018/1077; DA 2019/94; IA 2018/1800; Alignment of fruit and vegetables marketing standards; Proposal to amend Regulations (EU) No 1305/2013 and (EU) No 1307/2013

Contribution to the Commission Regulatory Fitness initiative (REFIT)	Timely contribution to the REFIT initiative including reaction to simplification requests under the REFIT platform.	100% replies within deadlines	100%
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Objective: To provide sound legal services and to ensure correct application and enforcement of the CAP law

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

Source of data: Decide

Baseline (2015)	Target	Latest known results (2018)
100%	>90 % of consultations <i>Target was fixed taking into account a minimal margin of manoeuvre for legal disagreements/need to pursue proposal for policy issues.</i>	100 %

Indicator: Timeliness of treatment of notifications of state aid cases

Source of data: ISIS database

Baseline (2015)	Target	Latest known results (2018)
100%	100% <i>Legal requirement</i>	100%

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

Source of data: NIF data base

Baseline (2017)	Target	Latest known results (2018)
100%	90% of consultation <i>Procedural requirement Internal Guideline "Monitoring the application of EU Law (C(2017)4973final)</i>	100%

Main outputs in 2018:

Description	Indicator	Target	Latest known results (situation on 31/12/18)
DG AGRI proposals for legal acts need to comply with EU legal framework	Proportion of positive opinions from the LS in inter-service consultations launched by DG AGRI	>90 % of consultations December 2018	100 %
Legal soundness of DG AGRI positions needs to be ensured, and this, in a timely manner	Rapidity of response on signataires submitted for paraphe on legal issues and on notes submitted asking for legal advice	>85 % dealt with within deadlines laid down in the vademecum fixing the rules for legal consultation December 2018	89,43%

Examination of notified and alleged State aid in the agricultural and forestry sectors in cooperation with various other Commission Services, notably the SG, the Legal Service and COMP	Examination of notified State aid cases within the statutory deadlines and timely examination of all other State aid cases (NN, CP ...)	100% of cases to be handled within the statutory deadlines if any or foreseen within the best Practice Code.	100%
Management of complaints and infringement proceedings in cooperation with the SG	Appropriate administrative treatment of all new complaint cases notified	95% of new complaints registered	100%
Management of notifications made under Directive (EU) 2015/1535 on technical rules in cooperation with DG GROW	Timeliness of treatment of all new draft technical received	100% of deadlines to be met	100%
Coordination of DG AGRI's replies to the European Ombudsman (EO) in cooperation with the SG	Timeliness of delivery of replies to the EO	100% of SG accepted deadlines to be met	100%
Coordination of DG AGRI's replies to access to documents requests (Regulation 1049/2001) in cooperation with the SG	Timeliness of delivery of replies to access for documents requests	90% of requests for documents answered within the deadlines	98%

Relations with EU institutions, national parliaments, other institutional stakeholders and civil society, including the participation in meetings of the Council, the SCA and working parties, European Parliament, COMAGRI and other committees, as well as attendance to trilogues (accompany & follow-up on the ordinary legislative procedure).	Questions/requests from other Institutions, including Parliamentary Questions, Petitions, Opinions from National Parliaments and letters from MEPs to the Commissioner replied to within the deadline	100%	99% (Totals: Parliamentary Questions AGRI CF: 362, Parliamentary Questions AGRI ASOC: 639, Petitions 35, MEP letters to the Commissioner and DG: 88, Opinions from National Parliaments: 28)
	Participation of the Commissioner and DG AGRI's officials in high level meetings with other EU institutions and advisory groups (civil dialogue groups)	The Commissioner represents the Commission in the most important meetings	Commissioner's participation in 2018: 5 times in EP plenary and 3 in COMAGRI. DG AGRI's participation in all plenaries and in all meetings of COMAGRI EESC: in 2018 the Commissioner attended 1 NAT meeting Participation of DG AGRI in: Section meetings NAT: 7 Plenary: 2 COR: in 2018 the Commissioner did not attend a COR meeting Participation of DG AGRI in: Section meeting NAT: 4 Plenary: 2 DG AGRI's participation in 2018: - Council: 12 times - SCA: 28 times - trilogue meetings: 10 (6 UTP, 3 Spirit drinks, 1 WTO TRQ) - Working Party meetings (CAP reform): 32 times pre-GRI: DG AGRI participation in all meetings DG AGRI participation in Civil Dialogue Groups / working groups: 55 - FWG 10 - CDG 45

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

Indicator: Implementation of the performance culture in DG AGRI

Source of data:

Baseline (2015)	Target	Latest known results (2018)
Active involvement in Budget Focused On Results initiative, including the participation of Commissioner Hogan at the BFOR conference Development of a more focused performance reporting in the AAR Creation of a network of performance correspondents	Continuous improvement	DG AGRI contributes actively to the "Budget focused on results" initiative: preparation of the regular meetings of the BFOR interservice working group, participation in the Workshops on the future of indicators and routine ongoing contacts with central services and other DGs to share information. In June 2018, the Commission presented its proposal for the CAP for the period post 2020, underlining the commitment to move away from a compliance based to a new performance and results based CAP delivery model. Discussions with the co-legislators are on-going.

Indicator: Timeliness of DG AGRI replies to Inter-service consultations

Source of data: Decide

Baseline (2015)	Target	Latest known results (2018)
101 out of 2055 (4.91%) delayed	Steady reduction <i>The target is a permanent goal of DG AGRI</i>	Based on extractions from Decide: replies to more than 2 200 ISC (except for those cases where a tacit agreement ⁶ has been allowed); +/- 5% delayed

Main outputs in 2018:

Description	Indicator	Target	Latest known results (situation on 31/12/18)
Implementation of the Commission planning and programming process (in close cooperation with SG and DG BUDG)	Percentage of elements of the Strategic Planning and Programming (SPP) cycle delivered on time (SP, MP, AAR, AMPR)	100 %	100%

⁶ Since June 2018, new rules apply to ISC replies, esp. ISC not related to AGRI issues.

	Delivery rate (adoption by the College): – CWP – Other Decide Planning proposals	100 %	100 %
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2.2.3 Information management aspects

Objective (mandatory): Information and knowledge in your DG is shared and reusable by other DGs. Important documents are registered, filed and retrievable

Indicator (mandatory): Percentage of registered documents that are not filed (ratio)

Source of data: Hermes-Ares-Nomcom (HAN) statistics

Baseline	Target	Latest known results (2018)
2014: 482 docs = 0.150% 2015: 924 docs = 0.24%	0%	871 docs = 0.15%

Indicator (mandatory): Percentage of HAN files readable/accessible by all units in the DG

Source of data: HAN statistics

Baseline	Target	Latest known results (2018)
2015: 82.58%	75%	79.07%

Indicator (mandatory): Percentage of HAN files shared with other DGs

Source of data: HAN statistics

Baseline	Target	Latest known results (2018)
2015: 0.5%	50%	0.29%*

Main outputs in 2018:

Description	Indicator	Target	Latest known results (situation on 31/12/18)
Document management	% of filing of documents in DG AGRI	100 % of documents ARES filed	56 881 docs = 99.21%
	% of files in NOMCOM where no documents are filed within the last 12 months from the total number of active files in AGRI (including subfiles)	0% files in NOMCOM where no documents are filed within the last 12 months	2 000 files = 9.49%*
	Percentage of HAN files readable / accessible by all units in the DG	>75 %	79.07%
	Percentage of HAN files shared with other DGs	5 %*	0.29%

Personal data protection, in cooperation with SG/DPO	Coordinate the adaptation of DG AGRI personal data processings to the new EU data protection regulation replacing Reg. 45/2001	100 % of identified processings included in the register of the DPO	100 % compliance with agreed roadmap
IT infrastructure, tools and services	Implementation of the relevant parts of the IT Master Plan, in co-operation with DG DIGIT and the other DGs where relevant (Common building blocks, support to ESIF policy, ...)	95 %	96%
	Servers' availability (averaged over one year)	≥ 99 %	> 99%
	Information Systems User Satisfaction (positive assessment)	> 80 %	84%
	Number of security breaches (new indicator)	No major security breaches	No major security breaches

** In line with the principle of sharing information within the Commission, DG AGRI set a long-term target of 50% to be achieved by 2020 with a view to improve transparency and avoid duplications in filing at Commission level. Progress is proving rather slow and cumbersome. Following latest thorough review in 2017, the share of files visible within the DG significantly increased. This favourable trend has continued in 2018 although with more limited success. The new Information security strategy and revised marking system will trigger renewed actions to further promote full visibility of AGRI HAN files. A specific action will also be undertaken to close files in NOMCOM where no documents have been filed within the last 12 months.*

2.2.4 External communication activities

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

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

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

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

Baseline: November 2014	Target: 2020	Latest known result (2018)
Total "Positive": 39% Neutral: 37 % Total "Negative": 22%	Positive image of the EU $\geq$ 50%	Total "Positive": 43% Neutral: 36 % Total "Negative": 20%

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

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

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

Indicator: Public awareness of CAP

Source: Eurobarometer

Baseline (2015)	Target	Latest known results (2018)
The Latest Special Eurobarometer survey on agriculture and the CAP (field research October 2015, results published on 6 January 2016) shows that 94% of Europeans believe that agriculture and rural areas play an important role for their future (+ 2 percentage points since the last survey in 2013) and that 69% have heard about the support that the EU gives farmers through its CAP (+ 5 percentage points since the last survey in 2013). There is a broad	Maintain and if possible increase awareness of the CAP	The Latest Special Eurobarometer survey on agriculture and the CAP (field research November – December 2017) shows that 92% of Europeans believe that agriculture and rural areas play an important role for their future (-2 percentage points since the last survey in 2015) and that 67% have heard about the support that the EU gives farmers through its CAP (-2 percentage points since the last survey). There is a broad consensus and strong support on the key priorities of the CAP and its contribution to the strategic priorities of the Commission.

consensus on the key priorities of the CAP and its contribution to the strategic priorities of the Commission. The next Eurobarometer survey will be conducted in the last quarter of 2017. The results will be published in first quarter of 2018		
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Main outputs in 2018:			
Description	Indicator	Target	Latest known results (situation on 31/12/18)
Main communication actions: Media and Web	7 AG-press study trips/seminars (positive evaluation feedback), AG-press e-platform (maintain members as active users) Europa web digital transformation Social media and web based campaigns	2018	8 AG-press study trips/seminars (positive evaluation feedback), AG-press e-platform (maintain members as active users) Europa web digital transformation Social media and web based campaigns
Conferences, fairs and events	2 Conferences on Plant Protein and Agricultural outlook Satisfaction feedback from participants	22-23/11/2018 6-7/12/2018	2 Conferences on Plant Protein and Agricultural Outlook Satisfaction feedback from participants. Two roundtables on the "new greening architecture" of the proposals on the future of CAP
Various communication activities to raise awareness on the relevance and the future of the CAP Communication campaign to raise awareness on EU GIs Oureach exercise in MS to present and explain Commission legal package on the future CAP	Participation at Agricultural fairs in Berlin, Paris, Lithuania, Italy, Austria and in EU Open Days in Brussels (number of visitors and degree of satisfaction with the activities proposed)	2018	Participation at Agricultural fairs in Berlin, Paris, Lithuania, Italy, Austria and in EU Open Days in Brussels
	(check level of awareness in the next EB survey end of 2019) (check level of awareness/recognition in the next EB survey end of 2019)	2019, early 2020 2019, early 2020	Next Eurobarometer survey postponed to 2020

	More than 60 events with media coverage for the period June – December 2018	End of 2018	Over 80 events with media coverage for the period June – December 2018
Grants	Co-financing up to 20 "information measures on the CAP" following the call for proposals 2018	May 2018 – April 2019	20 "information measures on the CAP" co-financed following the call for proposals 2018
Corporate communication	Campaigns to be conducted by DG COMM – timely input to DG COMM	2018-2019	Ongoing

Annual communication spending (based on estimated commitments):			
Baseline (2017)	Estimated commitments (2018)	Total amount spent	Total of FTEs working on external communication
EUR 8 million	EUR 8 million: - Direct actions (Media and Web, Conferences, fairs and events): EUR 4.000.000 - Indirect actions (Grants): EUR 4.000.000	EUR 4.000.000 EUR 4.000.000	10
	Corporate communication by DG COMM: EUR 8.700.000 (co-delegated to DG COMM) of which EUR 6.560.000 from EAGF budget line 05086000/Marchés and EUR 2.140.000 from EAFRD	EUR 8.700.000 (co-delegated to DG COMM) of which EUR 6.560.000 from EAGF budget line 05086000/Marchés and EUR 2.140.000 from EAFRD	1

ANNEX 3: Draft annual accounts and financial reports

1. FINANCIAL REPORTS

1.1 Commitments and payments (tables 1 and 2)

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2018 (in Mio €)					
		Commitment appropriations authorised	Commitments made	%	
		1	2	3=2/1	
Title_05 Agriculture and rural development					
05	05 01	Administrative expenditure of the 'Agriculture and rural development' policy area	20.18	19.18	95.04 %
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2,714.77	2,620.85	96.54 %
	05 03	Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	42,319.85	41,496.52	98.05 %
	05 04	Rural development	15,334.74	14,409.50	93.97 %
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	195.95	190.00	96.96 %
	05 06	International aspects of the 'Agriculture and rural development' policy area	4.60	4.60	100.00 %
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	106.31	106.31	100.00 %
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	29.98	29.17	97.31 %
	05 09	Horizon 2020 - Research and innovation related to agriculture	18.57	-	0.00 %
Total Title 05			60,744.95	58,876.12	96.92%

TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2018 (in Mio €)					
Chapter			Payment appropriations authorised *	Payments made	%
			1	2	3=2/1
Title 05 Agriculture and rural development					
05	05 01	Administrative expenditure of the 'Agriculture and rural development' policy area	17.01	9.55	56.11 %
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2,726.80	2,620.32	96.10 %
	05 03	Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	42,495.26	41,496.52	97.65 %
	05 04	Rural development	12,916.53	12,456.85	96.44 %
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	127.36	98.30	77.18 %
	05 06	International aspects of the 'Agriculture and rural development' policy area	4.60	4.60	100.00 %
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	106.91	106.91	100.00 %
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	45.65	35.95	78.74 %
	05 09	Horizon 2020 - Research and innovation related to agriculture	18.57	-	0.00 %
Total Title 05			58,458.70	56,828.99	97.21%

Overall, in 2018, the execution rate of commitment appropriations of DG AGRI remained at the same high level as last year reaching 96,92% in 2018 (96,80% in 2017). The execution rate of payment appropriations has also globally remained unchanged reaching 97,21% in 2018 (97,04% in 2017). The total amount **committed** in 2018 amounts to **EUR 58.876,12** million and the total amount **paid** in 2018 amounts to **EUR 56.828,99** million. Some detailed information on the implementation of the main budget lines can be found below.

- **05 02 Improving the competitiveness of the agricultural sector:** These appropriations intend to finance various programmes for the promotion of agricultural products and to cover costs linked in particular with the financial depreciation of stocks of agricultural products. The amount are more or less stable compared to last year. An amount of EUR 2.620,85 million was committed in 2018 (2.948,61 million in 2017) representing 96,54% of the available credits. The amount paid in 2018 was EUR 2.620,32 million (compared to EUR 2.945,60 million in 2017), representing 96,10% of the available appropriations.
- **05 03 Direct payments to farmers:** With regard to EAGF expenditure covering direct payments to EU farmers the amount committed in 2018 was EUR 41.496,52 million (EUR 41.551,16 million in 2017) representing 98,05% of the available appropriations. The amount paid in 2018 was EUR 41.496,52 million (compared to EUR 41.551,16 million in 2017), representing 97,65% of the available appropriations.
- **05 04 Rural Development:** This appropriation is intended to cover the financing of the 2014-2020 rural development programmes funded by the European Agricultural Fund for Rural Development (EAFRD). The amount committed in 2018 was EUR 14.409,50 million (EUR 14.348,93 million in 2017), representing 93,97% of the available commitment appropriations. The committed amount is rather stable as compared to last year. The amount paid in 2018 was EUR 12.456,85 million

(EUR 11.105,49 million in 2017), representing 96,44% of the available appropriations.

- **05 05 Pre Accession Assistance:** This appropriation is intended to finance the Instrument for Pre-accession Assistance related to rural development. An amount of EUR 190 million was committed in 2018 (199 million in 2017) representing 96,96% of the available appropriations as the implementation of IPA II programs is gradually progressing. EUR 98,30 million was paid in 2018 (compared to 91,66 in 2017), representing 77,18% of the available appropriations. The implementation of IPA II programs is taking longer than anticipated, and this results in a decrease in the total payments. Furthermore, in 2018 there were only a few payments for the last IPA I program for which expenditure was still eligible.

1.2 Unused balance of Commitments (table 3)

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2018 (in Mio €)									
Chapter			2018 Commitments to be settled				Commitments to be settled from financial years previous to 2018	Total of commitments to be settled at end of financial year 2018	Total of commitments to be settled at end of financial year 2017
			Commitments 2018	Payments 2018	RAL 2018	% to be settled			
			1	2	3=1/2	4=1/2/1	5	6=3+5	7
Title 05 : Agriculture and rural development									
05	05 01	Administrative expenditure of the 'Agriculture and rural development' policy area	19.11	11.38	7.73	0.40	-	7.73	8.39
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2,684.25	2,681.44	2.81	0.00	-	2.81	12.04
	05 03	Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	41,956.29	41,780.89	175.40	0.00	-	175.40	175.40
	05 04	Rural development	14,409.99	288.30	14,121.68	0.98	20,456.83	34,578.51	32,734.08
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	190.00	-	190.00	1.00	346.73	536.73	445.04
	05 06	International aspects of the 'Agriculture and rural development' policy area	4.60	4.60	-	-	-	-	-
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	114.04	113.89	0.15	0.00	0.63	0.78	1.38
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	29.17	9.40	19.77	0.68	19.25	39.02	49.14
Total Title 05			59,407.45	44,889.91	14,517.54	0.24	20,823.44	35,340.98	33,425.46

The unused balance on commitments, commonly known as budgetary RAL (Reste à Liquider), was approximatively **EUR 35.340,98 million** at the end of 2018 (EUR 33.425,46 million in 2017), of which EUR 34.578,51 million relates to rural development, EUR 536,73 million to pre-accession assistance. The unused balance of EUR 175,40 million relates to suspended EAGF direct payments, and EUR 2,81 million relates to programs for the promotion and/or to costs linked with the financial depreciation of stocks of agricultural products.

1.3 Payment time limits (table 6a/b)

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

- For "direct management expenditure" (see table 6a), the average delay has decreased significantly to 8 days in 2018 (compared to 10 days in 2017). Only eight payments exceeded the legal payment deadline (16 payments in 2017), which represents 0,9% of the total number of payments (1,8% in 2017).
- For "rural development" (see table 6b), the average payment delay has also decreased at 31 days (34,1 days in 2017). All payments were made on time, within the legal payment deadline (four payments were delayed in 2017).

1.4 Revenue and income

TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2018							
Chapter	Revenue and income recognized			Revenue and income cashed from			Outstanding balance
	Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total	
	1	2	3=1+2	4	5	6=4+5	7=3-6
61 REPAYMENT OF MISCELLANEOUS EXPENDITURE	-	4,659,319.52	4,659,319.52	-	-	-	4,659,319.52
65 FINANCIAL CORRECTIONS	67,238,346.80	14,496,774.64	81,735,121.44	491,273.16	8,877,086.12	9,368,359.28	72,366,762.16
67 REVENUE CONCERNING THE EUROPEAN AGRICULTURE GUARANTEE FUND AND THE EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT	1,618,292,943.97	10,246,180.46	1,628,539,124.43	1,387,622,838.24	10,246,180.46	1,397,869,018.70	230,670,105.73
Total DG AGRI	1,685,531,290.77	29,402,274.62	1,714,933,565.39	1,388,114,111.40	19,123,266.58	1,407,237,377.98	307,696,187.41

The total income/revenue recognised for DG AGRI corresponds to **EUR 1.714,93 million** in 2018, while the amount cashed is EUR 1.407,24 million. At the end of 2018, EUR 307,70 million is therefore still owed to DG AGRI (EUR 90,90 million in 2017). This increase is explained by the fact that DG AGRI now issues the recovery orders for the entire amount immediately after the generating event (e.g. adoption of conformity decisions) for Rural Development even if the effective recovery will take place at a future date.

The income/revenue in 2018 concerning the EAGF and EAFRD funds amounts to EUR 1.618.29 million (2017 EUR 1.969,97 million). Out of this amount EUR 997,36 million concerns EAGF and EUR 620,93 million for EAFRD.

The budgetary regularised income for EAGF corresponds to a total amount of EUR 997,36 million in 2018 (EUR 1.482,47 million in 2017) of assigned revenue linked to milk levies, irregularities and conformity clearance⁷. An additional amount of EUR 48.7 million still has to be recovered at year-end.

With regard to the "ageing balance of recovery orders" at 31.12.2018, it should be noted that the European Commission has waived the recovery of 4 old claims of a total amount of EUR 3,61 million – for which the recovery orders was issued between 1998 and 2004. The details can be found in table 10 "Waivers of Recovery Orders". This explains, the movement in 2018 of -21,43% in relation to the old recovery orders issued between 1998 and 2004. (-6.8% in 2017; -3,8% in 2016; -1,2% in 2014; -0,2% in 2013; -3% in 2012; -5% in 2011).

⁷ This amount includes EUR 861,88 million for income line 6701 (clearance), EUR 131,59 million for income line 6702 (irregularities), EUR 3.88 million for income line 6703 (milk).

There was an increase of recovery orders that were issued but they were not reimbursed in 2018. This is explained by the fact that, for EAFRD following the adoption of the conformity clearance decisions the recovery orders are issued immediately for the total amount, even if their payment is delayed.

Annexes:

Table 1: Commitments

Table 2: Payments

Table 3: Commitments to be settled (RAL)

Table 4: Balance sheet

Table 5/5bis: Economic Outturn Account

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

Table 7: Income

Table 8/8bis: Recovery context

Table 9/9bis: Ageing balance of Recovery Orders

Table 10: Waivers of Recovery Orders

Table 11: Negotiated Procedures

Table 12/12bis: Summary of Contracts

Table 13: Building Contracts

Table 14: Secret Contracts

Table 15: FPA > 4 yrs

2. DRAFT ANNUAL ACCOUNTS

2.1 Accounting principles and methods

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

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

Other items not included are:

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

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

2.2 Acronyms

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

2.3 Balance Sheet

TABLE 4 : BALANCE SHEET AGRI

BALANCE SHEET	2018	2017
A.I. NON CURRENT ASSETS	3,978,388,360.46	4,139,227,146.14
A.I.1. Intangible Assets	11,345,730.64	10,614,699.20
A.I.2. Property, Plant and Equipment		0.00
A.I.5. Non-Current Pre-Financing	3,586,729,889.30	3,534,587,975.68
A.I.6. Non-Cur Exch Receiv & Non-Ex Recoverab	380,312,740.52	594,024,471.26
A.II. CURRENT ASSETS	3,361,154,027.45	3,580,039,315.76
A.II.2. Current Pre-Financing	1,759,199,719.02	1,547,557,666.89
A.II.3. Curr Exch Receiv & Non-Ex Recoverables	1,601,954,308.43	2,032,481,648.87
ASSETS	7,339,542,387.91	7,719,266,461.90
P.I. NON CURRENT LIABILITIES	-1,099,034.03	-49,138,313.68
P.I.2. Non-Current Provisions	-1,099,034.03	-49,138,313.68
P.II. CURRENT LIABILITIES	-63,149,988,644.74	-62,829,675,811.83
P.II.4. Current Payables	-15,050,205,020.22	-12,046,682,979.06
P.II.5. Current Accrued Charges & Defrd Income	-48,099,783,624.52	-50,782,992,832.77
LIABILITIES	-63,151,087,678.77	-62,878,814,125.51
NET ASSETS (ASSETS less LIABILITIES)	-55,811,545,290.86	-55,159,547,663.61
P.III.2. Accumulated Surplus/Deficit	282,406,060,366.06	228,270,270,678.21
Non-allocated central (surplus)/deficit*	-226,594,515,075.20	-173,110,723,014.60
TOTAL	0.00	0.00

Assets

Non-current assets

Non-Current pre-financing: it concerns mainly pre-financing paid for rural development programs but also for pre-accession assistance programmes. The amount of EUR 3.190.331.660,35 corresponds to the total pre-financing paid to Member States for the programming period 2014-2020 (EAFRD) for which the period of settlement exceeds one year. An amount of 4.502.513,75 corresponds to pre-financing for one IPA I program that will be recovered from the Member States most likely after 2019. It also includes EUR 263.027.179,89 advances paid by Member States to beneficiaries and reimbursed from EAGF funds. In addition the amounts of EUR 2.709.885,31 of pre-financing paid to third countries for IPA I program and EUR 126.158.650,00 from IPA II programs (2014-2020 period) are included.

Non-Current exchange receivables and non-exchange recoverable: it concerns clearance decisions under shared management for which the period of settlement exceeds one year. An amount of EUR 310.325.388,64 concerns EAGF – the relevant conformity clearance decisions have not yet been implemented - and an amount of EUR 69.987.351,89 is for EAFRD.

Current assets

Current pre-financing: the amounts are rather stable between 2018 and 2017 as we are in the middle of the programming period 2014-2020 and the majority of the 2007-2013 programs have been already closed in 2016 and 2017. What is still left is an amount of EUR 553.022.063,04 that concerns pre-financing that should be recovered following the closure of six (6) 2007-2013 programs and an amount of pre-financing EUR 18.001.666,97 for two (2) SAPARD programs that should also be recovered after the closure.

The remaining amounts of EUR 1.102.887.375,33 and EUR 82.605.833,58 concern advances paid by Member States to beneficiaries and unspent amounts reimbursed to Financial Instruments, respectively. These amounts have already been paid to the Member States from EAFRD and EAGF funds and should be used by the final beneficiaries within the following year. Finally, the rest EUR 2.682.780,10 concerns open pre-financing from direct management contracts.

Non-Exchange recoverables: EUR 1.601,95 million are owed to DG AGRI by Member States (99%) and third countries (1%). The amount owed by Member States concerns non-exchange transactions.

It includes mostly amounts to be recovered under EAGF (EUR 950.330.252,76), EAFRD (EUR 674.488.636,04), TRDI (EUR 11.880.891,54) and Sapard (EUR 82.484.947,66) for irregularities committed by final beneficiaries and detected by the Member States. The amount owed by Third States includes mostly amounts to be recovered under IPA (EUR 26.438.111,72). A value reduction of EUR 787.880.848,94 has been applied to these receivables.

It also includes: (a) an amount of EUR 356,225,792.14 that corresponds to EAGF conformity clearance decisions not yet implemented; (b) a net amount of EUR 257,423,758.93 that corresponds mainly to deferred cashing of the recovery orders issued for EAFRD conformity clearance decisions; (c) a net amount of EUR 13,423,061.03 that corresponds mainly to recovery orders issued for IPA decisions; and (d) various amounts receivables/adjustments of EUR 17,139,705.65.

Liabilities

Non-current liabilities

Long-term provisions: This item mainly relates to the estimate of potential future expenses resulting from court cases awaiting judgement. There is an amount of 1.099.034,03 that concerns the legal case C-742/18P (appeal to T-627/16) that was partially won by the Czech Republic on 13/9/2018.

Current liabilities

Accounts payable: this item (for EUR 15.050,20 million) concerns amounts payable to private firms, to Member States and to Third States. Almost the whole amount of the accounts payable relates to outstanding balances of Member States under EAGF, EAGGF Guidance section (2000-2006) and EAFRD. It includes amounts already requested by Member States but not yet paid.

Accrued charges: this item (for EURO 48.099,78 million) includes an estimate of the amounts which Member States and other beneficiaries are entitled to claim (accrued charges).

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

2.4 Economic Outturn Account

TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE AGRI

STATEMENT OF FINANCIAL PERFORMANCE	2018	2017
II.1 REVENUES	-829,877,446.31	-1,632,761,312.84
II.1.1. NON-EXCHANGE REVENUES	-832,802,987.08	-1,639,365,907.96
II.1.1.5. RECOVERY OF EXPENSES	-788,831,530.89	-1,400,027,639.86
II.1.1.6. OTHER NON-EXCHANGE REVENUES	-43,971,456.19	-239,338,268.10
II.1.2. EXCHANGE REVENUES	2,925,540.77	6,604,595.12
II.1.2.1. FINANCIAL INCOME	-133,120.33	3,736,140.20
II.1.2.2. OTHER EXCHANGE REVENUE	3,058,661.10	2,868,454.92
II.2. EXPENSES	56,832,394,713.76	55,768,551,000.69
II.2. EXPENSES	56,832,394,713.76	55,768,551,000.69
II.2.10. OTHER EXPENSES	17,246,783.27	60,771,182.84
II.2.1. EXP IMPL BY MEMBER STATES (SHARED)	56,675,917,043.60	55,553,755,113.39
II.2.2. EXP IMPL BY COMMISS&EX.AGENC. (DM)	38,360,203.10	33,437,587.02
II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM)	79,594,657.98	105,541,546.16
II.2.6. STAFF AND PENSION COSTS	-838,810.00	-618,243.75
II.2.8. FINANCE COSTS	22,114,835.81	15,663,815.03
STATEMENT OF FINANCIAL PERFORMANCE	56,002,517,267.45	54,135,789,687.85

Surplus/Deficit from activities

Exchange and Non-Exchange Revenue:

Almost the entirety of the non-exchange revenue, which amounts to EUR 832,80 million, results from non-exchange transactions; it corresponds essentially to recovery of expenses due to financial and conformity clearance decisions or irregularities. The revenue from other non-exchange transactions amounts up to EUR 43,97 million and corresponds mainly to restoring to profit old provisions for bad or doubtful debts that have been previously made but are no longer required.

Expenses:

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

Under the heading "II.2.1 Expenses implemented by MS" the EAGF amount corresponds to EUR 43.524,47 million;

The amount of EUR 13.151,44 million concerns principally EAFRD expenditure.

Annex 3 Financial Reports - DG AGRI - Financial Year 2018

Table 1 : Commitments

Table 2 : Payments

Table 3 : Commitments to be settled

Table 4 : Balance Sheet

Table 5 : Statement of Financial Performance

Table 5 Bis: Off Balance Sheet

Table 6 : Average Payment Times

Table 7 : Income

Table 8 : Recovery of undue Payments

Table 9 : Ageing Balance of Recovery Orders

Table 10 : Waivers of Recovery Orders

Table 11 : Negotiated Procedures (excluding Building Contracts)

Table 12 : Summary of Procedures (excluding Building Contracts)

Table 13 : Building Contracts

Table 14 : Contracts declared Secret

Table 15 : FPA duration exceeds 4 years

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2018 (in Mio €)					
			Commitment appropriations authorised	Commitments made	%
			1	2	3=2/1
Title 04 Employment, social affairs and inclusion					
04	04 01	Administrative expenditure of the 'Employment, social affairs and inclusion' policy area	0,27	0,27	100,00 %
Total Title 04			0,27	0,27	100,00%
Title 05 Agriculture and rural development					
05	05 01	Administrative expenditure of the 'Agriculture and rural development' policy area	20,18	19,18	95,04 %
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2.714,77	2.620,85	96,54 %
	05 03	Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	42.319,85	41.496,52	98,05 %
	05 04	Rural development	15.334,74	14.409,50	93,97 %
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	195,95	190,00	96,96 %
	05 06	International aspects of the 'Agriculture and rural development' policy area	4,60	4,60	100,00 %
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	106,31	106,31	100,00 %
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	29,98	29,17	97,31 %
	05 09	Horizon 2020 - Research and innovation related to agriculture	18,57	-	0,00 %
Total Title 05			60.744,95	58.876,12	96,92%
Title 09 Communications networks, content and technology					
09	09 03	Connecting Europe Facility (CEF) - Telecommunications networks	0,29	0,29	100,00 %
Total Title 09			0,29	0,29	100,00%
Title 13 Regional and urban policy					
13	13 03	European Regional Development Fund and other regional operations	0,21	0,21	100,00 %
	13 04	Cohesion Fund (CF)	0,09	0,09	100,00 %
Total Title 13			0,29	0,29	100,00%
Title 18 Migration and home affairs					
18	18 01	Administrative expenditure of the 'Migration and home affairs' policy area	0,26	0,25	99,94 %
Total Title 18			0,26	0,25	99,94%
Total DG AGRI			60.746,06	58.877,24	96,92 %

* 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).

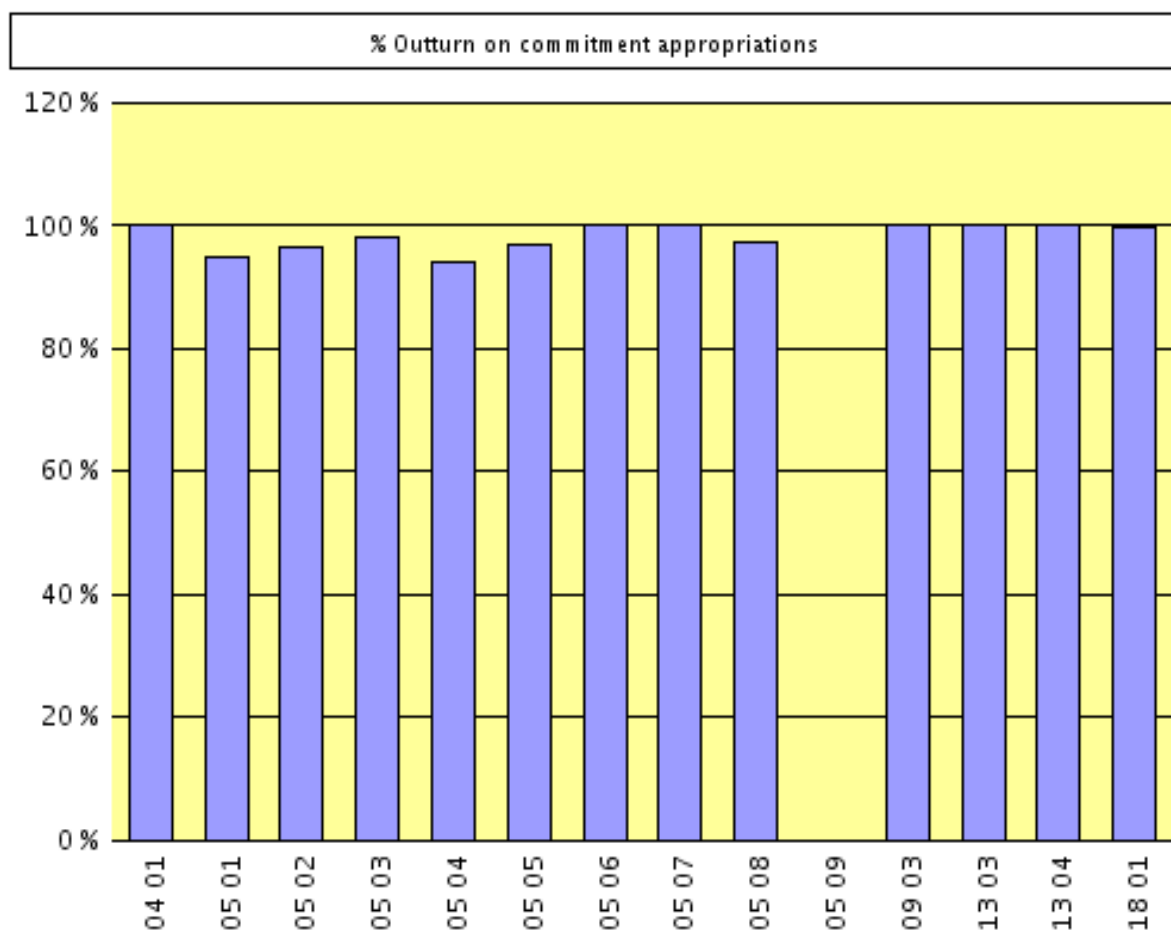


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2018 (in Mio €)					
Chapter			Payment appropriations authorised *	Payments made	%
			1	2	3=2/1
Title 04 Employment, social affairs and inclusion					
04	04 01	Administrative expenditure of the 'Employment, social affairs and inclusion' policy area	0,44	0,43	97,26 %
Total Title 04			0,44	0,43	97,26%
Title 05 Agriculture and rural development					
05	05 01	Administrative expenditure of the 'Agriculture and rural development' policy area	17,01	9,55	56,11 %
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2.726,80	2.620,32	96,10 %
	05 03	Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	42.495,26	41.496,52	97,65 %
	05 04	Rural development	12.916,53	12.456,85	96,44 %
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	127,36	98,30	77,18 %
	05 06	International aspects of the 'Agriculture and rural development' policy area	4,60	4,60	100,00 %
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	106,91	106,91	100,00 %
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	45,65	35,95	78,74 %
	05 09	Horizon 2020 - Research and innovation related to agriculture	18,57	-	0,00 %
Total Title 05			58.458,70	56.828,99	97,21%
Title 09 Communications networks, content and technology					
09	09 03	Connecting Europe Facility (CEF) - Telecommunications networks	0,24	0,24	100,00 %
Total Title 09			0,24	0,24	100,00%
Title 13 Regional and urban policy					
13	13 03	European Regional Development Fund and other regional operations	0,17	0,17	100,00 %
	13 04	Cohesion Fund (CF)	0,07	0,07	100,00 %
Total Title 13			0,24	0,24	100,00%
Title 18 Migration and home affairs					
18	18 01	Administrative expenditure of the 'Migration and home affairs' policy area	0,37	0,36	96,98 %
Total Title 18			0,37	0,36	96,98%
Total DG AGRI			58.459,99	56.830,27	97,21 %

* 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).

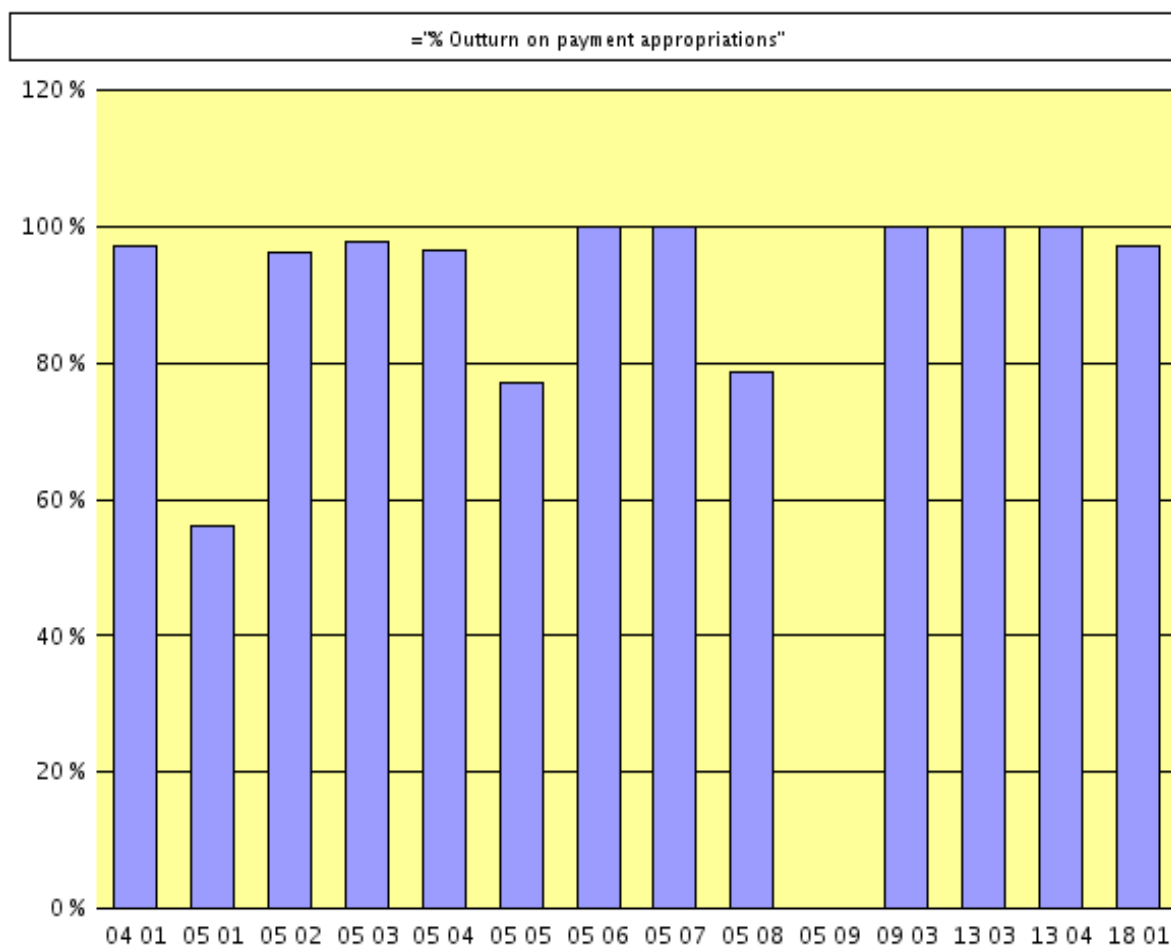


TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2018 (in Mio €)									
Chapter			2018 Commitments to be settled				Commitments to be settled from financial years previous to 2018	Total of commitments to be settled at end of financial year 2018	Total of commitments to be settled at end of financial year 2017
			Commitments 2018	Payments 2018	RAL 2018	% to be settled			
			1	2	3=1/2	4=1/2/1	5	6=3+5	7
Title 04 : Employment, social affairs and inclusion									
04	04 01	Administrative expenditure of the 'Employment, social affairs and inclusion' policy area	0,27	0,26	0,01	0,04	-	0,01	0,17
Total Title 04			0,27	0,26	0,01	0,04	-	0,01	0,17
Title 05 : Agriculture and rural development									
05	05 01	Administrative expenditure of the 'Agriculture and rural development' policy area	19,11	11,38	7,73	0,40	-	7,73	8,39
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2.684,25	2.681,44	2,81	0,00	-	2,81	12,04
	05 03	Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	41.956,29	41.780,89	175,40	0,00	-	175,40	175,40
	05 04	Rural development	14.409,99	288,30	14.121,68	0,98	20.456,83	34.578,51	32.734,08
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	190,00	-	190,00	1,00	346,73	536,73	445,04
	05 06	International aspects of the 'Agriculture and rural development' policy area	4,60	4,60	-	-	-	-	-
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	114,04	113,89	0,15	0,00	0,63	0,78	1,38
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	29,17	9,40	19,77	0,68	19,25	39,02	49,14
Total Title 05			59.407,45	44.889,91	14.517,54	0,24	20.823,44	35.340,98	33.425,46
Title 09 : Communications networks, content and technology									
09	09 03	Connecting Europe Facility (CEF) - Telecommunications networks	0,29	-	0,29	1,00	0,11	0,40	0,40
Total Title 09			0,29	-	0,29	1,00	0,11	0,40	0,40
Title 13 : Regional and urban policy									
13	13 03	European Regional Development Fund and other regional operations	0,21	-	0,21	1,00	0,08	0,28	0,28
	13 04	Cohesion Fund (CF)	0,09	-	0,09	1,00	0,03	0,12	0,12
Total Title 13			0,29	-	0,29	1,00	0,11	0,40	0,40
Title 18 : Migration and home affairs									
18	18 01	Administrative expenditure of the 'Migration and home affairs' policy area	0,25	0,24	0,01	0,04	-	0,01	0,12
Total Title 18			0,25	0,24	0,01	0,04	-	0,01	0,12
Total DG AGRI			59.408,56	44.890,41	14.518,15	0,24	20.823,66	35.341,81	33.426,55

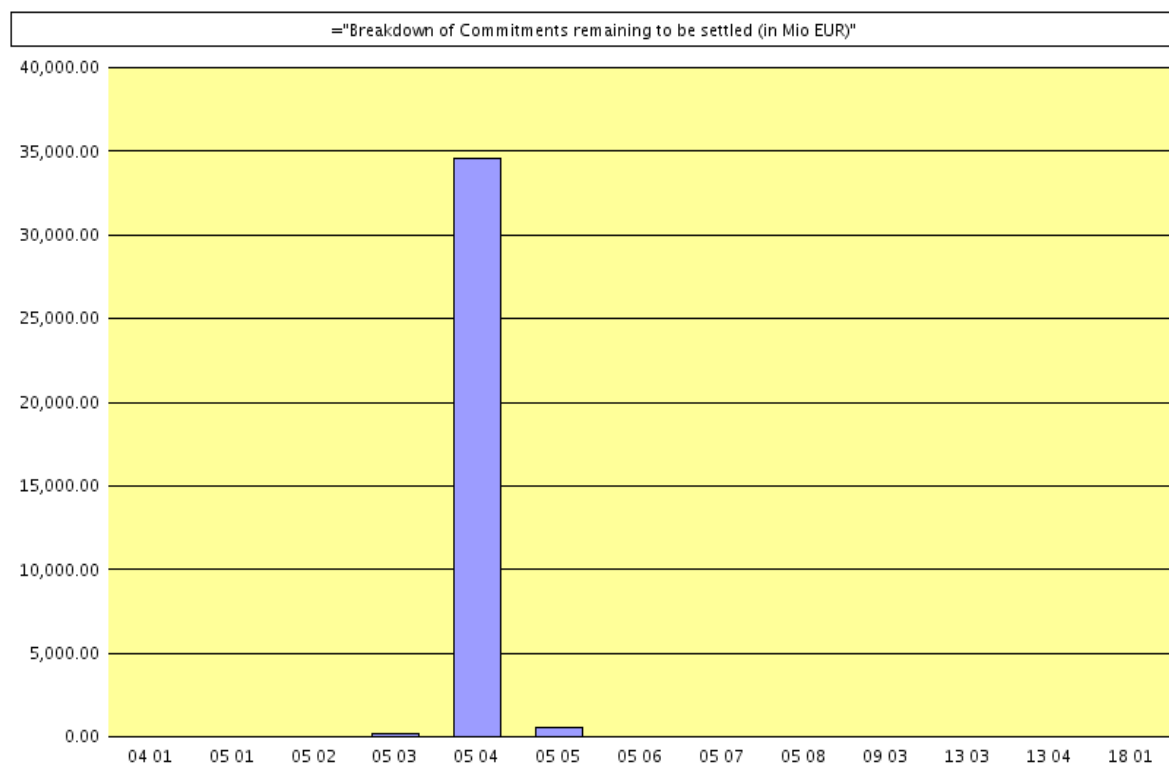


TABLE 4 : BALANCE SHEET AGRI

BALANCE SHEET	2018	2017
A.I. NON CURRENT ASSETS	3.978.388.360,46	4.139.227.146,14
A.I.1. Intangible Assets	11.345.730,64	10.614.699,20
A.I.2. Property, Plant and Equipment		0,00
A.I.5. Non-Current Pre-Financing	3.586.729.889,30	3.534.587.975,68
A.I.6. Non-Cur Exch Receiv & Non-Ex Recoverab	380.312.740,52	594.024.471,26
A.II. CURRENT ASSETS	3.361.154.027,45	3.580.039.315,76
A.II.2. Current Pre-Financing	1.759.199.719,02	1.547.557.666,89
A.II.3. Curr Exch Receiv & Non-Ex Recoverables	1.601.954.308,43	2.032.481.648,87
ASSETS	7.339.542.387,91	7.719.266.461,90
P.I. NON CURRENT LIABILITIES	-1.099.034,03	-49.138.313,68
P.I.2. Non-Current Provisions	-1.099.034,03	-49.138.313,68
P.II. CURRENT LIABILITIES	-63.149.988.644,74	-62.829.675.811,83
P.II.4. Current Payables	-15.050.205.020,22	-12.046.682.979,06
P.II.5. Current Accrued Charges & Defrd Income	-48.099.783.624,52	-50.782.992.832,77
LIABILITIES	-63.151.087.678,77	-62.878.814.125,51
NET ASSETS (ASSETS less LIABILITIES)	-55.811.545.290,86	-55.159.547.663,61

P.III.2. Accumulated Surplus/Deficit	282.406.060.366,06	228.270.270.678,21
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Non-allocated central (surplus)/deficit*	-226.594.515.075,20	-173.110.723.014,60
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TOTAL	0,00	0,00
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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 5 : STATEMENT OF FINANCIAL PERFORMANCE AGRI

STATEMENT OF FINANCIAL PERFORMANCE	2018	2017
II.1 REVENUES	- 829.877.446,31	- 1.632.761.312,84
II.1.1. NON-EXCHANGE REVENUES	- 832.802.987,08	- 1.639.365.907,96
II.1.1.5. RECOVERY OF EXPENSES	- 788.831.530,89	- 1.400.027.639,86
II.1.1.6. OTHER NON-EXCHANGE REVENUES	- 43.971.456,19	- 239.338.268,10
II.1.2. EXCHANGE REVENUES	- 2.925.540,77	- 6.604.595,12
II.1.2.1. FINANCIAL INCOME	- 133.120,33	- 3.736.140,20
II.1.2.2. OTHER EXCHANGE REVENUE	- 3.058.661,10	- 2.868.454,92
II.2. EXPENSES	56.832.394.713,76	55.768.551.000,69
II.2. EXPENSES	56.832.394.713,76	55.768.551.000,69
II.2.10. OTHER EXPENSES	17.246.783,27	60.771.182,84
II.2.1. EXP IMPL BY MEMBER STATES (SHARED)	56.675.917.043,60	55.553.755.113,39
II.2.2. EXP IMPL BY COMMISS&EX.AGENC. (DM)	38.360.203,10	33.437.587,02
II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM)	79.594.657,98	105.541.546,16
II.2.6. STAFF AND PENSION COSTS	- 838.810,00	- 618.243,75
II.2.8. FINANCE COSTS	22.114.835,81	15.663.815,03
STATEMENT OF FINANCIAL PERFORMANCE	56.002.517.267,45	54.135.789.687,85

Explanatory Notes (facultative):

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TABLE 5bis : OFF BALANCE SHEET AGRI

OFF BALANCE	2018	2017
OB.1. Contingent Assets	-	315.137,89
GR for pre-financing	-	315.137,89
OB.2. Contingent Liabilities	- 1.756.960.397,68	- 1.737.145.050,34
OB.2.3. CL legal cases AGRI	- 1.756.960.397,68	- 1.737.145.050,34
OB.3. Other Significant Disclosures	- 45.659.858.230,26	- 58.308.904.434,38
OB.3.2. Comm against app. not yet consumed	- 16.328.506.296,26	- 15.366.529.991,38
OB.3.3.1 Structural operations	- 29.331.351.934,00	- 42.942.374.443,00
OB.4. Balancing Accounts	47.416.818.627,94	64.963.659.109,37
OB.4. Balancing Accounts	47.416.818.627,94	64.963.659.109,37
OFF BALANCE	-	4.917.924.762,54

Explanatory Notes (facultative):

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

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TABLE 6: AVERAGE PAYMENT TIMES FOR 2018 - DG AGRI

Legal Times							
Maximum Payment Time (Days)	Total Number of Payments	Nbr of Payments within Time Limit	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
30	775	770	99,35 %	9,46	5	0,65 %	35,40
45	519	480	92,49 %	29,67	39	7,51 %	70,51
60	67	67	100,00 %	21,72			
90	66	66	100,00 %	33,00			

Total Number of Payments	1427	1383	96,92 %		44	3,08 %	
Average Net Payment Time	19,68114926			18,19088937			66,52272727
Average Gross Payment Time	36,49124036			21,01156905			523,0454545

Suspensions							
Average Report Approval Suspension	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	300	80	5,61 %	1427	2.413.905.367,29	19,84 %	12.166.140.544,56

DG	GL Account	Description	Amount (Eur)

Table 6a - Exercice 2018

Délais de paiement au 31/12/2018								
Ligne budgétaire	Libellé	Unité	NB paiements	Workfl. SI2	Délai AGRI	Délai total Commission.	Nombre trans. > délai autor.	% sur total trans.
05.010211.00.02.40	Conférences	40 AGRI-H1	3	2	5	9		
05.010401	Support expenditure for the European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance	AGRI-B1	16	1	10	15	1	6,3 %
17.040300	Ensuring effective, efficient and reliable controls	AGRI-B1	1	5	21	24		
05.080600	Enhancing public awareness of the common agricultural policy	AGRI-B1 MAR	99	2	8	12	1	1,0 %
05.080600	Enhancing public awareness of the common agricultural policy	AGRI-B1 SUB	27	3	41	46		
05.010503	Other management expenditure for research and innovation programmes - Horizon 2020	AGRI-B2	14	3	10	14		
05.046002	Operational technical assistance	AGRI-B2	10	4	22	26		
05.046002	Operational technical assistance	AGRI-B3	1	20	32	35	1	100,0 %
05.046002	Operational technical assistance	AGRI-B4	3	0	3	9		
05.080300	Restructuring of systems for agricultural surveys	AGRI-C2	1	6	10	15		
05.010201.00.02.20	Assistance technique	AGRI-C3	4	1	11	15		
05.080100	Farm Accountancy Data Network (FADN)	AGRI-C3	76	4	8	13		
05.010401	Support expenditure for the European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance	AGRI-C4	35	2	12	16		
05.010404.11	autres cr.adm.siege	AGRI-C4	6	3	17	21		
05.046002	Operational technical assistance	AGRI-C4	5	3	29	32		
05.087709	Preparatory action - Union plant and animal genetic resources	AGRI-C4	2	1	36	41		
05.087710	Pilot project - Agropol: development of a European cross-border Agribusiness Model Region	AGRI-C4	2	6	47	52		
05.087712	Pilot project - Social eco-village	AGRI-C4	1	4	70	75		
05.087713	Pilot project - Improving crisis prevention and management criteria and strategies in the agricultural sector	AGRI-C4	1	2	37	42		
05.087714	Pilot project - Restructuring the honey bee chain and Varroa resistance breeding and selection programme	AGRI-C4	1	1	43	48		

05.087715	Pilot project - Analysis of the best ways for producer organisations (POs) to be formed, carry out their activities and be supported	AGRI-C4	1	1	7	12		
05.070102	Monitoring and preventive measures - Direct payments by the Union	AGRI-D3	1	1	6	11		
05.046002	Operational technical assistance	AGRI-E2	24	1	16	21		
05.046002	Operational technical assistance	AGRI-E4	7	7	27	32	1	14,3 %
09.030100	Preparing broadband projects for public and/or private financing	AGRI-E4	1	2	16	21		
05.060200	International agricultural organisations	AGRI-G2	1	0	16	21		
05.080900	European Agricultural Guarantee Fund (EAGF) - Operational technical assistance	AGRI-G2	2	2	5	9	1	50,0 %
05.010401	Support expenditure for the European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance	AGRI-G3	10	1	6	11		
05.010401	Support expenditure for the European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance	AGRI-G4	2	4	17	21	1	50,0 %
05.060100	International agricultural agreements	AGRI-G4	3	3	14	17		
05.046002	Operational technical assistance	AGRI-H1	7	3	8	12		
05.080900	European Agricultural Guarantee Fund (EAGF) - Operational technical assistance	AGRI-H1 MAR	7	4	8	13		
05.080900	European Agricultural Guarantee Fund (EAGF) - Operational technical assistance	AGRI-H1 SUB	3	3	12	16		
05.010401	Support expenditure for the European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance	AGRI-ORCO	42	3	4	8		
05.010401	Support expenditure for the European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance	AGRI-R3	193	2	4	8		
05.010404.11	autres cr.adm.siege	AGRI-R3	45	2	4	9		
05.046002	Operational technical assistance	AGRI-R3	76	2	3	8		
05.080900	European Agricultural Guarantee Fund (EAGF) - Operational technical assistance	AGRI-R3	86	2	3	8		
05.010211.00.01.30	Réceptions	AGRI-R5	20	2	4	8		
05.010211.00.02.40	Conférences	AGRI-R5	26	2	7	11		
05.010211.00.06	Further training and management training	AGRI-R5	62	1	12	17	1	1,6 %
05.010401	Support expenditure for the European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance	AGRI-R5	1	0	25	30	1	100,0 %
DG AGRI			928	2	8	13	8	0,9 %

Table 6b - Exercice 2018	
Délais de paiement et suspensions au 31/12/2018	
	2018
EAFRD average time to pay*	31
EAGF average time to pay**	NA
EAFRD % of payments made on time	100
EAGf % of payments made on time	100

* deadline is 45 days

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

TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2018								
Chapter		Revenue and income recognized			Revenue and income cashed from			Outstanding balance
		Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total	
		1	2	3=1+2	4	5	6=4+5	
61	REPAYMENT OF MISCELLANEOUS EXPENDITURE	-	4.659.319,52	4.659.319,52	-	-	-	4.659.319,52
65	FINANCIAL CORRECTIONS	67.238.346,80	14.496.774,64	81.735.121,44	491.273,16	8.877.086,12	9.368.359,28	72.366.762,16
67	REVENUE CONCERNING THE EUROPEAN AGRICULTURE GUARANTEE FUND AND THE EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT	1.618.292.943,97	10.246.180,46	1.628.539.124,43	1.387.622.838,24	10.246.180,46	1.397.869.018,70	230.670.105,73
Total DG AGRI		1.685.531.290,77	29.402.274,62	1.714.933.565,39	1.388.114.111,40	19.123.266,58	1.407.237.377,98	307.696.187,41

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

Year of Origin (commitment)	Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
No Link			499	691.782.835,06		
Sub-Total			499	691.782.835,06		

EXPENSES BUDGET	Error		Irregularity		OLAF Notified		Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES									437	83.206.753,01		
NON ELIGIBLE IN COST CLAIMS			12	3.645.488,50			12	3.645.488,50	29	12.066.009,92	41,38%	30,21%
CREDIT NOTES			25	122.616,37			25	122.616,37	30	145.664,93	83,33%	84,18%
Sub-Total			37	3.768.104,87			37	3.768.104,87	496	95.418.427,86	7,46%	3,95%
GRAND TOTAL			37	3.768.104,87			37	3.768.104,87	995	787.201.262,92	3,72%	0,48%

TABLE 8 : RECOVERY OF PAYMENTS

DIRECT MANAGEMENT ONLY (on 31/12/2018)

Year of Origin (commitment)	Total undue		Total transactions in		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
No Link						
Sub-Total	0		0			

EXPENSES BUDGET	Error*		Irregularity		OLAF Notified		Total undue payments		Total transactions in		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES									9	243.680,00	0,00%	0,00%
NON ELIGIBLE IN COST CLAIMS			10	261.543,33			10	261.543,33	10	261.543,33	100,00%	100,00%
CREDIT NOTES			25	122.616,37			25	122.616,37	30	145.664,93	83,33%	84,17%
Sub-Total			35	384.159,70			35	384.159,70	49	650.888,26	71,43%	59,02%
GRAND TOTAL			35	384.159,70			35	384.159,70	49	650.888,26	71,43%	59,02%

* qualification "error" does not exist anymore, it is now part of the "irregularity" qualification.

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2018 FOR AGRI

	Number at 01/01/2018	Number at 31/12/2018	Evolution	Open Amount (Eur) at 01/01/2018	Open Amount (Eur) at 31/12/2018	Evolution
1998	1	1	0,00 %	76.283,59	74.379,83	-2,5%
1999	10	7	-30,00 %	7.227.648,02	4.059.276,10	-43,8%
2000	1	1	0,00 %	1.506.032,59	1.486.032,59	-1,3%
2001	1		-100,00 %	474.952,85		-100,0%
2003	1	1	0,00 %	3.674.865,52	3.674.865,52	0,0%
2004	1	1	0,00 %	984.454,00	984.454,00	0,0%
2016	1		-100,00 %	91.184,00		-100,0%
2017	15		-100,00 %	76.869.836,83		-100,0%
2018	1	98	9700,00 %	646,42	297.417.179,37	46009797,5%
	32	109	240,63 %	90.905.903,82	307.696.187,41	238,48 %

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2018 FOR AGRI

DIRECT MANAGEMENT ONLY (on 31/12/2018)*

	Number at 01/01/2018	Number at 31/12/2018	Evolution	Open Amount (Eur) at	Open Amount (Eur) at 31/12/2018	Evolution
1998	1	1	0,00 %	76.284	74.380	-2,50 %
1999	10	7	-30,00 %	7.227.648	4.059.276	-43,84 %
2000	1	1	0,00 %	1.506.033	1.486.033	-1,33 %
2003	1	1	0,00 %	3.674.866	3.674.866	0,00 %
2004	1	1	0,00 %	984.454	984.454	0,00 %
	14	11	-21,43 %	13.469.284	10.279.008	-23,69 %

* these recovery orders are not historically "direct management" files but are reported monthly in the direct management financial report

** including 20.000€ paid on 28/12/2018

TABLE 10 : RECOVERY ORDER WAIVERS IN 2018 >= EUR 60.000						
	Waiver Central Key	Linked RO Central Key	RO Accepted Amount (Eur)	LE Account Group	Commission Decision	Comments
1	3233180164	3240016901	-1.470.000,00	Private Companies	C(2018)6169 of 27/09/2018	VELA FEO.17
2	3233180165	3240310902	-474.952,85	Private Companies	C(2018)6146 of 27/09/2018	APOL FEO.97
3	3233180166	3240016899	-890.625,00	Private Companies	C(2018)6130 of 27/09/2018	FARETRA FEO.18
4	3233180167	3240016905	-777.000,00	Private Companies	C(2018)6194 of 27/09/2018	SONDA FEO.15

Total DG AGRI	- 3.612.577,85
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Number of RO waivers	4
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There are no waivers below 60 000 €

TABLE 11 : CENSUS OF NEGOTIATED PROCEDURES - DG AGRI - 2018

External Procedures > € 20,000

Negotiated Procedure Legal base	Number of Procedures	Amount (€)
Exceptional Negotiated Procedure without publication of a contract notice (Art. 134 RAP)	0	0,00
Total	0	0,00

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

External Procedures > € 20,000

Procedure Legal base	Number of Procedures	Amount (€)
Exceptional Negotiated Procedure without publication of a contract notice (Art. 134 RAP)	0	0,00
Total	0	0,00

Internal Procedures > € 60,000

Procedure Legal base	Number of Procedures	Amount (€)
Open Procedure (Art. 104(1) (a) FR)	2	845.400,00
Open procedure (FR 164 (1)(a))	2	626.387,00
Total	4	1.471.787,00

Additional Comments:

Table 12bis – Details of procedure

Procedure Local Key	Procedure Responsible Organisation DG Code	Procedure External Action Flag	Procedure Central Identifier	Procedure Type/Legal Basis Code	Procedure Legal base	Procedure User Reference	Amount (€)
SI2.8091	AGRI	N	PR-00209201	5OP	Open Procedure (Art. 104(1) (a) FR)	AGRI-2017-EVAL-09-EVALUATION OF MARKETING STANDARDS (CONTAINED IN THE CMO REGULATION, THE BREAKFAST DIRECTIVES'AND CMO SECONDARY LEGISLATION.	436.000,00
SI2.8703	AGRI	N	PR-00225521	5OP	Open Procedure (Art. 104(1) (a) FR)	C.4 - AGRI 2018-0484 - STUDY ON THE CIVIL DIALOGUE GROUPS FOR THE CAP -ANALYSIS OF THE EU POLICY MAKING	409.400,00
SI2.8702	AGRI	N	PR-00225504	8OP	Open Procedure (Art. 104(1) (a) FR)	C.4 - AGRI-2018-0483 - STUDY ON ECONOMIC VALUE OF EU QUALITY SCHEMES, GEOGRAPHICAL INDICATIONS (GI) AND TRADITIONAL SPECIALITIES GUARANTEED (TSG)	355.387,00
SI2.9132	AGRI	N	PR-00239608	8OP	Open procedure (FR 164 (1)(a))	C.4 - AGRI-2018-EVAL-02 - STUDY ON THE IMPLEMENTATION OF CONFORMITY CHECKS IN THE OLIVE OIL SECTOR THROUGHOUT THE EUROPEAN UNION.	271.000,00
6			6		Total		1.471.787,00

TABLE 13 : BUILDING CONTRACTS

Legal base	Contract Number	Contractor Name	Description	Amount (€)

TABLE 14 : CONTRACTS DECLARED SECRET

LC Responsible Orga	LC Contract/Grant Ty	LC Date	Legal base	Contract Number	Contractor Name	Description	Amount (€)

TABLE 15 : FPA duration exceeds 4 years - AGRI

None of your FPA (if any) exceeds 4 years

ANNEX 4: Materiality criteria

General Principle

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

Assurance model for expenditure implemented under shared management

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

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

Assessment of management and control systems in the Member States

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

The first element is the **assessment of the 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 part⁸, these results relate to the financial year covered by the AAR in question. These data provide detailed information on the errors discovered in the course of administrative and/or on-the-spot checks and enable DG AGRI to determine the **reported error rate** per Paying Agency or aid scheme.
- The Certification Bodies are required to give an opinion on the legality and regularity of the expenditure for which reimbursement has been requested from the Commission.

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

The third assurance element is comprised of **the Commission's own 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 125 such audits are opened each year on the basis of a detailed risk analysis and enable the Commission to obtain direct assurance as to the effectiveness of the Paying Agencies' management and control systems.

Materiality criteria

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

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

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

Comparing the corrective capacity with the amount at risk gives a solid indication of the remaining financial risk to the EU budget when all corrective actions are taken into account ("estimated overall amount at risk at closure", presented for DG AGRI as "Estimated final amount at risk" in table under 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"⁹. When using these criteria, the auditors take into account that the methodology for preparing financial corrections aims at covering the risk to the EU budget whereas the top-up to be applied should represent the audit assessment of the extent to which the Paying Agency's reported error rate is understated; for instance, insufficient sanctions represent a risk to the EU budget but shall not be considered as errors to be included in the error rate for the expenditure of the year in question.

- For ABB 03 and ABB 04, the decision making process for the assessment is carried out by the auditors concerned, on a case by case basis, for each Paying Agency. All available information, including the input of the operational units, is integrated to complete the assessment process. The professional judgement of the audit services of the DG is applied particularly when weighing contradictory information or considering abnormal statistical results. This results in an additional error rate top-up to the reported error rate and the calculation of an **adjusted error rate** and the corresponding amount at risk.
- For ABB 02, the same approach is followed but per measure instead of per Paying Agency.
- Coordination is carried out at the level of DG AGRI's assurance and audit directorate to ensure that there is a consistency of approach taken as regards the adjustments made to the Member States' error rates.
- For measures about which there is no information on the risk (no reporting required by the legislation), the average adjusted error rate (for that part of the ABB for which statistics are available) is extrapolated to the expenditure concerned.
- The additional amount at risk resulting from an adjustment or "top-up" is added to the initial amount at risk calculated in Step 1, resulting in an adjusted amount at risk for each Paying Agency.
- The **adjusted error rate** per Paying Agency is obtained by dividing the adjusted amount at risk by the expenditure declared to the Commission for the financial year. **Adjusted error rates** are aggregated at Member State and ABB levels by aggregating the adjusted amounts at risk.

Step 3: DG AGRI materiality criteria

Article 74(9) of the Financial Regulation provides that

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

⁹ See C(2015) 3675 final; previously Document VI/5330/97, AGRI/60637/2006, AGRI-2005-64043, COM(2010) 2498 final and D(2012)1338812 were considered.

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

- Paying Agencies with an **adjusted error rate** above 5% shall in general be subject to a reservation.
- For Paying Agencies with an **adjusted error rate** between 2% and 5%, professional judgement shall be applied in assessing whether the risk is sufficiently covered by mitigating factors and thus whether a financial reservation is necessary. The operational units of DG AGRI are integrated into the decision making process for determining the existence of mitigating factors. The mitigating factors are disclosed in all cases where a reservation is deemed to be not necessary. They shall include notably whether the necessary remedial actions have been implemented by the Member State/Paying Agency concerned and whether there is an on-going conformity clearance procedure covering the expenditure for the financial year of the AAR.
- A *de minimis* approach for deciding on reservations shall be applied. Given the amounts at stake for the CAP with expenditure of ± EUR 55 billion, a *de minimis* threshold of EUR 1 million is applied. All cases for which the amount at risk is below that threshold are not subject to a reservation (unless on reputational grounds). Reservations made for the preceding year shall not be issued for the financial year concerned by the AAR if the amount at risk for that financial year is below the EUR 1 million threshold.
- For market measures a flexible approach may also be taken when deciding on reservations, notably where the **adjusted error rate** is calculated on a purely risk based sample. For most market schemes, the legislation does not require that a random sample is selected for on-the-spot checks. The latter are, rather, risk based. Extrapolating the result of the risk sample therefore to the uncontrolled population would result in overstating the error rate and amount at risk. In such cases it shall be evaluated if there are elements which mitigate against applying a reservation even where the **adjusted error rate** is above 5%.
- If the **adjusted error rate** is below 2%, generally no reservation is made.

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

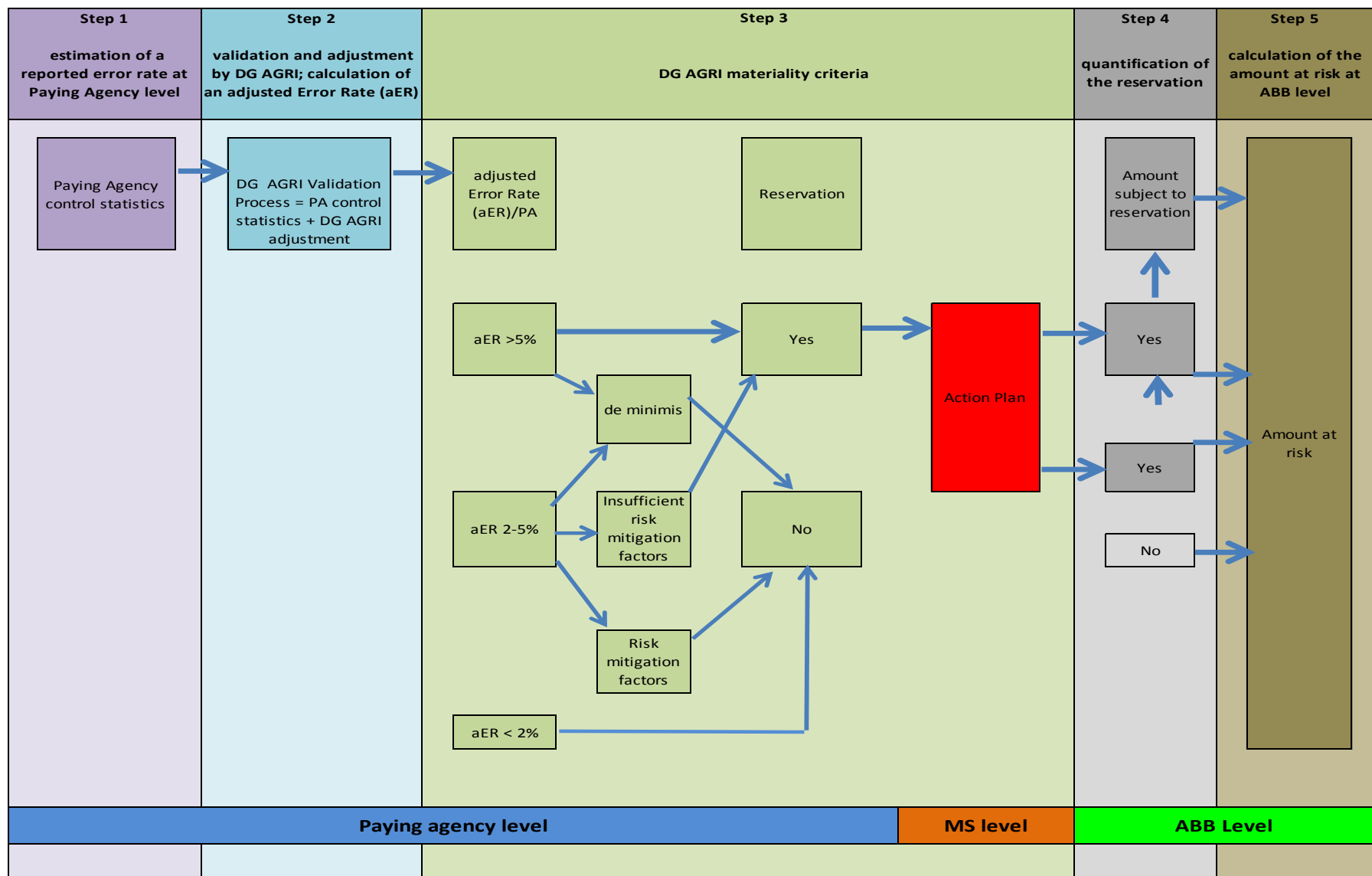
In the framework of shared management, as set out in the Financial Regulation and the rules on the financing of the CAP, it is the Member State, which has to assume the overall responsibility for ensuring that actions financed by the budget are implemented correctly in accordance with the rules. Therefore,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

Step 4: Quantification of the reservation

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

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

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



DG AGRI'S DECISION PROCESS FOR MAKING RESERVATIONS

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

EXPENDITURE IN SHARED MANAGEMENT¹⁰

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

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

Main risks	Mitigating controls	Coverage frequency and depth of controls	Possible Cost-effectiveness indicators (3Es)
The actions financed ¹¹ do not adequately reflect the policy objectives or priorities .	Internal consultation, hierarchical validation at DG level of each action. Inter-service consultation (including all relevant DGs). Adoption by Commission Decision , where foreseen by EU law.	Coverage / Frequency: 100%. Depth: checklist, guidelines and lists of requirements in the relevant regulatory provisions.	Effectiveness: % of actions adopted/approved*, % of financial allocation approved* Benefits: adopted actions have a clear intervention logic, allowing the Commission to evaluate their impact [non-quantifiable individually] Efficiency: average cost of analysis and adoption/approval of an action, average time to adopt / approve an action* Economy (costs): estimation of cost of staff involved in the validation of the spending proposals put forward by the Member States (for 2014-2020).

¹⁰ 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.

¹¹ For CAP: the programmes, measures and schemes supported under the Market measures, Direct Aids and Rural development pillars (EAGF and EARDF).

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)
The process of designation (and accreditation) of national authorities in the Member States (MS) is not effective and, as a result, the management and control systems are not compliant with the applicable rules.	Supervision by Commission (for 2014-2020): - Commission review (and audits) of a sample of national designations/ accreditations - submission of MS Audit Strategies to the Commission (on request)* * [For Cohesion policy]	Coverage / Frequency: fixed in sector-specific rules Depth: verification (desk review + audit missions where necessary) of description of management and control systems communicated by MS. Accreditation audits are generally done on-the-spot	For 2014-2020: Effectiveness: % of authorities designated/accredited, number of authorities for which serious system weaknesses were found following accreditation reviews/audits Benefits:(part of) the amounts associated with unreliable systems for which the Commission audit work revealed substantial compliance problems (for 2014-2020) [not quantifiable] Efficiency: time needed to address the deficiencies detected [where applicable], number of authorities for which serious weaknesses found by accreditation reviews/audits (% of total checked) Economy (costs): estimation of cost of COM staff involved in the audits of samples of national designations/ accreditations (for 2014-2020)

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

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

Main risks It may happen (again) that...	Mitigating controls	Coverage frequency and depth of controls	Possible Cost-effectiveness indicators (3Es)
Periodic expenditure declarations submitted to the Commission include expenditure which is irregular or noncompliant with EU and/or national eligibility rules and legislation.	Management verifications: first level checks by designated / accredited programme authorities or bodies.¹² Certification, audit opinion and annual report by the relevant authorities or bodies designated / accredited.¹³ MS recoveries from final beneficiaries (CAP)	Coverage: fixed in sector-specific rules Depth: - <u>management verifications</u>: performance of first-level checks (administrative and on the spot controls). - <u>certification</u>: [limited] additional verification (desk checks and on-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	Effectiveness: error rates as reported by the Member States., annual audit opinions (or certificate opinions) of the Member States, MS recoveries (if applicable) Efficiency: time to lift interruption of payments (where applicable)

¹² For CAP: Paying Agencies (PA)

¹³ For CAP: Certifying Bodies (CB)

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

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

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

Main risks It may happen (again) that...	Mitigating controls	Coverage frequency and depth of controls	Possible Cost-effectiveness indicators (3Es)
	Financial corrections (implemented by Commission) Annual financial clearance procedure and multi-annual conformity clearance procedure (CAP)		applicable] Economy (costs): cost of Commission financial officers checking MS expenditure (financial circuits); estimation of cost of Commission staff involved in the assessment of management and control systems in MS, including analysis of AA/CB report, own audit work ⁴ , and drafting of interruption letters

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

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

ANNEX 8: Decentralised agencies (not applicable)

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

Study project ID	Title of the study	Study internal ID	Study overview	Study reason	Associated services	Study cost (EUR)	Note	Titel of the deliverable
Evaluations finalised in 2018								
6645	Evaluation of the payment for agricultural practices beneficial for the climate and the environment	L/REFIT	Greening in direct payments	Evaluation	CLIMA, ENV, ESTAT, SANTE, SG, TRADE	478280		SWD (2018) 478 SWD (2018) 479 ¹⁴
Studies finalised in 2018								
6680	Analysis of administrative burden arising from the CAP	O	Improving IACS	General study		640000		
6682	Market developments and policy evaluation aspects of the plant protein sector in the EU	O	Description of the protein rich plants sector and an evaluation of the coherence and relevance of the CAP measures applicable to the EU market for plant proteins	General study		240000		
6679	Study on progress in implementing the EU Forest Strategy	O	Progress in implementation of the EU forest strategy	General study		220000		

L = Legislative; O = Other

¹⁴ <https://publications.europa.eu/en/publication-detail/-/publication/598b81ff-dfbc-11e7-9749-01aa75ed71a1/language-en>

Main findings of the Staff Working Document, five evaluation support studies that were finalised in 2018 as well as one study finalised in 2018.

The Staff Working Document, which passed the Regulatory Scrutiny Board, concerns the 2017 evaluation of the payment for agricultural practices beneficial for the climate and the environment ([SWD\(2018\) 478 final](#)). It evaluates the "greening" layer of direct payments with respect to the general objective "sustainable use of natural resources and climate action". The study found that overall the greening measures have led to only small changes in management practices, except in a few specific areas. As a result, their environmental and climate impacts have been limited and locally specific. They have had a negligible effect on production or economic viability of farms.

The support study for the evaluation of the CAP measures applicable in the wine sector found that, at grower level, the support provided by the National Support Programmes for restructuring and conversion of vineyards resulted in considerable mechanisation and a global increase in the cost-effectiveness of vineyards' management. At producer level, the programmes – in particular the investments measure – contributed to the improvement of the EU wine producers' competitiveness and fostered vertical downstream integration. EU labelling rules favoured a level-playing field and fair competition for EU competitors and clear information for consumers. EU rules on oenological practices have had limited effects as regards competitiveness. At international level, they provided a guarantee in terms of quality and safety. The study pointed out that National Support Programmes are generally coherent with the EU environmental objectives but could have played a greater role in the adaptation of the EU vineyards to climate change and more directly fostered sustainability. The study suggested that more coherence between the EU wine policy and the EU public health objective could be sought. It also recommended to require Member States to better justify the strategic choices as regards the measures implemented and to better monitor the effects achieved by the different measures. In the context of the evaluation, it is intended to complement the work of the contractor with a public consultation. The finalisation of the evaluation and publication is scheduled for Q4/2019.

The **support study for the evaluation of the impact of the CAP measures towards the general objective "viable food production"** shows that direct payments allow farmers to better cope with the negative income effects caused by drops in agricultural prices, hence contribute to the stability of farms income. Yet, even with the CAP direct support, a large share (74% in 2015) of farms does not reach the benchmark of an income per unit amount of labour equalling the average national labour productivity. The study observed that the CAP 2014-2020 allowed increasing efficiency, by better targeting support to farms which needed it most (the share of farms with an income per unit of labour exceeding the average national labour productivity thanks to direct support decreased from 29% in 2013 to 26% in 2015). The decision of some Member States to distribute the resources for Voluntary Coupled Support to a high number of sectors limited its effectiveness/efficiency in respect to its aim. According to the stakeholders' analysis, in these cases, the Voluntary Coupled Support failed its aim of supporting sectors undergoing certain difficulties and resulted in an extra and generalized income aid for the beneficiary farms. Market measures helped to limit domestic prices volatility of most agricultural products. For most agricultural products concerned by market measures, volatility of domestic prices is lower than that of international prices. The existence of the EU market measures seems to play a deterrent role to the adoption of speculative activities. The share of imports in internal consumption has progressively increased. On the international market, EU exports in value increased over the period of analysis. However, world trade increased at a higher rate. Nevertheless, the evolution of the EU's competitive position is similar to that of its main international competitor (USA) and, in 2016, the EU maintained its second position after the USA in the world exports of the products covered in the evaluation. The publication of the support study and the evaluation Staff Working Document is envisaged for Q3/2019.

The **support study of the evaluation of the impact of the CAP on climate change and greenhouse gas (GHG) emissions** assessed the impact of CAP measures on agriculture's GHG emissions and on the sector's ability to adapt to climate change. The study considered 24 CAP measures, including those designed as climate measures and others not so designed but having climate impacts. The impact of CAP measures on emissions was estimated on the basis of uptake data using recognised emission factors. Using a quantitative model, the study simulated EU-wide emission reductions in 2016 of 15.8 Mt CO₂eq attributable to the greening measure "Environmentally Sensitive Permanent Grassland" (ESPG) and 4 Mt CO₂eq for the greening measure "Ecological Focus Area" (EFA). The study could not quantify the impact of Voluntary Coupled Support (VCS) to livestock on GHG emissions. The evaluators expect that the emissions which are avoided when VCS protects grassland that would otherwise be ploughed will not offset the emissions impact of supporting additional production. VCS support for protein crops was found to reduce emissions, but is to date on a small scale. The impact of the Basic Payment Scheme (BPS) on GHG mitigation is likely to be low. A number of factors have determined the extent of the CAP's performance in respect of climate action. Although the CAP has a strategic objective in respect of climate action, it lacks specific targets. Many Member States have been influenced by recent harsh economic conditions facing the livestock industry in particular, which has deterred them from seeking greater reductions in emissions from ruminants. The publication of the support study and the evaluation Staff Working Document is envisaged for Q2/2019.

The [support study for the evaluation of the instruments applicable to State aid in the agricultural and forestry sectors and in rural areas](#) assesses the rules of the agricultural State aid (SA) framework 2014-2020 regarding eight aid measures. These concern aid mitigating risks inherent to the agricultural sector, aid for prevention & restoration of damages to forests and forestry investments and investments in processing agricultural products into TFEU non-Annex I products in rural areas. The study examines the choices made by the Member States with regards to State aid clearance and the appropriateness of the rules set forward, their efficiency, effectiveness (in terms of balance of positive effects with the negative effect on competition and trade within the internal market) and coherence. The study finds that for compensatory agricultural risk management measures, State aid responds to needs of the agricultural sector and addresses market failures specific to the different events. The effects of the support go beyond the direct effects on beneficiaries; contributing also to CAP objectives and public health policies. The effects on competition and trade are limited. Aids in the forestry sector and processing of agricultural products into non-Annex I are framed by the Rural Development Regulation (RDR). The limited negative effects are outweighed by the positive effects of the aid, in particular on rural development objectives. The rules of the agricultural State aid instruments are coherent with other EU policies concerned and overall with the RDR. For forestry measures, the integration into the agricultural block exemption leads to real simplification of SA clearance and reduced administrative burden. For processing of agricultural products into non-Annex I products, coherence with RDR needs to be further developed. The evaluation is scheduled for finalisation and publication in Q4/2019 after finalisation of a public consultation to be launched in the first half of 2019.

The **support study for the synthesis of Rural Development Programmes (RDP) ex-post evaluations of period 2007-2013** is based on the evaluations carried out at programme level by the Member States. As numerous Member States' evaluations lacked sound quantification, this assessment was largely qualitative. The study found that objective 1 (Improving the competitiveness of agriculture and forestry) was achieved to a moderate extent. Also objective 2 (Improving the environment and countryside) was achieved to a moderate extent when it concerned protection of natural resources and landscapes, yet to a high extent when looking at elements of programmes focussing on climate change mitigation and water management. Objective 3 (Improving quality of life in rural areas and encouraging diversification of the rural economy) however was only

achieved to a more limited extent in the 2007-2013 programming period. However, overall, effectiveness varies from measure to measure.

Based on the Member States' evaluations, assessing the efficiency proved difficult, as the data available did not allow assessing the proportionality of costs to the benefits achieved. The evaluation clearly demonstrated the internal coherence and relevance of the RDPs. As regards external coherence and EU value added, the picture was more mixed, with the judgement depending on the criteria used and measures studied.

This evaluation is scheduled for finalisation in the second quarter of 2019 with the publication of a staff working document.

A [study on Risk management in EU agriculture](#) has been carried out in 2017 and was published in 2018 to shed light on the risks farmers are confronted with and to better understand the design and possible deployment of different tools that can address these risks. The study finds that European farmers are exposed to different risks (e.g. weather, animal and plant health, market dynamics influencing perspectives of farm income and viability), heterogeneously distributed among EU Member States. At the same time, overall availability and uptake of analysed risk management tools in the EU are not very developed with differences among tools, sectors and countries (e.g. insurance being the most common tool). The study underlines the need to strengthen relevant skills and capacities (both at administrative and farm level) and puts forward several recommendations, including the creation of a database to share information related to risk management in agriculture, to further support research and to promote risk management pilot actions.

ANNEX 10: Specific annexes related to "Financial Management"

This Annex explains in detail the complex relationship between the Directorate General for Agriculture and Rural Development and the 28 Member States (comprising 76 Paying Agencies at the end of financial year 2018).

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

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

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

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

Part 2: Functioning of the Paying Agencies

- 2. Financial clearance exercise for financial year 2018
 - 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 1: Description of the system for shared management and the various levels of control in place

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

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

Moreover, the directors of the Paying Agencies are required to provide an annual management declaration which covers the completeness, accuracy and veracity of the accounts as well as a declaration that a system is in place which provides reasonable assurance on the legality and regularity of the underlying transactions. For those Member States with only one Paying Agency, this management declaration from the director of the Paying Agency, together with the certificate and opinion of the Certification Body (see Part 2), constitutes, by definition, the annual summary referred to in point (b) of Article 63(5) of the Financial Regulation¹⁵.

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 2018 covered 94.1% of EAGF expenditure (93.1% in financial year 2017). To the extent possible, the IACS is also used to manage and control Rural Development area- and animal-related measures, which in financial year 2018 accounted for 54% of payments under the EAFRD (61.4% in financial year 2017). For both Funds together, the IACS covered 85.3% (86.8% in 2017) of total expenditure.

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

¹⁵ Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union, applicable as of 2 August 2018 (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).

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 control requirements 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 1306/2013¹⁶. As regards EAFRD, ex-post checks are carried out for investment operations according to Article 52 of Commission Implementing Regulation (EU) No 809/2014¹⁷.

Level 4: Commission audits and clearance of accounts

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

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

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

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

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

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

¹⁷ 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 conformity procedures, Member States are required to follow them up by recovery actions against the final beneficiaries. However, even where this is not possible because the financial corrections only relate to deficiencies in the Member States' management and control systems, financial corrections are an important means to improve these systems and, thus, to prevent or detect and recover irregular payments to final beneficiaries. The conformity clearance procedure thereby contributes to the legality and regularity of the transactions at the level of the final beneficiaries.

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

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

What is the Central Risk Analysis?

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

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

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

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

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

Explanatory Box: Annex 10-1-1

With a view to taking a more multi-annual perspective for the current programming period, in 2014 the DG AGRI Assurance and audit Directorate adopted an audit strategy for the period 2014-2020, which was updated in 2016.

DG AGRI audit strategy for 2014-2020

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

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

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

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

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

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

Explanatory Box: Annex 10-1-2

Part 2: Functioning of the Paying Agencies

2. Financial clearance exercise for financial year 2018

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

The financial year 2018 for the EAGF and EAFRD Funds runs from 16 October 2017 to 15 October 2018. By 1 March 2019, all the accounts of the 77 Paying Agencies, operating during financial year 2018 were submitted. 1 Paying Agency (IT03 - ENR) had been closed during the year. Thus, at the end of the financial year the total number of Paying Agencies is 76.

From the certification of the financial year 2019 accounts onwards, the approach to be followed by the Certification Bodies will allow that misstatements in the accounts will be reported separately from the findings established as regards the legality and regularity of the expenditure. Thus, the financial clearance mechanism will be 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. For the financial year 2018 Certification Bodies in several Member States (Bulgaria, Germany (2 Paying Agencies), Estonia, Hungary, Italy, Luxembourg, Romania, Slovakia) already opted to apply this approach in their certification audit work.

As in previous financial clearance exercises, the accounts of a limited number of Paying Agencies will probably not be cleared by the 31 May deadline either because the opinions from the Certification Bodies are qualified, thus requiring further work from the Paying Agencies and/or from the Certification Bodies, or the level of error exceeds the materiality threshold (2% of expenditure) for the fund. The accounts of the Paying Agencies that are disjoined from the financial clearance decision due by 31 May 2019 will be cleared at a later stage. In such cases, DG AGRI takes into account the qualifications and/or the levels of detected error when making adjustments to the error rate of the population concerned (for details on the specific cases considered for financial year 2018, please see sections 3 to 5 of Annex 10).

2.1 Compliance with the accreditation criteria

2.1.1 Status of the Paying Agencies' accreditation

At 15 October 2018, the 28 Member States had 76 operating accredited Paying Agencies. In comparison to the previous financial year, two Paying Agencies (IT03 and DE09) ceased to exist.

All the 76 Paying Agencies were fully accredited on 15 October 2018.

Status of Paying Agencies' accreditation	At the beginning of financial year 2018	At the end of financial year 2018
Fully accredited	76	76
Limited accreditation	1 ¹⁸	
Accreditation under probation or provisional accreditation	1 ¹⁹	
Total Member States: 28	78	76

Table: Annex 10 – 2.1.1-1

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

In the context of the financial clearance exercise for financial year 2018, 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, 146 opinions (69 Paying Agencies dealing with both Funds and 8 Paying Agencies dealing only with one Fund – 6 dealing exclusively with EAGF and 2 exclusively with EAFRD) covering the internal control systems, should be received.

9 Paying Agencies requested permission²⁰ to submit the accounts or audit opinions and related reports after the deadline of 15 February 2018²¹. 7 requests were accepted. All audit opinions and reports were received by the ultimate deadline 1 March 2019.

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)²². Despite this assessment, in 1e case the Certification Body established non-compliance with the accreditation criteria: DE17 - Rheinland-Pfalz (debt management controls) and in one case low functioning of key controls: SK01 – APA (procedures as regards fight against fraud and on the spot checks). In 7 cases, the Certification Body qualified its opinion on the EAFRD accounts. For all these 7 cases (BE02 – ALV, BE03 – Région Wallonne, ES03 – Asturias, ES14 – Navarra, FR18 – ODARC, GB07 - WAG, IT26 -ARCEA,), the qualification was due to the presence of material error, either at fund level or at population level (EAFRD IACS or EAFRD Non-IACS) in the EAFRD. In 2 of these cases (GB07 – WAG and IT26 - ARCEA), this resulted also in a qualification on the Management declaration for EAFRD. See Annex 10, Part 3.3, for more information on these 2 cases.

For EAGF a qualified opinion was issued for RO02-PIAA due to material differences detected in both the EAGF IACS and Non-IACS populations. As regards the EAGF accounts of the Paying Agency SK01 – APA a qualified opinion was issued due to material

¹⁸ GR01 – OPEKEPE, which was fully accredited in 2018.

¹⁹ PL01 - Agency for Restructuring and Modernization of Agriculture (ARiMR).

²⁰ 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.

²¹ BG01 – State Fund Agriculture, ES01- Andalucía, GR01 – OPEKEPE, SK01 – APA, NL04 – RVO, DK02 – Danish Agriculture Agency, PT03 - IFAP

²² Ratings of "works well", "works" or "works partially".

total error at Fund level. For SK01 – APA the opinion on the Management declaration was also qualified for the same reason. This qualified opinion on the Management declaration also related to the deficient control procedure in respect of fight against fraud for both Funds and deficiencies as regards on the spot checks. See Annex 10, Part 3.2, for information on these 2 cases.

In addition, for the Paying Agency DE17 - Rheinland-Pfalz a limitation of scope opinion was issued for both Funds due to deficiencies in debt management.

2.1.3 The Commission's accreditation audits

- The Commission regularly performs accreditation audits. The selection of these audits is based on a detailed risk assessment, to check whether the Paying Agencies (continue to) respect the accreditation criteria. As the accreditation criteria are checked by the Certification Bodies, DG AGRI only conducted one dedicated accreditation mission during the year. This was to the Paying Agency, PL01²³ Agencja Restrukturyzacji i Modernizacji Rolnictwa.

2.1.4 The Certification Bodies' main findings on accreditation for financial year 2018

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

Concerning the Italian Paying Agency IT01 – AGEA, it is recalled that the Competent Authority placed the Paying Agency under probation on 25 April 2014. Full accreditation was reinstated on 25 April 2015 after a remedial plan required by the Competent Authority had been implemented. However, the reinstatement of accreditation was accompanied by a recommendation that the Paying Agency successfully implemented a separate action plan, which covered various accreditation criteria. After several delays in its implementation, the deadline was subsequently extended to 15 October 2016. A follow-up mission carried out by DG AGRI in November 2016 found that the action plan had not yet been fully implemented by the extended deadline. DG AGRI has been following the developments since then and a financial correction has been applied²⁴ to cover the risk to the EU Funds. The Certification Body, in its audit report concerning the financial year 2018, reported on some deficiencies of intermediate level in the accreditation criteria, but did not identify major deficiencies. However, in its comments on the action plan, the Certification Body concluded that, despite the clear progress made by the Italian Paying Agency AGEA in the implementation of the action plan, various problems remain in relation to supervision of delegated tasks and the organisational structure. At the same time it is also considered that due to the low quality of the work of the Certification Body on legality and regularity (including the assessment of the reliability of the internal control system), the audit report and opinion cannot be relied upon.

Concerning the German Paying Agency DE17 - Rheinland-Pfalz, for the financial year 2018, the Certification Body issued a qualified opinion due to deficiencies identified in the debt management. Again, in financial year 2018, the Certification Body was not able to reconcile information from Annexes II and III with the debtors' ledger. The Paying Agency did not supply consistent debtor's ledger. The Paying Agency was not able to

²³ As from 1 September 2017, there is only one Paying Agency in Poland as the functions of PL02 - Agricultural Market Agency have been taken over by PL01 - Agency for Restructuring and Modernization of Agriculture.

²⁴ Commission Implementing Decision (EU) 2018/873 of 13 June 2018.

provide the reconciliation of recoveries between the annual Table 104 (EAGF) / annual declaration (EAFRD) and recoveries included in Annexes II and III, nor provide an explanation of these differences. Taking into account the serious problems identified, the Competent Authority decided to put the Paying Agency's accreditation under probation on 16/11/2018 (for a period of one year).

As regards Slovakia, the Certification Body signalled non-compliance with the accreditation criteria for the control procedures relating to the fight against fraud. In addition, the control procedures for on-the-spot controls were also deficient based on the evaluation in the certification report. The Certification Body still considers the overall control system to be functioning. DG AGRI is following this up under the conformity clearance procedure.

2.1.5 Conclusion on the opinion on the Internal Control System

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

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

2.2.1 Management Declaration from the Directors of the Paying Agencies

In respect of financial year 2018, 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. All declarations were without reservations, except BG01-SFA (see table 1 below).

For BG01- SFA, a reservation was made by the Head of the Paying Agency as regards EAFRD, because of the 2 ongoing conformity clearance enquiries of DG AGRI.

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

The declaration of 10 Paying Agencies, BE02 – ALV, BE03 – Wallonia, FR20- France AGRIMER, GB06 – SGRPID, GB07 - WAG, GB09 – RPA, IE01 – DAFM, LU01 – Ministry of Agriculture, PT03 - IFAP and SE01 – SJV, included such a document.

For BE02 – ALV, it concerned an action plan established as regards the high error rate detected by the Certification Body in the EAFRD non-IACS population.

For BE03 – Wallonia, it concerned issues related to remedial actions undertaken by the Paying Agency as regards the audit findings arising from DG AGRI's audits on EAFRD carried out in 2016 and 2017.

For FR20 – France AGRIMER, the Head of the Paying Agency issued 2 observations one on delayed payments for wine measures and one on the high error rate for wine promotion measures.

For GB06 – SGRPID, it related to issues with quality of on-the-spot controls, control statistics, entitlements, LPIS, RD action plan, finance and debt management.

In the case of GB07 - WAG, it concerned EAFRD: actions taken as regards the expenditure of technical assistance measure and the CB's findings on socio-economic schemes and potential fraud cases.

For GB09 – RPA, it concerned various issues: payments before completion of Proactive Land Change Detection, active farmers checks, bridging payments, inspection and control returns, accelerated advance payments of Environmental Stewardship Claims and organisational changes.

As regards IE01 – DAFM, it related to ongoing action plan as regards EAFRD control statistics.

For LU01 - Ministry of Agriculture, it concerned the ongoing action plan as regards more efficient detection of irregularities and fraud cases.

With regard to PT01 – IFAP, the emphasis of matter paragraph relating to several issues, such as the action plan implemented as regards deficiencies identified by DG AGRI in direct payments and the action plan that is still ongoing as regards the material error rates detected in some of the EAFRD measures. It was also mentioned that the debt management control system has improved compared to prior years.

For SE01 – SJV, the specific document concerned IT system development for smaller schemes, cross-compliance - missing functionalities, ongoing appeal case in bovine animals aid, recovery management, control statistics compilation, error rates in EAFRD and difference in legal interpretation between the Paying Agency and the Certification Body.

For SK01 – APA, the head of the Paying Agency explained in the management declaration that no reservation is raised as the Actions Plans to reduce the error rates as regards direct payments and rural development measures were under implementation.

2.5/ TABLE 1			PAYING AGENCY DIRECTOR'S MANAGEMENT DECLARATION				
Paying Agency			Is the Management Declaration free of reservations?				Reservation/Additional remark
			EAGF IACS	EAGF NIACS	EAFRD IACS	EAFRD NIACS	
1	AT01	AMA	Y	Y	Y	Y	
2	BE02	ALV	Y	Y	Y	Y	Emphasis of matter: Action Plan has been established and under implementation as regards EAFRD Non-IACS - high error rate established by the CB
3	BE03	Rég. Wallonne	Y	Y	Y	Y	Emphasis of matter: on implemented and ongoing remedial actions of the PA as regards audit findings arising from DG AGRI 2016 and 2017 audits for EAFRD
4	BG01	State Fund Agriculture	Y	Y	N	N	Reservation as regards ongoing audits RD3/2017/008/BG - simplified cost option and RD2/2016/004/BG - organic farming
5	CY01	CAPO	Y	Y	Y	Y	
6	CZ01	SAIF	Y	Y	Y	Y	
7	DE01	BLE	N/A	Y	N/A	Y	
8	DE02	Hamburg-Jonas	N/A	Y	N/A	N/A	
9	DE03	Baden-Württemberg MLR	Y	Y	Y	Y	
10	DE04	Bayern StMLF	Y	Y	Y	Y	
11	DE07	Brandenburg MLUV	Y	Y	Y	Y	
12	DE11	Mecklenburg-Vorpommern	Y	Y	Y	Y	
13	DE12	Niedersachsen	Y	Y	Y	Y	
14	DE15	Nordrhein-Westfalen	Y	Y	Y	Y	
15	DE17	Rheinland-Pfalz	Y	Y	Y	Y	
16	DE18	Saarland AAL	Y	Y	Y	Y	
17	DE19	Sachsen	Y	Y	Y	Y	
18	DE20	Sachsen-Anhalt	Y	Y	Y	Y	
19	DE21	Schleswig-Holstein	Y	Y	Y	Y	
20	DE23	Thüringen	Y	Y	Y	Y	
21	DE26	Hessen	Y	Y	Y	Y	
22	DK02	DAFA	Y	Y	Y	Y	
23	EE01	PRIA	Y	Y	Y	Y	
24	ES01	Andalucía	Y	Y	Y	Y	
25	ES02	Aragón	Y	Y	Y	Y	
26	ES03	Asturias	Y	Y	Y	Y	
27	ES04	Islas Baleares	Y	Y	Y	Y	
28	ES05	Islas Canarias	Y	Y	Y	Y	
29	ES06	Cantabria	Y	Y	Y	Y	
30	ES07	Castilla La Mancha	Y	Y	Y	Y	
31	ES08	Castilla y León	Y	Y	Y	Y	
32	ES09	Cataluña	Y	Y	Y	Y	
33	ES10	Extremadura	Y	Y	Y	Y	
34	ES11	Galicia	Y	Y	Y	Y	
35	ES12	Madrid	Y	Y	Y	Y	
36	ES13	Murcia	Y	Y	Y	Y	
37	ES14	Navarra	Y	Y	Y	Y	
38	ES15	País Vasco	Y	Y	Y	Y	
39	ES16	La Rioja	Y	Y	Y	Y	
40	ES17	C. Valenciana	Y	Y	Y	Y	
41	ES18	FEGA	N/A	Y	N/A	Y	
42	FI01	MAVI	Y	Y	Y	Y	
43	FR05	ODEADOM	Y	Y	N/A	N/A	
44	FR18	ODARC	N/A	N/A	Y	Y	
45	FR19	ASP	Y	N/A	Y	Y	
46	FR20	France Agrimer	N/A	Y	N/A	N/A	Emphasis of matter: late payment and high error rate in wine sector
47	GB05	DARD	Y	Y	Y	Y	
48	GB06	SGRPID	Y	Y	Y	Y	Emphasis of matter: issues with quality of on-the-spot controls, control statistics, entitlements, LPIS, RD action plan, finance and debt managements
49	GB07	WAG	Y	Y	Y	Y	Emphasis of matter - EAFRD: actions taken as regards the expenditure of technical assistance measure and the CB's findings on socio-economic schemes and potential fraud cases
50	GB09	RPA	Y	Y	Y	Y	Emphasis of matter: Payments before completion of Proactive Land Change Detection, active farmers checks, bridging payments, inspection and control returns, accelerated advance payments of Environmental Stewardship Claims, organisational changes

51	GR01	OPEKEPE	Y	Y	Y	Y	
52	HR01	PAAFRD	Y	Y	Y	Y	
53	HU02	ARDA	Y	Y	Y	Y	
54	IE01	DAFM	Y	Y	Y	Y	Emphasis of matter: ongoing action plan as regards EAFRD control statistics
55	IT01	AGEA	Y	Y	Y	Y	
56	IT02	SAISA	N/A	Y	N/A	N/A	
57	IT03	ENR	Y	N/A	N/A	N/A	
58	IT05	Veneto (AVEPA)	Y	Y	Y	Y	
59	IT07	Toscana (ARTEA)	Y	Y	Y	Y	
60	IT08	Emilia-Romagna (AGREA)	Y	Y	Y	Y	
61	IT10	ARPEA	Y	N/A	Y	Y	
62	IT23	OPR Lombardia	Y	Y	Y	Y	
63	IT24	OPPAB	Y	N/A	Y	Y	
64	IT25	APPAG	Y	N/A	Y	Y	
65	IT26	ARCEA	Y	N/A	Y	Y	
66	LT01	NMA	Y	Y	Y	Y	
67	LU01	Min. Agric.	Y	Y	Y	Y	Emphasis of matter: ongoing action plan as regards more efficient detection of irregularities and fraud cases
68	LV01	RSS	Y	Y	Y	Y	
69	MT01	MRRA PA	Y	Y	Y	Y	
70	NL04	RVO	Y	Y	Y	Y	
71	PL01	ARMA	Y	Y	Y	Y	
72	PT03	IFAP	Y	Y	Y	Y	Emphasis of matter: action plan implemented as regards deficiencies identified by DG AGRI (AA/2015/015/PT) in direct payments, Action plan is still ongoing as regards the material error rates detected in some of the EAFRD measures, debt management control system is further improved
73	RO01	RIFA	N/A	N/A	Y	Y	
74	RO02	PIAA	Y	Y	N/A	N/A	
75	SE01	SJV	Y	Y	Y	Y	Emphasis of matter: IT system development for smaller schemes, cross compliance - missing functionalities, ongoing appeal case in bovine animals aid, recovery management, control statistics compilation, error rates in EAFRD, difference in legal interpretation with CB
76	SI01	AAMRD	Y	Y	Y	Y	
77	SK01	APA	Y	Y	Y	Y	No reservation as the PA put in place action plans to reduce error rates as regards direct payments and rural development measures.

2.2.2 Opinion of the Certification Bodies on the Management Declaration

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

2.5/TABLE 2		CERTIFICATION BODIES' OPINION ON THE PA's MANAGEMENT DECLARATION					
Paying Agency			Is the Management Declaration confirmed by the Audit Opinion?				Reservation/Remarks
			EAGF IACS	EAGF NIACS	EAFRD IACS	EAFRD NIACS	
1	AT01	AMA	Y	Y	Y	Y	
2	BE02	ALV	Y	Y	Y	Y	
3	BE03	Rég. Wallonne	Y	Y	Y	Y	
4	BG01	State Fund Agriculture	Y	Y	Y	Y	
5	CY01	CAPO	Y	Y	Y	Y	
6	CZ01	SAIF	Y	Y	Y	Y	
7	DE01	BLE	N/A	Y	N/A	Y	
8	DE02	Hamburg-Jonas	N/A	Y	N/A	N/A	
9	DE03	Baden-Württemberg MLR	Y	Y	Y	Y	
10	DE04	Bayern StMLF	Y	Y	Y	Y	
11	DE07	Brandenburg MLUV	Y	Y	Y	Y	
12	DE11	Mecklenburg-Vorpommern MELFF	Y	Y	Y	Y	
13	DE12	Niedersachsen	Y	Y	Y	Y	
14	DE15	Nordrhein-Westfalen	Y	Y	Y	Y	
15	DE17	Rheinland-Pfalz	N	N	N	N	Qualified: PA cannot provide consistent debtors ledger, reconciliation of recoveries and explanation for the differences between the annual declaration of expenditure and debtors tables (Annexes II and III)
16	DE18	Saarland AAL	Y	Y	Y	Y	
17	DE19	Sachsen	Y	Y	Y	Y	
18	DE20	Sachsen-Anhalt	Y	Y	Y	Y	
19	DE21	Schleswig-Holstein	Y	Y	Y	Y	
20	DE23	Thüringen	Y	Y	Y	Y	
21	DE26	Hessen	Y	Y	Y	Y	
22	DK02	DAFA	Y	Y	Y	Y	
23	EE01	PRIA	Y	Y	Y	Y	
24	ES01	Andalucía	Y	Y	Y	Y	
25	ES02	Aragón	Y	Y	Y	Y	
26	ES03	Asturias	Y	Y	Y	Y	Unqualified opinion, although residual risk for both EAGF and EAFRD Non-IACS populations considered material
27	ES04	Islas Baleares	Y	Y	Y	Y	
28	ES05	Islas Canarias	Y	Y	Y	Y	
29	ES06	Cantabria	Y	Y	Y	Y	
30	ES07	Castilla La Mancha	Y	Y	Y	Y	
31	ES08	Castilla y León	Y	Y	Y	Y	
32	ES09	Cataluña	Y	Y	Y	Y	Emphasis of matter for high error rate in EAFRD IACS arising from measures 10, 11 and 13
33	ES10	Extremadura	Y	Y	Y	Y	
34	ES11	Galicia	Y	Y	Y	Y	
35	ES12	Madrid	Y	Y	Y	Y	
36	ES13	Murcia	Y	Y	Y	Y	Emphasis of matter as regards the high error rate in EAGF IACS arising from Aids for nuts and Greening; in EAFRD IACS linked to measures 10 and 13; and in EAFRD Non-IACS linked to measure 1
37	ES14	Navarra	Y	Y	Y	Y	Not qualified, however as regards material error detected by the CB in EAFRD Non-IACS the audit opinion is qualified
38	ES15	País Vasco	Y	Y	Y	Y	
39	ES16	La Rioja	Y	Y	Y	Y	
40	ES17	C. Valenciana	Y	Y	Y	Y	
41	ES18	FEGA	N/A	Y	N/A	Y	
42	FI01	MAVI	Y	Y	Y	Y	
43	FR05	ODEADOM	Y	Y	N/A	N/A	
44	FR18	ODARC	N/A	N/A	Y	Y	
45	FR19	ASP	Y	N/A	Y	Y	Emphasis of matter: reconciliation as regards debtors tables, incomplete Annex III and for EAFRD in addition high error rate in the control statistics (related to EAFRD Non-IACS)
46	FR20	France Agrimer	N/A	Y	N/A	N/A	
47	GB05	DARD	Y	Y	Y	Y	
48	GB06	SGRPID	Y	Y	N	Y	Qualified as regards the weaknesses identified in checks to ensure data quality and completeness for control statistics; material misstatements in EAFRD IACS control statistics
49	GB07	WAG	Y	Y	N	N	Qualified as financial impact of not fully competitive application procedure cannot be quantified at this stage
50	GB09	RPA	Y	Y	Y	Y	

51	GR01	OPEKEPE	Y	Y	Y	Y	
52	HR01	PAAFRD	Y	Y	Y	Y	
53	HU02	ARDA	Y	Y	Y	Y	
54	IE01	DAFM	Y	Y	Y	Y	
55	IT01	AGEA	Y	Y	Y	Y	
56	IT02	SAISA	N/A	N/A	N/A	N/A	
57	IT03	ENR	N/A	N/A	N/A	N/A	
58	IT05	Veneto (AVEPA)	Y	Y	Y	Y	
59	IT07	Toscana (ARTEA)	Y	Y	Y	Y	
60	IT08	Emilia-Romagna (AGREA)	Y	Y	Y	Y	
61	IT10	ARPEA	Y	N/A	Y	Y	
62	IT23	OPR Lombardia	Y	Y	Y	Y	
63	IT24	OPPAB	Y	N/A	Y	Y	Unqualified opinion, but the CB does not confirm the EAFRD Non-IACS control statistics.
64	IT25	APPAG	Y	N/A	Y	Y	
65	IT26	ARCEA	Y	Y	N	N	Qualified with regard to material error found in EAFRD Non-IACS
66	LT01	NMA	Y	Y	Y	Y	
67	LU01	Min. Agric.	Y	Y	Y	Y	
68	LV01	RSS	Y	Y	Y	Y	
69	MT01	MRRA PA	Y	Y	Y	Y	Unqualified opinion, but the residual risk is material for EAFRD
70	NL04	RVO	Y	Y	Y	Y	
71	PL01	ARMA	Y	Y	Y	Y	
72	PT03	IFAP	Y	Y	Y	Y	
73	RO01	RIFA	N/A	N/A	Y	Y	
74	RO02	PIAA	Y	Y	N/A	N/A	Emphasis of matter: as regards required improvements in internal control system, in-depth analysis of deficiencies in the control statistics, correct compilation of financial statements
75	SE01	SJV	Y	Y	N	Y	Qualified - the EAFRD IACS control statistics have not been compiled on time - no residual risk established by the CB
76	SI01	AAMRD	Y	Y	Y	Y	
77	SK01	APA	N	N	N	N	Qualified: the directive of the PA as regards fight against fraud was not respected in the PA. EAGF IACS and EAFRD Non-IACS: material residual risk for EAGF IACS, the control statistics are not confirmed.

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

There was a reservation included in the Management Declarations in the previous financial year for BG01 because of 5 on-going conformity clearance enquiries. The Director of the Paying Agency expressed a reservation in its Management Declaration also this year for 2 of those enquiries that are still ongoing.

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

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

This year, the Certification Bodies in general assessed comprehensively the Management Declaration and control statistics and issued an opinion based on this comprehensive audit work. Indeed, the Certification Bodies that applied the new guidelines (see Explanatory box: Annex 10 – 2.3.1-1) delivered more substantiated audit opinion in this respect. In the majority of the cases the Certification Bodies gave a qualified opinion on the Management Declaration when the residual risk was material or could not be quantified. However, there were still a few cases when the Management Declarations and

the related error rates of the Paying Agencies were confirmed in the Audit Opinion despite the material residual risk established during the certification work.

2.3 Legality and regularity of the expenditure

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

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

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

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

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

Dual-purpose testing: According to Article 7(3) of Regulation (EU) No 908/2014 the Certification Bodies can apply dual-purpose testing for substantive testing to be used for the 2 audit objectives. This implies that the Certification Bodies can use one statistical sample to test the annual accounts (audit objective 1) and the legality and regularity of expenditure declared (including the administrative and on-the-spot eligibility checks – audit objective 2). The method 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: through testing of transactions, the Certification Body auditors are requested to confirm the level of errors found in the initial eligibility checks performed by the Paying Agency and, if not confirmed, to give a qualified opinion.

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

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

Paying Agency's Management Declaration (see section 2.2) is based on this result (see section 2.3).

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

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

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

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

- 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.

For financial year 2018, 9 Certification bodies²⁵ applied the new approach. This approach concerns the clearance of accounts for 21 Paying Agencies, given the fact that some Certification Bodies carry out certification work for more than one Paying Agency. The application of the new guidelines will ensure a more focused legality and regularity audit work by the Certification Bodies and thus support and accelerate the accomplishment of the single audit approach.

Explanatory box: Annex 10 – 2.3.1-1

²⁵ Bulgaria, Germany DE07 and DE18, Estonia, Romania, Hungary, Italy, Luxembourg, Slovakia.

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

The reliability of the Certification Bodies' work has been assessed through dedicated audit missions and in the framework of the 2018 financial clearance exercise, as well as through conformity audit missions, which, in view of the single audit approach, have as a starting point the work carried out by the Certification Bodies. These conformity audits cover the Certification Bodies' work on legality and regularity and on the internal control system. Where assurance cannot be obtained from the Certification Bodies' work on certain areas/issues, the checks are extended to the work of the Paying Agency.

The results are outlined in the subsequent sub-sections.

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

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

Mission programme implemented in 2018

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

Over the past four years, DG AGRI has carried out 63 legality and regularity missions covering 41 different Certification Bodies, which have delivered an opinion on the legality and regularity of the expenditure in 42 different Paying Agencies²⁶. In addition, DG AGRI's conformity audit units also reviewed the work of the Certification Bodies' work on legality and regularity. The results of those missions are indicated under sub-section 2.3.5.

This means that 68.33% of the 60 appointed Certification Bodies in the 28 Member States have now been audited by DG AGRI in dedicated missions and even more have been audited during conformity audit missions.

²⁶ For 5 Paying Agencies, a second mission was carried out.

List of Paying Agencies and related Certification Bodies audited on legality and regularity in 2018		
Paying Agency		Certification Body
GB05	DAERA	National Audit office
DE20	Sachsen-Anhalt	Magdeburg Regional Finance Office
GB06	SGRPID	National Audit office
PL01	ARiMR [ARMA]	Ministry of Finance
BE02	ALV	Deloitte
DE17	Rheinland-Pfalz	Deloitte
ES10	Extremadura	Intervencion general - Junta de Extremadura
HR01	APPRRR [PAAFRD]	Agency for Audit of European Union Programmes Implementation System
IT08	AGREA	Deloitte
DE23	Thüringen	Thüringer Ministerium für Infrastruktur und Landwirtschaft
DE03	Baden-Württemberg	Ministerium für Finanzen
ES02	Aragon	Intervencion General - Gobierno de Aragon
ES07	Castilla La Mancha	Intervention General - Junta de Castilla la M.
CY01	CAPO	Grant Thornton – Cyprus
IT26	ARCEA	Deloitte
ES01	Andalucía	Intervention General - Junta de Andalucía
DE01*	BLE	Bundesministerium für Ernährung, Landwirtschaft und Ernährung
DE19*	Sachsen	Sächsisches Staatsministerium der Finanzen, Referat 17 - Kontrolle EU-Fonds

* Missions carried out in January-February 2019.

Table: Annex 10 – 2.3.1-1

Summary of the main findings of these audits and monitoring activities

Based on the observations from the above listed missions, the majority of the Certification Bodies' established the audit strategy in line with the approach outlined in the guidelines. Improvement was noted in the Certification Bodies' work in terms of audit strategy and quality of the re-verifications for the legality and regularity of expenditure. During 2 of the missions, covering the same Certification Body but different Paying Agencies, the Certification Body applied the new guidelines on a voluntary basis, however it was noted that the audit strategy and the audit methodology still needed to be updated in order to reflect the new guidelines. Some issues were encountered with the Certification Bodies' sampling methodology. In 3 out of 18 missions (for 2017 the corresponding figures were 6 out of 15 missions) it was noted that the Certification Body used an external body for the on-the-spot re-verifications, for which the monitoring and quality control of the external provider's work requires improvement.

There was an improvement in the timing of the Certification Bodies' re-verification controls but there are still some cases where the re-verifications of the Paying Agencies' controls were not performed at the optimal time due to delays in obtaining the information from the Paying Agency. The timing is particularly important for the IACS measures where controls and their re-verification shall be carried out in the summer/autumn of the claim year in question. In some cases, the Certification Bodies relied to a too large extent on the experience of the Paying Agency's own inspectors, without ensuring an independent re-verification. The above instances were noted in various degrees in 5 of the missions carried out in 2018 (also in 5 missions in 2017) in respect of the IACS/Non-IACS populations.

In one case, weaknesses were detected in the Certification Body's work on Debt management. In a few other cases, some inconsistency was detected in the Certification

Bodies' error evaluation. Those issues were rectified, and the error evaluation in the annual certification reports appears to be correct.

Where the error evaluation and the review of the control statistics could not be reviewed by DG AGRI during the missions (as the Certification Bodies' audit had not reached that stage yet) the Certification Body's work on the control statistics and the error evaluation for the previous year was reviewed. Some improvement was needed in the work of a few Certification Bodies. In another few cases, the Certification Body's work was delayed due to the non-timely submission of the control statistics by the Paying Agency.

In 10 out of the 18 missions (10 out of 15 missions in 2017) it was observed that the Certification Bodies' check on the eligibility criteria was not always sufficient (i.e. it did not cover all eligibility requirements) or the conclusion was incorrect. Nevertheless, a significant improvement in the Certification Bodies' working papers and documentation was again noted in comparison to the first two years. Recommendations issued in previous years' audits in the same Member State had been properly communicated to all Certification Bodies in that Member State and corrective measures had been taken. This led to further improvement in the audit work of some Certification Bodies, which was noted also in the financial clearance exercise.

It was concluded that full reliance could be placed on 5 (4 in 2017) Certification Bodies for their work on the audited population in the scope of the Legality and Regularity mission. For some Certification Bodies, the preliminary assessment, after the legality and regularity mission, was that limited reliance could be placed on their work. Following the assessment of the certification reports during the financial clearance exercise, this level of reliance is increased, based on the corrective measures implemented and the progress reported already in the certification report for financial year 2018.

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 2018 financial clearance assessment which started in February 2019.

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

EAGF IACS population

69 out of the 77 Paying Agencies declared expenditure under EAGF IACS schemes.

Opinion on the Paying Agency's Management Declaration	Number of Paying Agencies	Related Paying Agencies
Unqualified Qualified opinion	65 2	- DE17, SK01
Opinion with an emphasis of matter	2	NL04, RO02
Total Member States: 28	69	

Table: Annex 10 – 2.3.1-2

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

For DE17 - Rheinland-Pfalz the Certification Body issued a limitation of scope opinion for all populations as regards the deficiencies in debt management.

For NL04 – RVO there was an emphasis of matter in the opinion of Certification Body as regards legality and regularity, since the active farmer status cannot be checked properly for BPS.

The Certification Body for RO02 - PIAA used emphasis of matter for the opinion on the Management Declaration for required improvements in internal control system and in-depth analysis of deficiencies in the control statistics.

There were material incompliance rates established for BE03, FR05, GR01, LT01 and SK01.

EAGF Non-IACS population²⁷

69 out of the 77 Paying Agencies declared expenditure under EAGF non-IACS schemes.

There were 2 qualified opinions (DE17 and SK01), for the same reasons as mentioned above under the EAGF-IACS population (i.e. for SK01 because of the deficient control procedures as regards fight against fraud, as well as due to the high residual risk and non-confirmation of the control statistics and for DE17 because of reconciliation deficiencies as regards debt management respectively).

In 12 cases²⁸ there was no separate opinion provided on the residual risk for the EAGF Non-IACS population, as the Certification Body treated this population as a *de minimis* population.

EAFRD IACS population

69 out of the 77 Paying Agencies declared expenditure under EAFRD IACS measures.

Opinion on the Paying Agency's Management Declaration	Number of Paying Agencies	Related Paying Agencies
Unqualified	63	-
Qualified opinion	4	DE17, GB06, SE01, SK01
Opinion with an emphasis of matter	2	ES09 and ES13
Total Member States: 28	69	

Table: Annex 10 -2.3.1-3

²⁷ EAGF non-IACS measures are essentially the market measures.

²⁸ DE04, DE11, DE19, DE21, DE23; DE26, ES06, GB05, GB07, IT10, SE01 and SK01.

There were two qualified opinion (DE17 and SK01), for some of the same reasons as mentioned above under the EAGF-IACS population (i.e. for SK01 because of the deficient control procedures as regards fight against fraud and for DE17 because of reconciliation deficiencies as regards debt management respectively).

The Certification Body for SE01 - SJV qualified its opinion as the EAFRD control statistics were not compiled on time and no residual risk could be established.

For GB06 - SGRPID the Certification Bodies qualified the opinion as regards the weaknesses identified in checks to ensure data quality and completeness for control statistics; material misstatements in EAFRD IACS control statistics.

For ES09 – Cataluña, the Certification Body issued an emphasis of matter in the opinion as regards the high error rate in the EAFRD IACS population as regards the control statistics reported in the Management declaration by the director of the Paying Agency.

For ES13 – Murcia, the Certification Body included an emphasis of matter paragraph in its opinion on the Management declaration as regards the high error rate in the EAFRD IACS population.

For 8 Paying Agencies, the residual risk was assessed by the Certification Bodies as material: ES08, FR18, GB06, GR01, MT01, PL01, RO01 and SE01, while for the rest of the Paying Agencies the risk was not material.

EAFRD Non-IACS

71 of the 77 Paying Agencies have expenditure declared under EAFRD Non-IACS measures.

Opinion on the Paying Agency's Management Declaration	Number of Paying Agencies	Related Paying Agencies
Unqualified	64	-
Qualified opinion	5	DE17, ES14, GB07, IT26, SK01
Opinion with an emphasis of matter	2	ES13, FR19
Total Member States: 28	71	

Table: Annex 10 – 2.3.1-4

There were five qualified opinions.

The opinion for SK01 – APA and DE17 - Rheinland-Pfalz, was qualified for the same reasons as mentioned above under the EAGF-IACS population (i.e. for SK01 because of the deficient control procedures as regards fight against fraud, as well as due to the high residual risk and non-confirmation of the control statistics for EAFRD Non-IACS and for DE17 because of reconciliation deficiencies as regards debt management respectively).

The opinions for ES14 – Navarra and IT26 – ARCEA were qualified due to a high error/incompliance rate above materiality.

The opinion for GB07 – WAG was qualified due to failure to apply full competitive application processes for some EAFRD Non-IACS schemes.

For GB06 – SGRPID, the Certification Body modified its opinion because of potentially incomplete and inaccurate control statistics, an issue repeated from the previous year.

The Certification Bodies for BE02 and FR19 issued an emphasis of matter in their opinions due to material misstatements.

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

In most cases, it was confirmed by the Certification Bodies that, where applicable, the Paying Agencies had established the necessary action plans to remedy the weaknesses detected and leading to reservations in the 2017 Annual Activity Report of DG AGRI. The state of play and potential delays in implementation were indicated by the Certification Bodies but the deficiencies which had led to the implementation of an action plan, when still persisting in the audited financial year, were not always reflected in the incompliance rate established by the Certification Bodies.

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

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

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

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

The Certification 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 2017 were verified by the Certification Body in the same year, to minimise the risk that the situation of the land parcels or animals concerned might have changed in the meantime.
- Quality of Certification Body's re-verification of eligibility checks (administrative and on-the-spot controls) through the DG AGRI audit missions and assessment of the Certification Body's results, and in particular the technical skills and expertise that

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

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

Main observations per population:

EAGF IACS

For this population, the Certification Bodies could provide results on legality and regularity to the greatest extent after the implementation of the new audit approach (under the reformed legal framework). The situation with regard to the timing of re-verifications has improved, although there were still some Certification Bodies which could not start the re-verification of on-the-spot controls on time, with the result that their re-verifications on claim year 2017 were done rather late, resulting in lower reliance on the work of the specific Certification Bodies' concerned. This was mainly due to the Certification Body not receiving the Paying Agency's samples and schedule of on-the-spot checks on time. Some Certification Bodies applied proper monitoring and quality control mechanisms in line with the audit standards and the guidelines, where they delegated the on-the-spot re-verifications to another body.

In general, the Certification Bodies' work on this population is of a good standard and has further improved in comparison to previous years. Issues, such as insufficient checks on the representativeness of the Paying Agency's initial random sample for on-the-spot controls and the completeness of the population before selection of their own re-verification sample, that were frequently observed in previous years, appear to be rectified in most cases. The incomplete assessment of the eligibility of the transaction is still observed but at a lower scale.

EAGF Non-IACS

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

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

EAFRD IACS

For this population, like for EAGF IACS, the Certification Bodies could provide results on legality and regularity. The Certification Bodies' work on legality and regularity can be relied upon to a lesser extent than in the case of the EAGF IACS population. Apart from the reasons mentioned under the EAGF IACS population, especially the timing issue, it was observed during the DG AGRI audits that for several cases the re-verifications of the Paying Agencies' on-the-spot controls were not performed adequately in 2018 (i.e. all commitments linked to the respective measures are not always appropriately re-verified by the Certification Bodies).

EAFRD Non-IACS

The Certification Bodies' audit work for this population improved further compared to last year. The Certification Bodies combined their audit results on the control statistics for financial years 2017 and 2018 reporting more consistent results than in previous years for calendar year 2017.

More Certification Bodies, compared to last year, managed to test appropriately EAFRD Non-IACS and to provide conclusive results on the control statistics and the residual risk. Due to the mismatch between payment claims, control statistics and payments, some Certification Bodies (less in comparison with the previous years) could not establish an incompliance rate and conclude on the control statistics. For this population, it was also found through the DG AGRI audits carried out in 2018 and the assessment of the Certification Bodies' results in the financial clearance exercise that eligibility conditions are not always verified to their full extent by the Certification Bodies. However, this was observed to a lesser extent compared to the 2017 missions.

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

In the fourth year of application of the new approach, the Certification Bodies delivered better established and substantiated results on auditing the legality and regularity of the expenditure on all populations compared to the first years. The overall reliance on the results of the Certification Bodies' work on legality and regularity has increased compared to financial year 2017. Therefore, the Certification Bodies' results could be taken into account to a greater extent in the calculation of DG AGRI's adjusted error rate for financial year 2018. This was the case especially for most of the Member States that opted for the new Guidelines (see Explanatory box: Annex 10 – 2.3.1-1). For the Certification Bodies that applied the new guidelines and where DG AGRI considers the work could be relied upon, an analysis was carried out by applying as a top up, the projected incompliance rate/most likely error of the Incompliance rate (IRR) and any corresponding known errors

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

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

While DG AGRI carried out 18²⁹ dedicated legality and regularity missions on the Certification Bodies, it also reviewed the work of the latter as part of its conformity audits. Certification Bodies are invited to participate in DG AGRI's conformity audit missions and do so in most cases and, where possible, their reverifications are tested by DG AGRI during its audit visits. In 2018, 7 audit missions were carried out on ABB02 (audits on Fruit and Vegetable, Wine and Interventions); 24 audit missions on ABB03³⁰ (16 for direct payments, 8 for VCS and Payment Entitlements); and 21 on ABB04 where the work of the Certification Bodies was reviewed.

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

The audits carried out for EAGF non-IACS (ABB02) included a review of the work of the Certification Body on legality and regularity of the expenditure for the schemes included in the scope of the audit. This implied interviews with the representatives of the Certification Body and their participation during the audit, as well as specific checks on their re-performance of the on-the-spot controls carried out by the Paying Agency.

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

- **Area Aids**

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

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

- Where the work was found not to be to the standard required, DG AGRI made comments and/or recommendations so as to enable its use for reliance in the context of the AAR. Because of the early timing of the DG AGRI work (often carried out after Paying Agency and Certification Body control work had taken place but before payment), Certification Bodies were in a position to remedy any shortcomings in the work carried out or complement the work to be done so as to enable full reliance in respect of the financial year 2018.

- DG AGRI auditors have, in their audits for direct payments, noted a continued quality and documentation of the work of the Certification Bodies, when compared

²⁹ In 2018 and January-February 2019 (before the start of the annual clearance).

³⁰ Specific IT application audits on data integrity are not taken into account.

with previous years, particularly with regard to the work carried out on administrative controls and the on-the-spot checks for the basic payment scheme.

- **Payment Entitlements and Voluntary Coupled Support**

- A similar approach as for area aids was applied for the audits concerning the allocation and management of Payments Entitlements under Basic payment scheme and the Voluntary Coupled Support (VCS) for farm animals carried out by DG AGRI in the financial years 2017 to 2019. The quality of the work of the Certification Bodies concerning the VCS for animals was found by the DG AGRI auditors to be of satisfactory quality from the first year of the implementation of these schemes.

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

- **Rural Development**

For both IACS and non-IACS Rural Development expenditure (ABB04), the starting point for most of the conformity audits was the work carried out by the Certification Bodies as part of their opinions on legality and regularity for financial years 2017 and 2018. Therefore, the DG AGRI audit work, in the first instance, reviewed the work of the Certification Bodies.

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

Where the work was found not to be to the standard required, DG AGRI made comments and/or recommendations 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 2018.

For Rural Development, the large number of heterogeneous measures to be audited by DG AGRI means that so far, the auditors have not reviewed a sufficiently large selection of Certification Body reverifications to be able to conclude in an overall manner on the progress of the latter's work. In particular, the auditors could not compare current work with earlier work over the three-year period since the Certification Bodies commenced their work on legality and regularity. However, many of the improvements noted in the Certification Body work on EAGF IACS are also valid for EAFRD IACS although, for additional elements, in particular measure specific commitments, insufficient reliance can be placed on the work of the Certification Bodies.

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 fourth year of application of the reporting requirements on legality and regularity. A number of Certification Bodies applied on a voluntary basis the new certification guidelines already in 2018. Increased assurance can be obtained from the Certification Bodies' opinions on legality and regularity on all four populations, as compared to the previous years. DG AGRI also notes significant progress towards the full implementation of the single audit approach, with the Certification Bodies' work as the starting point for obtaining assurance. In the cases where assurance cannot be obtained from the Certification Bodies' work on certain areas/issues, DG AGRI extended its audits to the work of the Paying Agency.

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, and where the weaknesses were already rectified in the Certification Bodies' reporting for financial year 2018. In financial year 2018, in most cases, the Certification Bodies' work on legality and regularity was of a higher standard compared to the years before. This was the case even for EAFRD Non-IACS, which is a complex population with a variety of measures and complex rules. In general, the Certification Bodies identified a significant number of conformity issues and took into consideration the findings coming from DG AGRI/ECA's audits. As in previous years, reliance can be put on the work of the Certification Bodies for EAGF IACS (Direct payments).

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

DG AGRI will continue to work closely with the Certification Bodies in order to further progress and improve their work on legality and regularity and thus maximise the level of assurance that can be obtained from their work in the future. For financial year 2019 it will be particularly relevant to ensure the proper application of the new guidelines, developed based on the experience of the first two years, taking into account the experience of the Certification Bodies applying the new guidelines voluntarily for 2018. DG AGRI will closely monitor this in 2019.

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

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

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

Part 3.1: ABB02: Market Measures

Part 3.2: ABB03: Direct Payments

Part 3.3: ABB04: Rural Development

Part 3.4: Root causes of the error rate

Part 3.1. ABB02 – Market Measures

Index for Part 3.1 – ABB02: Market Measures

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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 2018.

The total expenditure for market measures under Title 0502 in 2018 amounts to **EUR 2 620 322 737**.

The following table sets out the shared management expenditure reimbursed by DG AGRI in 2018 for the various market sectors:

Expenditure reimbursed by DG AGRI to the Member States in 2018

Chapter	Article	Sector/measure	Expenditure (EUR)
0502	050201	Cereals	14 897 957
	050202	Rice	0
	050203	Refunds on non-Annex I products	0
	050204	Food programmes	0
	050205	Sugar	0
	050206	Olive oil	47 920 784
	050207	Textile plants	0
	050208	Fruit and vegetables	865 146 648
	050209	Products of the wine-growing sector	968 094 138
	050210	Promotion	72 614 706
	050211	Other plant products/measures	231 198 002
	050212	Milk and milk products	201 081 275
	050213	Beef and veal	129 787
	050214	Sheepmeat and goatmeat	-1 391
	050215	Pigmeat, eggs and poultry, bee-keeping and other animal products	63 949 056
	050218	School schemes	155 817 892
Subtotal			2 620 848 854
Suspension of payments			526 117
ABB 02 Total Shared Management			2 620 322 737
ABB 02 Total Direct Management	05 02 10 02	Promotion measures - Direct payments by the Union	0
ABB 02 Grand Total			2 620 322 737

Table: Annex 10 – 3.1.2-1

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

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

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

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

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

Where the Certification Bodies have established material error in the market measure population, DG AGRI has taken account of the most likely error and any known error and analysed the findings of the Certification Body to establish which measures the findings could affect and used professional judgement to adjust the reported error rate.

- (ii) Where it was not possible to adjust the error rate based on audit opinions, the approach taken examined the control environment for each scheme, reported on DG AGRI's audit response over the preceding years as well as any other audit evidence, notably from ECA and from the Certification Bodies. The professional audit judgement of the DG AGRI auditors was sought, on a measure-by-measure basis, as to the assurance that could be given to the Director-General as well as to give an assessment of the maximum amount of the expenditure, which might be at risk.
- (iii) For those measures for which there was neither statistical nor audit information available, the average adjusted error rate resulting from the examination at points (i) and (ii) was extrapolated in order to assess the risk. For 2018, this was necessary in respect of around 0.67% of expenditure for the ABB.

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

3.1.4 Fruit and Vegetable Sector

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

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

In certain regions, transitional support is also given to encourage producers, who wish to acquire the status of recognised POs, to form **producer groups** (PGs), to cover administration costs and the investments needed to attain recognition as POs. This funding may be partially reimbursed by the EU and ceases once the PG is recognised as a PO. For the programming period 2014-2020, new producer groups in the fruit and vegetable sectors are no longer financed under EAGF but under the EAFRD programmes. There is only residual expenditure in 2018.

The **school fruit scheme** is an EU-wide voluntary scheme which provides school children with fruit and vegetables, aiming thus to encourage good eating habits in young people. Besides providing fruit and vegetables to the children, the scheme requires the participating Member States to set up strategies including educational and awareness-raising initiatives. Under this section, DG AGRI analyses the scheme expenditure that was paid in financial year 2018.

Since school year 2017/2018 (i.e. as from 01/08/2017), the school fruit and school milk schemes (see sub-sections 3.1.4.3 and 3.1.9) have been merged in a single school scheme under Regulations (EU) 2017/39 and 2017/40. Further details on this scheme are provided under sub-section 3.1.7 of this Annex.

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

Expenditure by Measure in 2018 - Fruit and Vegetables					
Member State	Operational programmes for producer organisations	Pre-recognition of producer groups	School Fruit Scheme	Temporary exceptional measures	Total Fruit & Vegetables
AT	8 206 275		641 323		8 847 597
BE	59 583 142		220 490	530 371	60 334 003
BG		1 981 676			1 981 676
CY	380 503		30 425	972 289	1 383 217
CZ	2 197 746		548 422		2 746 168
DE	40 999 036		1 503 832		42 502 868
DK	4 788 675		462 683		5 251 358
EE					-
ES	222 941 686		646 452	13 831 619	237 419 757
FI	2 307 480				2 307 480
FR	109 116 906	2 911	1 044 244	772 600	110 936 662
GB	38 550 271				38 550 271
GR	9 369 474			10 794 430	20 163 904
HR			5 163	1 003 427	1 008 590
HU	4 236 223	53 075		220 220	4 509 518
IE	4 368 803				4 368 803
IT	243 693 065		40 615	5 516 415	249 250 095
LT			66 662		66 662
LU			0		-
LV	700 848				700 848
MT					-
NL	22 763 962			55 400	22 819 362
PL	2 378 046	2 807 328	528 660	18 932 025	24 646 058
PT	10 990 062		570 629	1 278 167	12 838 858
RO	760 538		3 549 660	99 617	4 409 814
SE	6 545 543				6 545 543
SI					-
SK	1 533 929			23 606	1 557 535
Grand Total	796 412 210	4 844 990	9 859 260	54 030 189	865 146 648

Table: Annex 10- 3.1.4-1

3.1.4.1 Operational programmes of producer organisations

In 2018, the expenditure under this measure amounted to EUR 796.4 million.

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

The statistical reports received concern operational programme (OP) expenditure incurred in financial year 2018 in respect of operational year 2017. The level of error detected by the Member States was 1.1% with rates above 2% reported by a number of Member States.

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

DG AGRI audits on OPs of producer organisations carried out between 2016 and 2018 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. In order, therefore, to compensate for uncertainties with regard to the assurance that can be taken from the Member States' reported data, DG AGRI auditors reviewed all available data in order to come to a conclusion based on their professional audit judgment on what was the likely extent of understatement in the error reported and (in line with the principles set out in step 3 of DG AGRI's materiality criteria – see Annex 4 to this AAR), have adjusted the error rates concerned.

DG AGRI audits carried out in 2018 in Italy, Portugal, Spain and the United Kingdom verified the work of the Certification Body and:

- No observations were made for Spain, the United Kingdom;
- Observations were made for Italy;
- Observations and recommendations were made for Portugal.

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

DG AGRI's adjustments (Austria, Czech Republic, France, Germany, Spain, the United Kingdom, Greece, Hungary, Italy, Portugal and Sweden) 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 2018 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	8 206 275	100.0%	3.18%	4.97%	-	407 753	4.97%	407 753
BE	59 583 142	64.2%	0.30%	-	64 028	-	0.11%	64 028
CY	380 503	100.0%	2.18%	-	-	-	-	-
CZ	2 197 746	100.0%	0.04%	10.00%	-	219 775	10.00%	219 775
DE	40 999 036	90.7%	6.07%	0.90%	232 263	368 991	1.47%	601 254
DK	4 788 675	28.4%	0.72%	-	24 806	-	0.52%	24 806
ES	222 941 686	34.7%	1.53%	2.00%	2 222 339	4 458 834	3.00%	6 681 173
FI	2 307 480	38.5%	0.70%	-	10 002	-	0.43%	10 002
FR	109 116 906	38.2%	0.56%	0.00%	380 503	1 957	0.35%	382 459
GB	38 550 271	62.7%	0.32%	10.00%	46 160	3 855 027	10.12%	3 901 187
GR	9 369 474	100.0%	0.29%	10.10%	-	946 317	10.10%	946 317
HU	4 236 223	100.0%	8.73%	5.00%	-	211 811	5.00%	211 811
IE	4 368 803	94.0%	0.01%	-	22	-	0.00%	22
IT	243 693 065	56.4%	0.31%	3.60%	328 412	8 772 950	3.73%	9 101 363
LV	700 848	100.0%	-	-	-	-	-	-
NL	22 763 962	56.1%	0.44%	-	43 552	-	0.19%	43 552
PL	2 378 046	96.8%	13.53%	-	10 285	-	0.43%	10 285
PT	10 990 062	34.4%	1.66%	10.00%	119 379	1 099 006	11.09%	1 218 385
RO	760 538	100.0%	-	-	-	-	-	-
SE	6 545 543	100.0%	1.01%	5.00%	-	327 277	5.00%	327 277
SK	1 533 929	100.0%	0.33%	-	-	-	-	-
Grand Total	796 412 210	52.1%	1.1%		3 481 750	20 669 698	3.03%	24 151 448

Table: Annex 10 – 3.1.4.1.-1

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

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reser- vation	Mitigating factors/Reservation follow-up
AT	4.97%	EUR 0.408 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 4) no reservation is required.
CZ	10%	EUR 0.219 million	A DG AGRI audit in 2017 found deficiencies as regards the checks to establish access to the aid.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
ES	3%	EUR 6.681 million	A DG AGRI audit in 2018 in Extremadura (ES010) found deficiencies as regards the performance of the administrative checks to	Yes	A reservation is entered in respect of 2018 expenditure. The Spanish authorities have taken corrective measures that will be

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/Reservation follow-up
			establish the eligibility of operational programmes. On the basis of DG AGRI assessment this shortcoming affects all the Spanish control system and therefore an adjustment is entered for the aid paid at national level. Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.		monitored by DG AGRI, and hence an action plan is not necessary. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget in respect the aid paid in Extremadura (ES010) is covered.
GB ³¹	10.12%	EUR 3.901 million	A DG AGRI audit in 2018 found absences in the performance of administrative checks to establish the eligibility of operational programmes and on on-the spot checks of sufficient quality.	Yes	A reservation is entered in respect of 2018 expenditure. The Member State should implement an action plan addressing the deficiencies identified by DG AGRI. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
GR	10.10%	EUR 0.946 million	A DG AGRI audit in 2016 found deficiencies in the performance of administrative checks to establish the eligibility of operational programmes and on on-the-spot checks of sufficient quality. 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 4) no reservation is required.
HU	5%	EUR 0.212 million	A DG AGRI audit in 2018 found deficiencies as regards the checks to establish access to the aid claimed, the correct calculation of the aid including administrative reductions and penalties as well as adequate audit trail.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
IT	3.73%	EUR 9.101 million	A DG AGRI audit in 2019 found deficiencies in the checks to establish the eligibility of operational programmes and on on-the-spot checks of sufficient quality in Lombardy (IT23). In addition, the same audit pointed out deficiency in the calculation and implementation of the simplified cost option	Yes	A reservation is entered in respect of 2018 expenditure. An action plan following last year reservation is still under implementation. Concerning the deficiencies in the calculation and implementation of the simplified cost option, the Italian authorities modified the Ministerial Circular where these

³¹ Mitigating factors/reservation follow-up are subject to possible review depending on the exact modalities of the withdrawal of the UK from the Union.

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/Reservation follow-up
			standard costs affecting all Italy. Finally, the audit carried out in 2019 indicated that the Italian action plan regarding the checks on soundness of estimates is affecting the controls for OP2018 onwards (i.e. payment for financial year 2019). The deficiency related to the checks on the soundness of estimates affects all Italy except those Paying Agencies that took already remedial actions.		costs are defined applying from OP 2018. The corrective measures will be monitored by DG AGRI. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
PT	11.09%	EUR 1.218 million	A DG AGRI audit in 2018 found absences in the performance of administrative checks to establish the eligibility of operational programmes and on on-the-spot checks of sufficient quality.	Yes	A reservation is entered in respect of 2018 expenditure. The Portuguese authorities have taken corrective measures that will be monitored by DG AGRI, and hence an action plan is not necessary. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
SE	5%	EUR 0.327 million	A DG AGRI audit in 2016 found absences in the performance of administrative checks to establish the eligibility of operational programmes and on on-the-spot checks 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 4) no reservation is required.

Table: Annex 10 – 3.1.4.1.-2

3.1.4.2 Pre-recognition of producer groups

In 2018, the expenditure under this measure had fallen to EUR 4.84 million (compared to EUR 16.3 million in 2017). As stated above under sub-section 3.1.4, once producer groups (PGs) have attained the producer organisation status, they no longer receive aid under the producer group scheme. Expenditure has reduced significantly under this measure over recent years as PGs reach maturity and become recognised as producer organisations and new PGs can only be financed under EAFRD.

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

The overall error rate calculated on the basis of the Member States' statistics was 0.54%, with Hungary the only Member State reporting a material error rate (3.54%). However, due to the 100% control rate in this Member State, there is no residual error.

DG AGRI audits on operational programmes of producer groups carried out in 2017 in Poland identified serious control deficiencies. This led to an adjustment for the aid paid under this scheme in Poland (see table below):

Fruit and Vegetables -Prerecognition of Producer Groups Calculation of Adjusted Error Rate and Amount at Risk								
Member State	Aid Paid in 2018 EUR	% of claim checked OTS	reported error rate	DG AGRI top-up	amount at risk where no top-up EUR	amount at risk for top-up EUR	adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g)= (b)*(e)	(h) = (f+g)/b	(i) = (f) +(g)
BG	1 981 676	100.0%	0.83%	-	-	-	-	-
FR	2 911	-	-	-	-	-	-	-
HU	53 075	100.0%	3.54%	-	-	-	-	-
PL	2 807 328	100.0%	0.28%	10.0%	-	280 733	10.00%	280 733
Grand Total	4 844 990	100.0%	0.54%		0	280 733		280 733

Table: Annex 10 – 3.1.4.2-1

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reser- vation	Mitigating factors/Reservation follow-up
PL	10%	EUR 0.281 million	A DG AGRI audit in 2017 found gravely deficient checks to establish access to the aid and on-the-spot checks to the sufficient number.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 – 3.1.4.2-2

3.1.4.3 School Fruit Scheme (SFS)

In 2018, the remaining expenditure under this scheme for school year 2016/2017 amounted to EUR 9.86 million (EUR 117.1 million in 2017). This aid corresponds to the outstanding payments related the last SFS school year (a school year ending on 31/07/2017) that were executed in financial year 2018 (i.e. after 15/10/2017). As explained in sub-section 3.1.4 since the school year 2017/2018 (i.e. as from 01/08/2017) the school fruit and school milk schemes (see sub-section 3.1.9) have been merged in a single school scheme under Regulations (EU) No 2017/39 and No 2017/40. Further details on this scheme are provided under sub-section 3.1.7 of this Annex.

Article 15(1) of Regulation (EC) No 288/2009³² requires Member States to report on the School Fruit Scheme. Member States' statistical data show that on-the-spot checks were conducted on 51.41% of the aid paid in 2018 for the 2016/2017 school year resulting in errors of 1.12%. Romania has reported a material error rate of 2.33%. However, due to the high level of the control rate in Romania (99.2%) the adjusted error rate (0.03%) is not material.

DG AGRI audits in 2017 and 2018 identified deficiencies in Slovenia³³ as regards the checks to establish eligibility of the aid and in Czech Republic in respect of the performance of on-the-spot checks of sufficient quality and adjustments have been made to the reported error rates for those Member States.

For Romania errors have been reported by the Certification Body for 2018 and DG AGRI has included the estimated amount of error as amounts at risk.

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

Fruit and Vegetables -School Fruit Scheme Calculation of Adjusted Error Rate and Amount at Risk								
Member State	Aid Paid in 2018 EUR	% of claim checked OTS	reported error rate	DG AGRI top-up	amount at risk where no top-up EUR	amount at risk for top-up EUR	adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g) = (b)*(e)	(h) = (f+g)/b	(i) = (f) +((g)
AT	641 323	9.8%	0.00%		27	-	0.00%	27
BE	220 490	7.3%	0.04%		74	-	0.03%	74
CY	30 425	9.8%	0.00%		-	-	-	-
CZ	548 422	39.9%	0.00%	5.00%	0	27 421.10	5.00%	27 421
DE	1 503 832	12.0%	0.01%		190	-	0.01%	190
DK	462 683	67.4%	1.35%		2 029	-	0.44%	2 029
ES	646 452	72.6%	0.05%		97	-	0.02%	97
FR	1 044 244	6.7%	1.96%	-	19 141	-	1.83%	19 141
HR	5 163	45.0%	0.00%		-	-	-	-
IT	40 615	100.0%	0.56%		-	-	-	-
LT	66 662	26.4%	0.00%		-	-	-	-
PL	528 660	11.2%	0.03%		143	-	0.03%	143
PT	570 629	17.0%	0.00%		-	-	-	-
RO	3 549 660	99.2%	2.33%	0.01%	693	289.39	0.03%	982
Grand Total	9 859 260	51.41%	1.12%		22 395	27 710		50 106

Table: Annex 10 – 3.1.4.3-1

³² Corresponding to Article 11 of Regulation (EU) 2016/248.

³³ In the table 3.1.4.3-1, there is no adjustment included for Slovenia as there is no spending for the scheme for this Member State in 2018.

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

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/Reservation follow-up
CZ	5%	EUR 0.027 million	A DG AGRI audit in 2017 identified deficiencies as regards on-the-spot checks 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 4) no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 – 3.1.4.3-2

3.1.4.4 Exceptional Support Measures for Fruit and Vegetables

Following market disturbances in summer 2014 caused by the Russian ban on various products, which impacted heavily on fruit exports, temporary exceptional support measures were introduced for producers of certain fruit and vegetables. Expenditure for exceptional support measures in 2018 was EUR 54 million (see Table: Annex 10 3.1.4.4 1).

No control statistics are required for these temporary support measures. A DG AGRI audit in 2018 detected deficiencies leading it to propose adjustments for Croatia. This results in an overall amount at risk of EUR 0.05 million.

For France errors have been reported by the Certification Body for 2018 and DG AGRI has included the estimated amount of error as amounts at risk.

Fruit and Vegetables - Temporary Exceptional Measures
Calculation of adjusted Error Rate and Amount at Risk

Member State	Aid paid in 2018 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	-	N/D	-		-	-	-	-
BE	530 371	N/D	-		-	-	-	-
BG	-	N/D	-		-	-	-	-
CY	972 289	N/D	-		-	-	-	-
CZ	-	N/D	-		-	-	-	-
DE	-	N/D	-		-	-	-	-
DK	-	N/D	-		-	-	-	-
EE	-	N/D	-		-	-	-	-
ES	13 831 619	N/D	-		-	-	-	-
FI	-	N/D	-		-	-	-	-
FR	772 600	N/D	-	35.14%	-	271 529	35.14%	271 529
GB	-	N/D	-		-	-	-	-
GR	10 794 430	N/D	-		-	-	-	-
HR	1 003 427	N/D	-	5.00%	-	50 171	5.00%	50 171
HU	220 220	N/D	-		-	-	-	-
IE	-	N/D	-		-	-	-	-
IT	5 516 415	N/D	-		-	-	-	-
LT	-	N/D	-		-	-	-	-
LU	-	N/D	-		-	-	-	-
LV	-	N/D	-		-	-	-	-
MT	-	N/D	-		-	-	-	-
NL	55 400	N/D	-		-	-	-	-
PL	18 932 025	N/D	-		-	-	-	-
PT	1 278 167	N/D	-		-	-	-	-
RO	99 617	N/D	-		-	-	-	-
SE	-	N/D	-		-	-	-	-
SI	-	N/D	-		-	-	-	-
Grand Total	54 030 189	-			-	321 701	0.60%	321 701

Table: Annex 10 – 3.1.4.4-1

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

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reser- vation	Mitigating factors/Reservation follow-up
FR	35.14%	EUR 0.272 million	Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	No (see overall reservation for FR)	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required.
HR	5%	EUR 0.050 million	A DG AGRI audit in 2018 found deficiencies as regards the checks to establish the access to the aid.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 – 3.1.4.4-2

3.1.4.5 Conclusions for the Fruit and Vegetable sector

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

The table below summarises the data, which are set out in detail above, and indicates that four reservations are required in respect of 4 Member States for a total amount of EUR 20.90 million. The total amount at risk in the 2018 expenditure is estimated at EUR 24.80 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	796 412 210	3.03%	ES	6 681 173	24 151 448
			IT	9 101 363	
			PT	1 218 385	
			UK	3 901 187	
			Total OPPO	20 902 108	
Pre-Recognition of Producer Groups	4 844 990	0.54%		-	280 733
			Total PRPG	-	
School Fruit	9 859 260	-		-	50 106
Temporary Exceptional Measures	54 030 189	0.60%			321 701
			Total TEM	-	
Grand Total	865 146 648	2.87%		20 902 108	24 803 987

Table: Annex 10 – 3.1.4.5-1

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

As the amount at risk is below the *de minimis* threshold, there is no reservation indicated for **pre-recognition of producer groups**, **temporary exceptional support measures** and the **school fruit scheme**.

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

3.1.5 Wine sector

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

In 2018, the expenditure under this measure for which control statistics were available amounted to EUR 968 million:

Expenditure by Measure in 2018 - Wine measure with control statistics									
Member State	Restructuring and Conversion of Vineyards	Investment	Promotion in Third Countries and Information in EU	By-product distillation	Harvest Insurance	Green harvesting	Innovation	Others	Total Wine
AT	7 174 090	2 191 691	2 420 706						11 786 487
BG	23 686 228		653 761						24 339 989
CY	2 287 749	2 013 663	33 653		275 012		35 791		4 645 869
CZ	4 197 542	917 971							5 115 513
DE	17 558 512	14 268 276	1 550 147		138 095				33 515 029
ES	63 322 590	39 042 260	42 138 799	16 881 040					161 384 689
FR	107 082 935	100 067 857	42 811 052	30 561 932				21 220	280 544 997
GR	9 718 097	1 885 448	3 022 440						14 625 985
HR	923 790	4 409 854	257 952						5 591 596
HU	25 730 028			1 510 713					27 240 741
IT	114 282 918	66 910 621	79 052 742	11 872 379	35 790 712	672 035			308 581 406
PT	53 691 122		7 015 283	850 062	3 651 097				65 207 564
RO	12 774 381	3 274 330	289 056		245 355				16 583 122
SI	4 507 828		537 117						5 044 945
SK	2 852 940	613 425	28 500		300 240				3 795 105
Grand Total	449 790 751	235 595 396	179 811 209	61 676 125	40 400 511	672 035	35 791	21 220	968 003 038

Table: Annex 10 – 3.1.5.1-1

A total of EUR 0.091 million were paid for wine measures³⁴ for which no control statistics were available: Italy: EUR 702 and Spain EUR 90 397.

Restructuring and conversion of vineyards

Aid applications for restructuring and conversion in the wine sector are subject to 100% on-the-spot checks before and after operations, and in all cases before the final payment. The controls, which aim at assessing the eligibility of parcels and operations, and at measuring the areas, are performed by means of both remote sensing and classical (on-the-spot) checks both prior and subsequent to restructuring operations.

³⁴ Aid paid under budget item 05020999.

DG AGRI has carried out 9 audits on the measure between 2016 and 2018 in Austria, Cyprus, Czech Republic, Germany (2 Paying Agencies), Greece, Italy (3 Paying Agencies) and Slovenia. The most significant issue detected was that the Paying Agencies in Cyprus, Greece, Germany and Slovenia did not perform the on-the-spot checks of sufficient number/quality.

Investment measures

The investment measure provides for the possibility to invest in tangible and non-tangible "goods" in order to improve the quality of wine (such as expertise). The aid is paid for 40% to 75% of the investment depending on the region. Investment measures require a 100% control on the spot prior to payment. In the period of 2016-2018, DG AGRI carried out audits in France, Germany, Cyprus, Spain (2 Paying Agencies), Croatia and Italy. The most significant issue detected was the implementation of the projects without a formalised and effective modification process.

Promotion on third country markets

A 100% administrative check is carried out by the Member States in order to detect ineligible costs. Between 2016 and 2018, the Member States audited by DG AGRI were Italy, Spain and France. Deficiencies were detected with regard to the latter, but they did not affect 2018 expenditure.

Green harvesting

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

In 2018, Italy was the only Member State where this measure was used.

By-product distillation

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

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

In 2018, DG AGRI audited the French Paying Agency (France AGRIMER) and no deficiencies were identified.

Harvest Insurance

Harvest insurance is another simple measure. Wine producers can claim up to 80% of the cost of their insurance policy. This requires a straightforward administrative control. On top of that, the aid amount is capped by a maximum insurance premium and a maximum insured value of the harvest.

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

Other (including innovation measure)

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

3.1.5.1 Conclusion for the wine sector

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

DG AGRI audits carried out in 2018 in Greece and Spain verified the work of the Certification Body and:

- No observations were made for Greece;
- Observations were made for Spain.

The Certification Bodies for Austria, Bulgaria, Germany, Hungary, Portugal, Spain and France have also found errors with regard to restructuring of vineyards, investments and promotion and estimations of the error have been added to the respective amounts at risk.

Wine - 2018 Expenditure :								
Calculation of Adjusted Error Rate and Amount at Risk								
Member State	Aid paid in 2018	% of claims checked OTS	Reported error rate	Adjustment	Amount at risk if no top-up	Amount at risk for top-up	Adjusted error rate	Total amount at risk
	EUR				EUR	EUR		EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g) = (b)*(e)	(h) = (f+g)/b	(i) = (f) + ((g)
AT	11 786 487	96.8%	3.04%	0.44%	-	52 054	0.44%	52 054
BG	24 339 989	100.0%	0.10%	1.25%	-	303 963	1.25%	303 963
CY	4 645 869	62.5%	-	3.76%	-	174 797	3.76%	174 797
CZ	5 115 513	100.0%	3.99%	-	-	-	-	-
DE	33 515 029	82.9%	1.26%	1.99%	2	667 457	1.99%	667 459
ES	161 384 689	59.3%	0.83%	0.22%	660 867	361 980	0.63%	1 022 846
FR	280 544 997	87.7%	6.82%	9.02%	1 747 812	19 985 299	7.75%	21 733 111
GR	14 625 985	-	-	3.32%	-	485 905	3.32%	485 905
HR	5 591 596	88.5%	1.14%	0.79%	10 744	44 099	0.98%	54 843
HU	27 240 741	94.5%	19.43%	0.11%	-	29 267	0.11%	29 267
IT	308 581 406	23.6%	2.73%	0.08%	5 373 528	232 581	1.82%	5 606 109
PT	65 207 564	62.1%	6.78%	0.77%	1 244 134	501 517	2.68%	1 745 651
RO	16 583 122	92.3%	1.26%	-	122	-	0.00%	122
SI	5 044 945	87.7%	2.51%	4.47%	3 782	225 391	4.54%	229 174
SK	3 795 105	91.3%	-	-	-	-	-	-
Grand Total	968 003 038	60.0%	4.13%		9 040 990	23 064 309	3.32%	32 105 299

Table: Annex 10 – 3.1.5.1-2

The above table indicates that the adjusted error rate for the wine sector is 3.32%, which represents a total amount at risk in the 2018 expenditure of EUR 32.105 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
CY	3.76%	EUR 0.175 million	A DG AGRI audit in 2018 found deficiencies as regards restructuring and conversion (hereinafter "RC") of vineyards and wine investment measures. For RC the deficiency identified concerns the performance of on-the-spot checks of sufficient quality. For wine investment deficiency identified concerns the performance of administrative checks.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
FR	7.75%	EUR 21.733 million	Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	Yes (see overall reservation for FR)	A reservation is entered in respect of 2018 expenditure (covered by the overall reservation for France AGRIMER). The Member State should reinforce and complete the ongoing action plan addressing the risk and deficiencies identified by the Certification Body in 2017 and 2018. The conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
GR	3.32%	EUR 0.486 million	A DG AGRI audit in 2018 found deficiencies as regards restructuring and conversion of vineyards measure. The deficiencies identified concern the performance of administrative checks and of on-the-spot checks 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 4) no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
PT	2.68%	EUR 1.746 million	The Member State reported a high error rate for Wine restructuring. Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	Yes	A reservation is entered in respect of 2018 expenditure. The Member State should address the causes underlying the error rate reported in the control statistics for Wine restructuring as well as the deficiencies identified by the Certification Body. The conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/Reservation follow-up
SI	4.54%	EUR 0.229 million	A DG AGRI audit in 2018 found deficiencies as regards restructuring and conversion of vineyards measure. The deficiency identified concerns the performance of on-the-spot checks 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 4) no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 – 3.1.5.1-3

3.1.6 Olive oil

In 2018, the expenditure under this scheme, which is implemented only by three Member States (France, Italy and Greece) amounted to EUR 47.92 million.

DG AGRI audit carried out in 2018 identified control deficiencies for Italy and has led to adjustments for this Member State.

For France, an error was reported by the Certification Body in its report for 2018 and DG AGRI has included it as amount at risk.

Member State	Aid paid in 2018 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					-	-	-	-
BE					-	-	-	-
BG					-	-	-	-
CY					-	-	-	-
CZ					-	-	-	-
DE					-	-	-	-
DK					-	-	-	-
EE					-	-	-	-
ES					-	-	-	-
FI					-	-	-	-
FR	523 795	100.0%	1.84%	4.12%	-	21 571	4.12%	21 571
GB					-	-	-	-
GR	13 392 496	100.0%	0.31%		-	-	-	-
HR					-	-	-	-
HU					-	-	-	-
IE					-	-	-	-
IT	34 004 493	100.0%	0.47%	2.18%	-	741 281	2.18%	741 281
LT					-	-	-	-
LU					-	-	-	-
LU					-	-	-	-
LV					-	-	-	-
MT					-	-	-	-
NL					-	-	-	-
PL					-	-	-	-
PT					-	-	-	-
RO					-	-	-	-
SE					-	-	-	-
SI					-	-	-	-
SK					-	-	-	-
Grand Total	47 920 784	100.0%			-	762 851	1.6%	762 851

Table: Annex 10 – 3.1.6-1

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

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/Reservation follow-up
FR	4.12%	EUR 0.022 million	Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	No (see overall reservation for FR)	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required.
IT	2.18%	EUR 0.741 million	A DG AGRI audit in 2018 identified deficiencies in the performance of the on-the-spot-checks of sufficient quality and in controls concerning the adequate audit trail and correct X-Tables payment data submission.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 – 3.1.6-2

3.1.7 School Scheme

Since school year 2017/2018, the School Scheme replaces the school fruit and school milk schemes (see sections 3.1.4.3 and 3.1.9), which were merged in a single school scheme under Regulations (EU) 2017/39 and 2017/40.

Article 9 of Regulation (EU) 2017/40 requires Member States to report on the School Scheme control statistics. The first batch of control statistics is due on 31/10/2019. Therefore, under the 2018 AAR, DG AGRI is not in the position to report neither the on-the-spot control rate nor the reported error rate.

DG AGRI audits carried out in 2018 identified control deficiencies for Germany, Poland and Slovenia and has led to adjustments for these three Member States.

For Bulgaria, Germany and Romania errors have been reported by the respective Certification Bodies for 2018 and DG AGRI has included the estimated amount of error as amounts at risk. In one case (Germany), the Certification Body errors concerned different Paying Agencies to the Paying Agency concerned by DG AGRI's deficiencies and in this case, both amounts at risk have been added.

School Scheme Calculation of adjusted Error Rate and Amount at Risk
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Member State	Aid paid in 2018 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	2 521 264	N/D	-		-	-	-	-
BE	1 090 342	N/D	-		-	-	-	-
BG	3 748 868	N/D	-	0.47%	-	17 777	0.47%	17 777
CY	200 907	N/D	-		-	-	-	-
CZ	6 139 178	N/D	-		-	-	-	-
DE	30 831 377	N/D	-	1.10%	-	361 678	1.2%	361 678
DK	812 408	N/D	-		-	-	-	-
EE	1 304 502	N/D	-		-	-	-	-
ES	14 188 820	N/D	-		-	-	-	-
FI	2 773 499	N/D	-		-	-	-	-
FR	1 871 204	N/D	-	-	-	-	-	-
GB	2 911 216	N/D	-		-	-	-	-
GR	0	N/D	-		-	-	-	-
HR	984 740	N/D	-		-	-	-	-
HU	6 048 734	N/D	-		-	-	-	-
IE	2 552 292	N/D	-		-	-	-	-
IT	29 795 935	N/D	-		-	-	-	-
LT	2 110 344	N/D	-		-	-	-	-
LU	447 334	N/D	-		-	-	-	-
LV	1 546 295	N/D	-		-	-	-	-
MT	163 635	N/D	-		-	-	-	-
NL	7 700 208	N/D	-		-	-	-	-
PL	25 363 488	N/D	-	10.00%	-	2 536 349	10.00%	2 536 349
PT	0	N/D	-		-	-	-	-
RO	6 450 511	N/D	-	1.10%	-	71 188	1.10%	71 188
SE	0	N/D	-		-	-	-	-
SI	950 113	N/D	-	5.00%	-	47 506	5.00%	47 506
SK	3 310 678	N/D	-	-	-	-	-	-
Grand Total	155 817 892	-			-	3 034 497	1.95%	3 034 497

Table: Annex 10 – 3.1.7-1

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
PL	10%	EUR 2.536 million	A DG AGRI audit in 2018 identified deficiencies as regards checks to establish the eligibility of the aid.	Yes	A reservation is entered in respect of 2018 expenditure. The deficiencies detected concern very specific and concrete items in the methodology used for defining the standard unit cost. Therefore, an action plan is not necessary. The ongoing conformity clearance procedure will monitor the implementation of remedial action and ensure that the financial risk to the EU budget is covered.
SI	5%	EUR 0.048 million	A DG AGRI audit in 2018 identified deficiencies as regards administrative checks on aid applications.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 – 3.1.7-2

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 their geographical and economic handicaps such as remoteness, insularity, small size, difficult topography and climate, and economic dependence on a few products.

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

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

Portugal: the Azores and Madeira

Spain: the Canary Islands

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

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

ABB02 measures fall into two categories:

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

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

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

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

Further to the result of enquiries carried out in 2014 and 2018 the error rates reported for POSEI ABB02 for France has been adjusted.

DG AGRI audits carried out in 2018 in Spain verified the work of the Certification Body and no observations were made.

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

POSEI Market measures								
Calculation of adjusted Error Rate and Amount at Risk								
Member State	Aid paid in 2018 EUR	% of claims checked OTS	Reported error rate	Adjustment	Amount at risk if no top-up EUR	Amount at risk for top-up EUR	Adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g) = (b)*(e)	(h) = (f+g)/b	(i) = (f) + ((g))
ES	75 336 589	15.0%	0.24%		155 433	-	0.21%	155 433
FR	124 773 121	6.5%	0.01%	0.07%	14 569	87 849	0.08%	102 418
GR	5 259 243	100.0%	-		-		-	-
PT	23 381 883	43.0%	0.01%		1 968	-	0.01%	1 968
Grand Total	228 750 836	15.2%	0.09%		171 970	87 849	0.11%	259 819

Table: Annex 10 – 3.1.8-1

The table above indicates that the adjusted error rate for the market measures under POSEI in France is 0.08%, which represents a total amount at risk in the 2018 expenditure of EUR 0.102 million. The table above also shows the error rates detected by the Member States.

3.1.9 School Milk Scheme

In 2018, expenditure in respect of this measure amounted to EUR 19 million. There is a high level of control generally for the scheme with over 30.5% of aid claimed being subject to on-the-spot checks. No Member State reported material errors.

The aid paid corresponds to the outstanding payments related the last School Milk school year (school year ending on 31/07/2017) that were executed in financial year 2018 (i.e. after 15/10/2017). Since school year 2017/2018 (i.e. as from 01/08/2017), the school fruit and school milk schemes (see also sub-section 3.1.4.3) have been merged in a single school scheme under Regulations (EU) No 2017/39 and No 2017/40. Further details on this scheme are provided under sub-section 3.1.7 of this Annex.

For Romania errors have been reported by the Certification Body for 2018 and DG AGRI has included the estimated amount of error as amounts at risk.

School Milk Scheme - 2018 expenditure and calculation of amount at risk								
Calculation of adjusted Error Rate and Amount at Risk								
Member State	Aid paid in 2018 EUR	% of claims checked	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	83 436	33.4%	0.00%		1	-	0.00%	1
BE	49 600	24.9%	0.36%		133	-	0.27%	133
BG		33.3%	-		-	-	-	-
CY	74 222	5.9%	-		-	-	-	-
CZ	86 719	77.5%	-		-	-	-	-
DE	200 955	36.9%	0.26%		331	-	0.16%	331
DK	556 443	89.6%	-		-	-	-	-
EE	4 277	10.6%	0.04%		2	-	0.04%	2
ES	51 482	46.5%	0.16%		44	-	0.09%	44
FI	287 439	56.8%	0.02%		26	-	0.01%	26
FR	4 466 143	6.4%	0.69%	-	28 693	-	0.64%	28 693
GB	926 946	9.6%	0.13%		1 101	-	0.12%	1 101
GR	7 280	10.1%	-		-	-	-	-
HR	32 658	99.0%	-		-	-	-	-
HU	55 653	18.7%	0.00%		0	-	0.00%	0
IE	91 274	28.5%	-		-	-	-	-
IT	1 538 466	7.0%	-		-	-	-	-
LT		8.8%	-		-	-	-	-
LU	7 859	100.0%	-		-	-	-	-
LV	2 357	5.3%	-		-	-	-	-
MT		7.7%	-		-	-	-	-
NL	51 409	100.0%	-		-	-	-	-
PL	165 903	15.0%	-		-	-	-	-
PT	725 564	5.5%	-		-	-	-	-
RO	4 699 795	99.7%	0.24%	0.01%	36	581	0.01%	617
SE	4 727 072	15.7%	0.05%		2 034	-	0.04%	2 034
SI		98.1%	-		-	-	-	-
SK	162 897	75.9%	-		-	-	-	-
Grand Total	19 055 851	30.5%	0.2%		32 401	581	0.17%	32 982

Table: Annex 10 – 3.1.9-1

3.1.10 Pig meat, eggs, poultry, beekeeping and temporary exceptional measures in the milk and livestock sectors

Pig meat, eggs and poultry sector

From 2014, the Commission has adopted a number of Regulations providing for temporary exceptional aid to farmers in the pig meat, eggs and poultry sector.

In financial year 2018, expenditure amounted to EUR 30 million.

In the period 2016-2018, DG AGRI audit carried out 2 audits on these measures (Italy and France) with no error detected which would affect the financial year 2018.

For France, an error was reported by the Certification Body in its report for 2018 and DG AGRI has included it as amount at risk.

Pigmeat, eggs, poultry Calculation of adjusted Error Rate and Amount at Risk								
Member State	Aid paid in 2018 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		N/D	N/D	-	-	-	-	-
BE	-2	N/D	N/D	-	-	-	-	-
BG		N/D	N/D	-	-	-	-	-
CY		N/D	N/D	-	-	-	-	-
CZ		N/D	N/D	-	-	-	-	-
DE	12 255	N/D	N/D	-	-	-	-	-
DK		N/D	N/D	-	-	-	-	-
EE		N/D	N/D	-	-	-	-	-
ES		N/D	N/D	-	-	-	-	-
FI		N/D	N/D	-	-	-	-	-
FR	29 105 243	N/D	N/D	2.44%	-	1 422 603	4.89%	1 422 603
GB	11	N/D	N/D	-	-	-	-	-
GR		N/D	N/D	-	-	-	-	-
HR		N/D	N/D	-	-	-	-	-
HU		N/D	N/D	-	-	-	-	-
IE		N/D	N/D	-	-	-	-	-
IT	-1 905	N/D	N/D	-	-	-	-	-
LT		N/D	N/D	-	-	-	-	-
LU		N/D	N/D	-	-	-	-	-
LV		N/D	N/D	-	-	-	-	-
MT		N/D	N/D	-	-	-	-	-
NL		N/D	N/D	-	-	-	-	-
PL	963 385	N/D	N/D	-	-	-	-	-
PT		N/D	N/D	-	-	-	-	-
RO	-41 486	N/D	N/D	-	-	-	-	-
SE		N/D	N/D	-	-	-	-	-
SI		N/D	N/D	-	-	-	-	-
SK		N/D	N/D	-	-	-	-	-
Grand Total	30 037 501	-			-	1 422 603	4.7%	1 422 603

Table: Annex 10 – 3.1.10-1

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

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/Reservation follow-up
FR	4.89%	EUR 1.423 million	Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	Yes (see overall reservation for FR)	A reservation is entered in respect of 2018 expenditure (covered by the overall reservation for France AGRIMER). The Member State should address the deficiencies identified by the Certification Body. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 – 3.1.10-2

Beekeeping

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

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

In financial year 2018, the expenditure amounted to EUR 33.9 million. In the period 2016-2018, DG AGRI audit carried out 3 audits on these measures (Romania, Hungary and Latvia) with an adjustment proposed for Hungary.

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

For Portugal, an error was reported by the Certification Body in its report for 2018 and DG AGRI has included it as amount at risk.

Beekeeping								
Calculation of adjusted Error Rate and Amount at Risk								
Member State	Aid paid in 2018 EUR	% of claims checked OTS	reported error rate	adjustment	amount at risk if no top-up EUR	amount at risk for top-up EUR	adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g) = (b)*(e)	(h) = (f+g)/b	(i) = (f) + ((g)
AT	870 712	N/D	N/D	-	-	-	-	-
BE	249 313	N/D	N/D	-	-	-	-	-
BG	977 696	N/D	N/D	-	-	-	-	-
CY	84 350	N/D	N/D	-	-	-	-	-
CZ	1 250 506	N/D	N/D	-	-	-	-	-
DE	1 367 336	N/D	N/D	-	-	-	-	-
DK	152 284	N/D	N/D	-	-	-	-	-
EE	81 195	N/D	N/D	-	-	-	-	-
ES	5 151 995	N/D	N/D	-	-	-	-	-
FI	110 981	N/D	N/D	-	-	-	-	-
FR	3 670 580	N/D	N/D	-	-	-	-	-
GB	552 453	N/D	N/D	-	-	-	-	-
GR	3 408 676	N/D	N/D	-	-	-	-	-
HR	1 130 528	N/D	N/D	-	-	-	-	-
HU	2 503 060	N/D	N/D	5.00%	-	125 153	5.00%	125 153
IE	36 330	N/D	N/D	-	-	-	-	-
IT	2 892 551	N/D	N/D	-	-	-	-	-
LT	314 621	N/D	N/D	-	-	-	-	-
LU	18 049	N/D	N/D	-	-	-	-	-
LV	192 869	N/D	N/D	-	-	-	-	-
MT	8 304	N/D	N/D	-	-	-	-	-
NL	173 927	N/D	N/D	-	-	-	-	-
PL	2 928 661	N/D	N/D	-	-	-	-	-
PT	992 249	N/D	N/D	39.04%	-	387 359	39.04%	387 359
RO	3 583 874	N/D	N/D	-	-	-	-	-
SE	312 889	N/D	N/D	-	-	-	-	-
SI	343 879	N/D	N/D	-	-	-	-	-
SK	551 688	N/D	N/D	-	-	-	-	-
Grand Total	33 911 555	-			-	512 512	1.5%	512 512

Table: Annex 10 – 3.1.10-3

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

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/Reservation follow-up
HU	5%	EUR 0.125 million	A DG AGRI audit in 2018 identified deficiencies as regards on-the-spot checks 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 4), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
PT	39.04%	EUR 0.387 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 4), no reservation is required. The Member State should address the deficiencies identified by the Certification Body.

Table: Annex 10 – 3.1.10-4

Temporary exceptional measures in the milk and livestock sectors

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

Given the temporary nature of the measures, there are no control statistics available and no adjustments have been considered necessary by the DG AGRI auditors. DG AGRI audits have been carried out between 2016 and 2017 confirming that the measures are, in general, very straightforward with no findings resulting in the opening of conformity procedures.

During the audits in Estonia, Finland, Latvia, Poland and Romania, DG AGRI verified the work of the Certification Body and no observations were made.

Milk and Milk Products								
Calculation of adjusted Error Rate and Amount at Risk								
Member State	Aid paid in 2018 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		N/D	N/D	-	-	-	-	-
BE	34 376 084	N/D	N/D	-	-	-	-	-
BG		N/D	N/D	-	-	-	-	-
CY		N/D	N/D	-	-	-	-	-
CZ	1 899 224	N/D	N/D	-	-	-	-	-
DE	33 149 325	N/D	N/D	-	-	-	-	-
DK	-403	N/D	N/D	-	-	-	-	-
EE	335 913	N/D	N/D	-	-	-	-	-
ES	2 138 557	N/D	N/D	-	-	-	-	-
FI	1 981 182	N/D	N/D	-	-	-	-	-
FR	37 998 604	N/D	N/D	-	-	-	-	-
GB	4 065 188	N/D	N/D	-	-	-	-	-
GR		N/D	N/D	-	-	-	-	-
HR	-14 717	N/D	N/D	-	-	-	-	-
HU		N/D	N/D	-	-	-	-	-
IE	19 531 190	N/D	N/D	-	-	-	-	-
IT		N/D	N/D	-	-	-	-	-
LT	15 390 845	N/D	N/D	-	-	-	-	-
LU		N/D	N/D	-	-	-	-	-
LV	2 727 219	N/D	N/D	-	-	-	-	-
MT		N/D	N/D	-	-	-	-	-
NL	17 642 564	N/D	N/D	-	-	-	-	-
PL	10 694 825	N/D	N/D	-	-	-	-	-
PT		N/D	N/D	-	-	-	-	-
RO	-46	N/D	N/D	-	-	-	-	-
SE		N/D	N/D	-	-	-	-	-
SI		N/D	N/D	-	-	-	-	-
SK	109 870	N/D	N/D	-	-	-	-	-
Grand Total	182 025 425	-			-	-	-	-

Table: Annex 10 – 3.1.10-5

3.1.11 Promotion measures

Control statistics are not available in respect of promotion measures but are being required under Regulation (EU) 2015/1831, which entered into force on 1/12/2015.

Expenditure reimbursed by DG AGRI in 2018 amounted to EUR 72.61 million under the previous and current promotion regimes.

In the period 2016-2018, DG AGRI audit carried out 8 audits on this measure (Bulgaria, Czech Republic, Spain, France, the United Kingdom (GB), Greece (EL), Italy and Lithuania), identifying deficiencies in Bulgaria, France, Greece, the United Kingdom, Italy and Lithuania in respect of procurement procedures (selection criteria, equality of treatment, transparency). Top-ups have been applied for those Member States where DG AGRI has identified breaches of procurement procedures.

For Austria, France and Portugal, errors have been reported by the respective Certification Bodies for 2018. For Austria and Portugal, DG AGRI has included the estimated amount of error as amounts at risk.

For France, where both DG AGRI and the Certification Body had detected deficiencies, only the estimated amount at risk of the latter has been used.

Promotion Measures - Expenditure in 2018								
Calculation of amount at risk								
Member State	Expenditure EUR	% of claims checked OTS	Reported error rate	Adjustment	Amount at risk if no top-up EUR	Amount at risk for top-up EUR	Adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g) = (b)*(e)	(h) = (f+g)/b	(i) = (f) + ((g))
AT	2 270 297	NA	NA	0.13%	-	3 061	0.13%	3 061
BE	3 662 816	NA	NA	-	-	-	-	-
BG	577 926	NA	NA	5.00%	-	28 896	5.00%	28 896
CY	1 464 901	NA	NA	-	-	-	-	-
CZ	1 295 777	NA	NA	-	-	-	-	-
DE	1 202 940	NA	NA	-	-	-	-	-
DK	1 654 260	NA	NA	-	-	-	-	-
EE	96 676	NA	NA	-	-	-	-	-
ES	9 266 404	NA	NA	-	-	-	-	-
FR	11 409 752	NA	NA	0.54%	-	61 553	0.54%	61 553
GB	1 430 907	NA	NA	35.29%	-	504 918	35.29%	504 918
GR	12 262 458	NA	NA	3.27%	-	401 543	3.27%	401 543
IE	1 647 175	NA	NA	-	-	-	-	-
IT	14 121 222	NA	NA	10.23%	-	1 445 137	10.23%	1 445 137
LT	1 967 848	NA	NA	5.97%	-	117 459	5.97%	117 459
LV	377 958	NA	NA	-	-	-	-	-
NL	1 919 100	NA	NA	-	-	-	-	-
PL	3 818 381	NA	NA	-	-	-	-	-
PT	893 956	NA	NA	35.02%	-	313 060	35.02%	313 060
RO	271 051	NA	NA	-	-	-	-	-
SI	1 002 902	NA	NA	-	-	-	-	-
Grand Total	72 614 706	-	-		-	2 875 627	3.96%	2 875 627

Table: Annex 10 – 3.1.11-1

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

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/Reservation follow-up
BG	5%	EUR 0.029 million	A DG AGRI audit in 2017 detected deficiencies in the controls on selection procedures of implementing bodies.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
GB ³⁵	35.29%	EUR 0.505 million	A DG AGRI audit in 2018 found serious deficiencies in the controls on selection procedures of implementing bodies, leading to a top-up of 25% on part of the population and 100% on the aid paid for contracts where the contracting authority was a public body.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
GR	3.27%	EUR 0.402 million	A DG AGRI audit in 2018 detected deficiencies in the controls on selection procedures of implementing bodies.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
IT	10.23%	EUR 1.445 million	A DG AGRI audit in 2015 found serious deficiencies in the controls on selection procedures of implementing bodies, leading to a top-up of 25%.	Yes	A reservation is entered in respect of 2018 expenditure. As a new control set-up will be established in the context of the reformed promotion policy (Regulation (EU) No 1144/2014), an action plan is not necessary. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
LT	5.97%	EUR 0.117 million	A DG AGRI audit in 2017 detected deficiencies in the controls on selection procedures of implementing bodies.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

³⁵ Mitigating factors/reservation follow-up are subject to possible review depending on the exact modalities of the withdrawal of the UK from the Union.

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/Reservation follow-up
PT	35.29%	EUR 0.313 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 4) no reservation is required. The Member State should address the deficiencies identified by the Certification Body.

Table: Annex 10 – 3.1.11-2

3.1.12 Emergency measures to farmers in Lithuania, Latvia, Estonia and Finland

Between August and October 2017, Lithuania, Latvia, Estonia and the southern part of Finland experienced heavy rainfalls, which resulted in flooding of a significant part of the Member State's arable land.

To help the farmers in these areas, emergency measures were approved on 23/01/2018 (Regulation (EU) 2018/108) providing for a financial compensation for eligible hectares in order to compensate future economic losses related to the upcoming 2018/2019 harvest marketing year.

In 2018, the expenditure under this scheme, which was implemented only by these four Member States, amounted to EUR 14.2 million. No control statistics are required for this emergency measures. In 2018, DG AGRI carried out 1 audit mission in Latvia which detected no deficiencies. During the audit DG AGRI verified the work of the Certification Body and no observations were made.

3.1.13 France AGRIMER

The Certification Body for France AGRIMER found significant amounts at error (including known errors for late payments) across several aid schemes managed by that Paying Agency and those amounts have been used to adjust the error rate at Paying Agency level.

The following table summarises the situation with regard to the risk at the level of France AGRIMER³⁶:

Budget Article	Measure	Sector Level		Error rate
		Expenditure	Amount at risk	
050206	Olive Oil	523 795	21 571	
050208	Fruit & Vegetables	110 936 662	673 130	
050209	Wine	280 544 997	21 733 111	
050210	Promotion measures	11 409 752	61 553	
050212	Milk and milk products	42 464 747	28 693	
050215	Pigmeat, eggs, poultry & apiculture	32 775 824	1 422 603	
050218	School scheme	1 871 204	-	
050213-14	Beef and Veal - Sheepmeat and goatmeat	-9 476	-	
FR20	France AGRIMER	480 517 506	23 940 659	4.98%

Table: Annex 10 – 3.1.13-1

³⁶ The table Annex 10 – 3.1.13-1 shows the expenditure for France AGRIMER in 2018. The Paying Agency resubmitted accounts after 31/03/2019, including self-correction in the amount of EUR 12 779 900.80 which is not considered when calculating the amount at risk.

DG AGRI's adjustments and their impact on the amounts at risk are summarised in the following table with an indication of the follow up action required:

Paying Agency/measure	Adjusted error rate	Amount at Risk	Reason for adjustment	Reservation	Mitigating factors/reservation follow-up
FR 20 Market measures	4.98%	EUR 23.941 million	The Certification Body has identified significant errors with regard to 2017 expenditure on market measures including known errors for late payments. Based on the Certification Body's assessment, adjustments were made to the error rate reported by the Member State or for measures for which there are no control statistics, the amount at risk has been estimated.	Yes (see also Wine and Poultry)	A reservation is entered in respect of 2018 expenditure. The Member State should address, in an action plan, the deficiencies identified by the Certification Body as well as the deficiencies which have also been identified by DG AGRI in the Wine sector (investment and promotion measures) and Poultry.

Table: Annex 10 – 3.1.13-2

3.1.14 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 2.53% has been calculated for shared management. As there was no direct expenditure for promotion measures in 2018, for ABB02 as a whole, the adjusted error rate is also 2.53%.

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 2017 AAR which are not carried over in respect of 2018.

1 reservation from 2017 can be lifted:

France for POSEI measures.

4 reservations from 2017 are carried over as the remedial action plans are still underway and the error is material:

Spain and Italy for operational programmes of producer organisations;

Italy for promotion measures;

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

4 new reservations are introduced:

Portugal and the United Kingdom for operational programmes for producer organisations;

Poland for the new school scheme;

Portugal for wine measures.

The following table gives details of the case where a reservation made in the 2017 AAR was not carried over in the 2018 AAR:

Member State/ measure	Adjusted error rate	Amount at risk	Justification
FR for POSEI ABB02 measures	0.08%	EUR 0.102 million	As the amount at risk is below the <i>de minimis</i> threshold established by DG AGRI's materiality threshold (see Annex 4), no reservation is required. France has taken corrective action with regard to deficiencies detected in the past and which were the subject of reservations in previous years. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 – 3.1.14-2

The following table shows the portion of ABB02 expenditure covered by Member States' control statistics and the amounts at risk, which results from DG AGRI's validation and adjustment process. Control statistics are available in respect of 79% of the expenditure covering EUR 2 075 million.

For a further EUR 528 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 17.56 million the aggregate error rate for the other measures (2.53%) 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* 1.98%	
						Expenditure ⁽¹⁾	Risk	Expenditure ⁽¹⁾	Risk
050201	Cereals	14 897 957			14 897 957		-	14 897 957	376 615
050202	Rice	-			-		-	-	-
050203	Non-annex I products	-			-		-	-	-
050204	Food Aid	-			-		-	-	-
050205	Sugar	-			-		-	-	-
050206	Olive Oil	47 920 784	47 920 784	762 851	-		-	-	-
050207	Textile Plants	-			-		-	-	-
050208	Fruit and Vegetables	865 146 648	811 116 460	24 482 287	54 030 189	54 030 189	321 701	-	-
050209	Wine ⁽²⁾	968 094 138	968 003 038	32 105 299	91 100		-	91 100	2 303
050210	Promotion (shared management only)	72 614 706			72 614 706	72 614 706	2 875 627	-	-
050211	Other plant products and POSEI	231 198 002	228 750 836	259 819	2 447 166		-	2 447 166	61 864
050212	Milk and Milk Products	201 081 275	19 055 851	32 982	182 025 425	182 025 425	-	-	-
050213	Beef and Veal	129 787			129 787		-	129 787	3 281
050214	Sheepmeat and goatmeat	- 1 391			(1 391)		-	(1 391)	(35)
050215	Pigmeat, eggs, poultry & apiculture	63 949 056			63 949 056	63 949 056	1 935 115	-	-
050218	School scheme ⁽³⁾	155 817 892			155 817 892	155 817 892	3 034 497	-	-
	Total	2 620 848 854	2 074 846 969	57 643 239	546 001 885	528 437 268	8 166 940	17 564 618	444 028
						Expenditure	Amount at risk	% coverage	Error rate
Expenditure covered by control statistics						2 074 846 969	57 643 239	79.17%	
Expenditure for which there are no statistics but for which risk assessment carried out						528 437 268	8 166 940	20.16%	
Risk for expenditure covered by statistics and by risk assessment						2 603 284 237	65 810 179	99.33%	
*Error rate used on expenditure covered by statistics and risk assessed									2.53%
Extrapolated risk for non-risk assessed expenditure						17 564 618	444 028		
ABB02 - shared management - monthly declaration						2 620 848 854	66 254 207		
Suspension of payments ⁽⁴⁾						-526 117	-		
ABB02 - shared management - payments made						2 620 322 737	66 254 207		2.53%
ABB02 - direct management - payments made on Promotion measures - direct payments by the Union							-		
Total ABB 02 - payments made						2 620 322 737	66 254 207		2.53%

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

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

⁽³⁾ For the new School Scheme the control statistics will be reported to DG AGRI only in October 2019. Therefore in this table the measure is reported in the section including the "Measure risk assessed by auditors" as to date DG AGRI has already performed three audits on the scheme.

⁽⁴⁾ Suspension of payments made in respect of financial year 2017 for Poland. The amounts corresponding to payments suspended have been declared by the Paying Agency to the Commission in its monthly declarations (i.e. no recovery order issued for the amounts concerned) but the amounts are suspended and not reimbursed to the Member State by the Commission.

Table: Annex 10 – 3.1.14-3

Overall, the adjustments made resulted in the reported error rate of 0.61% increasing to 2.53% for ABB02. The adjusted error rate has slightly increased from the error rate of 2.38% for 2017.

The total amount at risk for ABB02 is EUR 66.25 million with an error rate of 2.53%.

It is noted that the average amount of net financial corrections per year for the five-year period 2014-2018 (excluding corrections made for cross-compliance and no longer existing schemes) is EUR 87.38 million for ABB02.

3.2 ABB03 – Direct Payments

Index for Part 3.2 – ABB03: Direct Payments

3.2.1 Introduction

3.2.2 ABB03 Expenditure

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

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

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

3.2.6 Conclusions as regards assurance for ABB03

3.2.1 Introduction

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

Direct payments benefited nearly 6.5 million farms throughout the European Union in financial year 2017³⁷. They often represent an important share of their agricultural income (on average, nearly half of farmers' income in the last ten years came from this direct support).

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

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

- ⇒ a '**green**' direct payment for agricultural practices beneficial for the climate and the environment, which conditions the payment of 30% Member States' annual allocation to meeting three categories of generalised, non-contractual and annual obligations beneficial for the environment and climate: **crop diversification**, **maintenance of permanent grassland**, and the dedication of five per cent of arable land to ecologically beneficial areas ("**ecological focus areas**"). 77% of the total EU agricultural area is subject to at least one "greening" obligation³⁸.
- ⇒ 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.

³⁷ https://ec.europa.eu/agriculture/cap-funding/beneficiaries/direct-aid_en

³⁸ Data source: 2016 notifications from Member States.

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

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

Active farmer

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

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

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

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

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

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

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

From claim year 2018 and onwards (i.e. payments from financial year 2019), the Omnibus amendment³⁹ of Regulation (EU) No 1307/2013 published on 29/12/2017 gives the Member States the option to decide not to apply anymore the “negative list” or (in case they decide to keep the “negative list”) to reduce the number of rebuttal tests to two or one.

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

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

Explanatory box: Annex 10 – 3.2.1-1

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

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

³⁹ Regulation (EU) 2017/2393 of the European Parliament and of the Council of 13 December 2017.

As a result of the current system:

- The distribution of payments is more balanced due to external and internal convergence: DG AGRI data show that the average direct payments per hectare are converging (at Member State and farmer levels).
- The payments are better targeted, addressing the particular needs of young farmers, smaller farmers and specific sectors or regions with certain difficulties.

Payment Entitlements

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

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

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

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

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

Explanatory box: Annex 10 – 3.2.1-2

3.2.2 ABB03 Expenditure

ABB03 expenditure in financial year 2018 was as follows:

Expenditure reimbursed by DG AGRI to the Member States in 2018			
Budget item	Measure	Expenditure (EUR)	Totals (EUR)
050301	Decoupled direct payments		35 304 819 644
05030101	Single payment scheme (SPS)	14 275 401	
05030102	Single area payment scheme (SAPS)	4 177 307 237	
05030107	Redistributive payment	1 650 816 075	
05030110	Basic payment scheme (BPS)	17 300 845 505	
05030111	Payment for agricultural practices beneficial for the climate and the environment	11 774 595 411	
05030112	Payment for farmers in areas with natural constraints	4 915 112	
05030113	Payment for young farmers	381 612 493	
05030199	Other (decoupled direct payments)	452 409	
050302	Other direct payments		5 750 010 445
05030240	Crop-specific payment for cotton	243 748 034	
05030244	Specific support (Article 68 of Regulation (EC) No 73/2009) — Coupled direct payments	858 230	
05030250	POSEI — European Union support programmes	422 006 970	
05030252	POSEI — Smaller Aegean islands	16 764 615	
05030260	Voluntary coupled support scheme	4 033 188 856	
05030261	Small farmers scheme	1 035 586 499	
05030299	Other (direct payments)	-2 142 759	
050303	Additional amounts of aid		5 951
05030300	Additional amounts of aid	5 951	
05030900	Reimbursement of direct payments to farmers from appropriations carried-over in relation to financial discipline	441 680 299	441 680 299
ABB 03 Total			41 496 516 339

Table: Annex 10 – 3.2.2-1

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

The assurance of the Director-General is drawn from the various levels of management and control that are in place and the results, which can be obtained from them. In the first place, the Member States, with 69 accredited Paying Agencies, are responsible for managing and checking the aid applications received from nearly 6.5 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)**. 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 communicated by the Member States depends on the effectiveness of their control and reporting systems. DG AGRI carries out an extensive review and validation process (explained in detail in its Annex 4 to this report setting out its materiality criteria) in order to adjust this error rate upwards to a level which it considers better reflects the actual level of error. In so doing, it uses its professional judgement on the basis of all available information. The main elements assessed are the following.

A. Assessment of the Certification Bodies' opinions

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

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

In a number of cases, when the errors exceeded the materiality level, the work carried out by the Certification Bodies was considered for the error rate adjustment. Depending on whether the deficiencies detected by the Certification Body and DG AGRI's auditors were similar and/or covered the same population, the adjustment applied ensured that the risk to the Fund is covered.

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

For **Belgium (BE03)**, the adjustment is based on the calculated most likely error amount and the known errors identified by the Certification Body.

For **Bulgaria, Luxembourg and Germany (DE07)**, where the Certification Body followed the new guidelines, the adjustment applied took into account the most likely error of the incompliance rate and the known error detected by the Certification Body.

For **Slovakia**, the Certification Body had qualified its opinion on EAGF IACS and DG AGRI has an on-going conformity enquiry, which is also quantifying the amount at risk. The adjustment took into account the Certification Body results as regards the incompliance rate and the findings and assessment of DG AGRI.

For **France (ODEADOM)** the adjustment is based on the calculated most likely error amount identified by the Certification Body and applied on a reduced population.

Of the Member States mentioned above, only for Slovakia and France (ODEADOM) did the resulting adjusted error rate exceed 2% (see table in sub-section 3.2.5).

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

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

C. Assessment of findings from DG AGRI audit missions carried out in 2016-2018

(i) Direct Decoupled Aids

In 2018, 16 Paying Agencies in 13 Member States were audited. The Paying Agencies audited were selected on the basis of a risk analysis. Over the period 2016-2018, 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 2018.

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 2017 and 2018. Therefore, the DG AGRI audit work, in the first instance, reviewed the work of the Certification Bodies.

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

Where the work was found not to be to the standard required, DG AGRI made comments and/or recommendations so as to enable its use for reliance in the context of the AAR. Because of the early timing of the DG AGRI work, often before the Certification Body had finalised its work, Certification Bodies were in a position to remedy shortcomings in the work carried out or complement the work to be done so as to enable full reliance in respect of the financial year 2018.

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

The audit missions in 2018 also showed that the implementation of the reform was generally satisfactory, with the exception of a few Member States, where deficiencies were noted and which caused a material risk for the Fund, within a subpopulation of farmers. It concerned:

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

In many cases where audits revealed findings, as part of the clearance procedure applicable as 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 a DG AGRI audit in 2017 detected weaknesses in the functioning of the LPIS, the GSAA⁴⁰ and the quality of the on-the-spot checks, which is being addressed in an action plan requested by DG AGRI. Following allegations of mismanagement by the Paying Agency received in 2018, DG AGRI analysed the situation reported against its findings established in 2017 and if these allegations had a bearing on the proper functioning of the management and control system. Excessive delays in the processing of payments, in particular for overlapping claims, were identified, indicating that there is clearly room for improvement in the Paying Agency's management and control system, which is also in line with the Certification Body qualified opinion for EAGF IACS on the 2018 financial year. This requires a reinforcement of the ongoing action plan for direct payments.

In 2018, the management and control systems concerning the allocation of **Payment Entitlements** implemented by 8 Paying Agencies in 8 Member States that implemented the Basic Payment Scheme were also subject to a conformity audit. The Paying Agencies audited were selected on the basis of a risk analysis.

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

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

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

(ii) Voluntary Coupled Support measures

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

An essential point of this review was the compliance with Article 52(3) of Regulation (EU) No 1307/2013, which provides for the legal condition that such coupled support can be granted to sectors or regions where specific types of farming or specific agricultural sectors that are particularly important for economic, social or environmental reasons, undergo certain difficulties. However, following the Omnibus amendment, applicable as of claim year 2015, the VCS condition limiting its granting to the extent necessary to create

⁴⁰ Geospatial Aid Application.

an incentive to maintain current levels of production was replaced by the principle that VCS should be a production-limiting scheme based on fixed areas and yields or on a fixed number of animals and the respect of the financial ceilings at measure level. Furthermore, Member States may now perform an annual review of their VCS measures chosen with the first of such annual review taking effect as of claim year 2019.

In 2018, 10 Paying Agencies in 8 Member States were audited. The Paying Agencies audited were selected, based on a risk analysis. Over the period 2016-2018, 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 2018.

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

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

Voluntary Coupled Support

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

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

With retroactive effect as from claim year 2015, the Omnibus amendment⁴¹ of Regulation (EU) No 1307/2013, published on 29/12/2017, clarified the Member States' responsibilities with regard to VCS. Accordingly, it replaced the condition that VCS may only be granted to the extent necessary to create an incentive to maintain the current levels of production in the sectors or regions concerned. Instead, it introduced the principle that VCS is a production-limiting scheme based on fixed areas and yields or on a fixed number of animals and the respect of the financial ceilings at measure level.

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

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

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

Further Omnibus amendments that started to apply as from 2018:

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

Explanatory box: Annex 10 – 3.2.3.2-1

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

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

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

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

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

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

Explanatory box: Annex 10 – 3.2.3.2-2

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

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

Paying Agency	Paying Agency Name	Relevant Expenditure ⁽¹⁾ in Financial Year 2018 (EUR)	Reported (residual) Error Rate	Adjusted Error Rate	Amount at Risk (EUR)
AT01	AMA	691 337 010	0.13%	6.79%	46 959 188
BE02	ALV	224 728 678	0.37%	1.26%	2 841 481
BE03	SPW-DGARNE	276 835 117	0.56%	0.79%	2 178 394
BG01	DFZ [SFA]	783 866 869	0.57%	0.59%	4 616 308
CY01	ΚΟΑΠ [CAPO]	49 452 062	0.62%	5.22%	2 579 835
CZ01	SZIF [SAIF]	834 152 088	0.39%	1.47%	12 299 567
DE03	Baden-Württemberg MLR	405 043 755	0.49%	0.56%	2 254 370
DE04	Bayern StMLF	978 923 285	0.29%	0.50%	4 918 604
DE07	Brandenburg MLUV	337 832 054	0.28%	0.36%	1 215 151

Paying Agency	Paying Agency Name	Relevant Expenditure ⁽¹⁾ in Financial Year 2018 (EUR)	Reported (residual) Error Rate	Adjusted Error Rate	Amount at Risk (EUR)
DE11	Mecklenburg-Vorpommern MELFF	355 033 690	0.16%	0.20%	711 468
DE12	Niedersachsen	776 745 607	0.34%	0.37%	2 881 919
DE15	LWK Nordrhein-Westfalen	454 539 371	0.21%	0.38%	1 731 091
DE17	Rheinland- Pfalz	191 263 795	0.34%	0.40%	768 246
DE18	Saarland	21 115 706	1.09%	1.53%	322 724
DE19	Sachsen	248 748 207	0.32%	0.58%	1 430 613
DE20	Sachsen-Anhalt	317 011 033	0.14%	0.14%	451 925
DE21	Schleswig-Holstein	299 880 833	0.81%	0.84%	2 505 564
DE23	Thüringen	210 174 002	0.46%	0.62%	1 299 080
DE26	Helaba	218 827 379	0.43%	1.07%	2 349 911
DK02	DAFA	827 476 354	1.11%	3.06%	25 294 320
EE01	PRIA	122 581 599	1.98%	2.28%	2 793 406
ES01	Andalucía	1 447 371 450	1.37%	1.60%	23 135 418
ES02	Aragón	424 195 163	0.31%	0.58%	2 452 042
ES03	Asturias	63 876 607	0.27%	1.13%	723 564
ES04	FOGAIBA	28 199 780	1.00%	1.47%	414 399
ES05	Islas Canarias	191 052 597	1.22%	1.62%	3 095 909
ES06	Cantabria	43 309 192	0.32%	1.07%	461 618
ES07	Castilla La Mancha	654 991 963	0.49%	0.74%	4 872 138
ES08	Castilla y León	899 781 205	0.39%	0.67%	6 032 391
ES09	Cataluña	264 441 511	0.50%	0.77%	2 032 823
ES10	Extremadura	516 967 556	1.04%	1.42%	7 366 410
ES11	FOGGA	171 553 217	0.34%	1.11%	1 896 946
ES12	Madrid	36 980 150	0.96%	1.29%	475 450
ES13	Murcia	57 712 310	3.53%	3.98%	2 298 462
ES14	Navarra	100 794 873	0.51%	0.77%	772 120
ES15	País Vasco	43 536 544	1.14%	3.37%	1 465 265
ES16	La Rioja	27 649 988	1.53%	1.95%	538 921
ES17	AVFGA	101 663 487	1.00%	1.41%	1 429 277
FI01	MAVI	523 458 826	0.72%	0.72%	3 757 247
FR05	ODEADOM	138 927 304	1.16%	2.11%	2 935 605
FR19	ASP	7 054 594 391	0.51%	1.64%	115 961 367
GB05	DARD	324 357 860	1.27%	1.27%	4 118 200
GB06	SGRPID	508 674 617	0.59%	2.59%	13 159 970
GB07	WG	263 293 522	0.25%	0.25%	652 710
GB09	RPA	2 036 517 495	0.49%	1.12%	22 872 057
GR01	O.Π.E.K.E.Π.E. [O.P.E.K.E.P.E.]	2 046 835 621	1.31%	1.69%	34 663 121
HR01	PAAFRD	240 476 362	3.78%	3.78%	9 088 962
HU02	HST	1 279 781 888	1.35%	1.58%	20 206 926
IE01	DAFM	1 197 015 135	0.47%	0.47%	5 668 444

Paying Agency	Paying Agency Name	Relevant Expenditure ⁽¹⁾ in Financial Year 2018 (EUR)	Reported (residual) Error Rate	Adjusted Error Rate	Amount at Risk (EUR)
IT01	AGEA	1 747 722 076	1.02%	3.00%	52 419 783
IT05	AVEPA	362 158 725	0.70%	2.46%	8 917 644
IT07	ARTEA	160 343 227	0.93%	2.92%	4 674 409
IT08	AGREA	336 388 961	0.36%	2.27%	7 642 639
IT10	ARPEA	337 346 032	0.28%	2.24%	7 560 006
IT23	OPR Lombardia	455 428 484	0.30%	2.13%	9 713 133
IT24	OPPAB	30 750 788	0.14%	2.07%	636 250
IT25	APPAG	17 159 939	0.90%	2.79%	478 393
IT26	ARCEA	228 393 377	0.75%	2.74%	6 257 005
LT01	NMA [NPA]	462 508 695	0.54%	1.42%	6 550 797
LU01	Ministère de l'Agriculture	33 079 814	0.09%	0.10%	33 336
LV01	RSS	228 118 525	0.43%	0.43%	985 482
MT01	MRRA PA	5 105 623	0.61%	1.42%	72 547
NL04	RVO	720 299 561	0.28%	0.48%	3 444 762
PL01	ARIMR [ARMA]	3 364 597 975	1.77%	4.46%	149 936 915
PT03	IFAP	665 010 700	1.16%	1.24%	8 215 396
RO02	PIAA	1 774 565 555	2.00%	2.00%	35 471 838
SE01	SJV	685 649 771	0.89%	3.55%	24 364 559
SI01	ARSKTRP	134 875 841	1.45%	2.59%	3 487 180
SK01	APA	438 444 526	0.79%	2.77%	12 148 532
Grand Total	ABB 03	41 501 527 302			
Amounts reimbursed to DG AGRI by Coordinating Bodies		-5 010 963			
ABB03 - Payments made		41 496 516 339	0.84%	1.83%	757 961 531

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

Table: Annex 10 – 3.2.4-1

In a number of cases – Belgium, Bulgaria, Czech Republic, Germany (all Paying Agencies for greening), Spain (15 Paying Agencies), France (FR19), the United Kingdom (GB09), Greece, Hungary, Lithuania, Luxembourg, Malta, The Netherlands and Portugal, top-ups, based on DG AGRI audits or the Certification Bodies' work, were made to the reported error rate but the resulting adjusted error rate was not above the materiality threshold of 2% and therefore a reservation was not considered.

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

The following table sets out the situation for all cases where the adjusted error rate is above 2%. A brief explanation is given for the top-ups applied and any mitigating factors are examined in order to determine if a reservation is required and if so, an indication is given of the follow-up action required.

Paying Agency	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/Reservation follow-up
AT01	6.79%	EUR 46.959 million	DG AGRI audits in 2016 and 2018 identified weaknesses in recording the permanent grassland in LPIS and in allocation of payment entitlements.	Yes	A reservation is entered in respect of 2018 expenditure. The Member State has been requested to take the necessary remedial action for the findings in the framework of the ongoing conformity clearance procedure. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
CY01	5.22%	EUR 2.580 million	A DG AGRI audit in 2018 identified weaknesses in the administrative checks concerning the young farmer status, in application of the pro-rata for permanent grassland, and in performance of the on-the-spot-checks (VCS area) of sufficient quality.	Yes	A reservation is entered in respect of 2018 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.
DK02	3.06%	EUR 25.294 million	A DG AGRI audit in 2018 identified weaknesses in the administrative checks concerning the fixing of payment entitlements and in the controls of active and young farmer status.	Yes	A reservation is entered in respect of 2018 expenditure. The Member State has been requested and has agreed to take the necessary remedial action for the findings in the framework of the ongoing conformity clearance procedure. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
EE01	2.28%	EUR 2.793 million	The Member State reported a high error rate close to the materiality level. A DG AGRI audit in 2018 identified weaknesses in payments made under greening and in the area-based voluntary coupled support.	No	A reservation is not considered necessary. The Member State should address where necessary the causes underlying the error rate reported in the control statistics. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
ES13 - Murcia	3.98%	EUR 2.298 million	The Member State reported a high error rate above the materiality level. A DG AGRI audit in 2018 identified weaknesses in the	Yes	A reservation is entered in respect of 2018 expenditure. The Member State should address where necessary the causes underlying the error rate reported in the control statistics.

Paying Agency	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/Reservation follow-up
			performance of the on-the-spot-checks for animal-based voluntary coupled support measures.		The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
ES15 – Pais Vasco	3.37%	EUR 1.465 million	A DG AGRI audit in 2018 identified weaknesses in the quality of the performance of the on-the-spot-checks.	Yes	A reservation is entered in respect of 2018 expenditure. The Member State has been requested to take the necessary remedial action for the findings in the framework of the ongoing conformity clearance procedure. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
GB06 – Scotland ⁴²	2.59%	EUR 13.160 million	A DG AGRI audit in 2018 identified weaknesses in the administrative checks concerning the allocation of payment entitlements as regards the identity of beneficiaries and the Active Farmer status.	Yes	A reservation is entered in respect of 2018 expenditure. The currently ongoing action plan covers the identified weaknesses and should continue to be implemented. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
HR01	3.78%	EUR 9.089 million	The Member State reported a high error rate above the materiality level.	No	A reservation is not considered necessary. However, the Member State should address where necessary the causes underlying the high error rate reported in the control statistics.
IT01 AGEA	3.00%	EUR 52.420 million	As in 2016 and 2017, DG AGRI audits in 2018 identified weaknesses affecting all Paying Agencies and mainly concerning the LPIS (correct recoding of permanent grassland) in the fixing of entitlements and the verification of the active farmer status. The related top-ups are applied for all the Italian Paying Agencies.	Yes	A reservation is entered in respect of 2018 expenditure. As there is a centralised management system for IACS measures, an action plan to remedy the deficiencies identified in 2016 and 2017 was elaborated in 2018 covering all Italian Paying Agencies. The deficiencies identified in 2018 should also be addressed by appropriate remedial actions in the context of an action plan. The ongoing conformity clearance procedure will ensure that the financial risk

⁴² Mitigating factors/reservation follow-up are subject to possible review depending on the exact modalities of the withdrawal of the UK from the Union.

Paying Agency	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/Reservation follow-up
					to the EU budget is covered.
IT05 Veneto	2.46%	EUR 8.918 million			
IT07 Toscana	2.92%	EUR 4.674 million			
IT08 Emilia Romagna	2.27%	EUR 7.643 million			
IT10 Piemonte	2.24%	EUR 7.560 million			
IT23 Lombardia	2.13%	EUR 9.713 million			
IT26 Calabria	2.74%	EUR 6.257 million			
IT24 Bolzano	2.07%	EUR 0.636 million	As in 2016 and 2017, DG AGRI audits in 2018 identified weaknesses affecting all Paying Agencies and mainly concerning the LPIS (correct recoding of permanent grassland) in the fixing of entitlements and the verification of the active farmer status. The related top-ups are applied for all the Italian Paying Agencies.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
IT25 Trento	2.79%	EUR 0.478 million			
PL01	4.46%	EUR 149.937 million	A DG AGRI audit in 2018 identified weaknesses in the administrative checks concerning the active farmer status (connected companies) and in the quality of the on-the-spot-checks.	Yes	A reservation is entered in respect of 2018 expenditure. The Member State should take the necessary remedial actions to address the weaknesses identified in 2018 in the context of an action plan. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
RO02	2.00%	EUR 35.472 million	Only the error reported by the Member State.	No	A reservation is not considered necessary. The ongoing action plan on Area Aid measures should continue to be implemented by the Member State.
SE01	3.55%	EUR 24.365 million	DG AGRI audits in 2016 and 2017 identified weaknesses in the administrative checks concerning the	Yes	A reservation is entered in respect of 2018 expenditure. An action plan has been elaborated and should be reinforced to address also

Paying Agency	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/Reservation follow-up
			allocation of payment entitlements and the verification of the active farmer status (connected companies).		the deficiencies identified in 2018 concerning the correct allocation of payment entitlements. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
SI01	2.59%	EUR 3.487 million	A DG AGRI audit identified weaknesses in the administrative checks concerning the young farmer status, the allocation of entitlements and the performance of the on-the-spot-checks of sufficient quality.	No	A reservation is not considered necessary. 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 conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
SK01	2.77%	EUR 12.149 million	A DG AGRI audit in 2017 identified deficiencies in the performance of the on the spot checks. Based on the Certification Body assessment, an adjustment was made to the error rate reported by the Member State for VCS animals' scheme.	Yes	A reservation is entered in respect of 2018 expenditure. The ongoing action plan should be reinforced to address also the deficiencies identified by DG AGRI. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
FR05 – ODEADOM	2.11%	EUR 2.936 million	A DG AGRI audit in 2014 identified weaknesses in the administrative checks and in the calculation of the amount of aids under POSEI banana scheme. Furthermore, a DG AGRI audit in 2017 identified weaknesses in the administrative checks under POSEI transport aid for sugar cane scheme. Based on the Certification Body's assessment, a further adjustment was made to the error rate reported by the Member State. The findings of the Certification Body concern the deficiencies in on-the-spot checks under the banana scheme.	Yes	A reservation is entered in respect of 2018 expenditure. The Member State has amended the POSEI programme to remedy the deficiencies concerning the transport aid for sugar cane scheme. The Member State should continue to implement the ongoing action plan concerning the banana scheme. The Member State should also address the deficiencies identified by the Certification Body. The conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 – 3.2.5-1

The following table gives details of cases for Direct payments where a reservation made in the 2017 AAR was not carried forward in the 2018 AAR:

Paying Agency	Adjusted error rate	Amount at risk	Justification
HR01	3.78%	EUR 9.089 million	The necessary remedial actions for the weaknesses are taken in the framework of the ongoing conformity clearance procedure which is now about to be finalised. The Member State should nevertheless address where necessary the causes underlying the error rate reported in the control statistics.
HU02	1.58%	EUR 20.207 million	The necessary remedial actions for the deficiencies detected in the framework of the ongoing conformity clearance procedure are being taken.
RO02	2.00%	EUR 35.472 million	Error rate only from reported error by the Paying Agency. An action plan on Area Aid measures is ongoing and is being monitored by DG AGRI.

Table: Annex 10 - 3.2.5-2

3.2.6 Conclusions as regards assurance for ABB03

As a result of the adjustments made, an adjusted error rate has been calculated of 1.83% with 23 out of 69 Paying Agencies having an adjusted error rate above 2% and 2 above 5% – see Table: Annex 10 - 3.2.5-1. Overall, the reported error rate for ABB03 increased from 0.84% to 1.83%, 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 4 cases (Estonia, Croatia, Romania and Slovenia), it was considered that, given the mitigating factors present (see summary under subsection 3.2.3), it would not be necessary to make reservations.

In a further 2 cases, as the amount at risk was below DG AGRI's *de minimis* threshold, no reservation is required. Table: Annex 10 – 3.2.5-1 sets out the reasoning in respect of each case.

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

- Austria
- Cyprus
- Denmark
- Spain (2 Paying Agencies)
- France (ODEADOM)
- The United Kingdom (1 Paying Agency)
- Italy (7 Paying Agencies)
- Poland
- Sweden
- Slovakia.

Three reservations from 2017 AAR (Croatia, Hungary, Romania) are not carried forward in the 2018 AAR due to error rates in 2018 below 2% (Croatia, Hungary) or error rate resulting from reported error rate and an action plan is being implemented (Romania).

New reservations are introduced for Austria, Denmark, Spain (2 Paying Agencies) and Poland.

For direct payments, the adjusted error rate of 1.83% is slightly lower than that of 2017 (1.92%) while the number of Paying Agencies under reservation has increased from 15 to 17. The overall result with an error rate below materiality continues to confirm that the Integrated Administration and Control System (IACS), when implemented in accordance with applicable rules and guidelines, limits effectively the risk of irregular expenditure.

The error rate for ABB03 is 1.83% with an amount at risk of EUR 757.96 million.

It is noted that the average amount of net financial corrections per year for the historical period of 2014-2018 (excluding corrections made for cross-compliance) is EUR 588.95 million for ABB03⁴³.

⁴³ See sub-section 2.4.1.5.1 of the main body of the report on "corrective capacity". No information is given on the corrective capacity, which derives from recoveries as this is not split by ABB activity and is available only at Funds level.

Part 3.3: ABB04 – Rural Development

Index for Part 3.3 – ABB04: Rural Development

3.3.1 Introduction

3.3.2 ABB04 expenditure

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

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

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

3.3.6 Conclusions as regards assurance for ABB04

3.3.1 Introduction

One of DG AGRI's key objectives is to contribute to the sustainable development of rural areas. DG AGRI does this through its rural development policy which is funded under the European Agricultural Fund for Rural Development (EAFRD). In total, 118 national and regional programmes co-funded by the EAFRD are being implemented, with some 3.3 million beneficiaries (in financial year 2017) of Rural Development programmes in the Member States where their aid claims are processed, checked and monitored.

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

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

Maximum eligible area

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

Explanatory Box: Annex 10 – 3.3.1-2

- From 2014 onwards, another difference is that, to protect the EU budget, the other ESIF used interruption and reduction/suspension (of interim payments) mechanisms, as well as recycled recovery procedures (i.e. the recovered amounts are retained by the Member States to re-use for other projects). However, the main instrument used by DG AGRI 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 1303/2013⁴⁴ as well as the CAP Horizontal Regulation (EU) No 1306/2013⁴⁵ 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 2018, see sub-section 2.1.1.3.2 of this report.

3.3.2 ABB04 expenditure

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

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

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

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

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

The 20 proposed measures are either area- and animal-related measures or non-area- and non-animal-related measures (see Table: Annex 10 – 3.3.2-1). The list of measures and sub-measures is included in Annex I, Part 5 of Commission Implementing Regulation (EU) No 808/2014⁴⁶.

⁴⁴ 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).

⁴⁵ 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).

⁴⁶ Commission Implementing Regulation (EU) No 808/2014 of 17 July 2014 laying down rules for the application of Regulation (EU) No 1305/2013 of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 227 of 31.7.2014).

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

Table: Annex 10 – 3.3.2-1

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

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

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

Explanatory Box: Annex 10 – 3.3.2-1

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

What are automatic de-commitments?

Article 38 of Regulation (EU) No 1306/2013 provides that the Commission must automatically de-commit any portion of a budget commitment for a rural development programme that has not been used for the purpose of pre-financing or making intermediate payments. The Funds must be used by 31 December of the third year⁴⁷ (in accordance with Regulation (EU) No 1306/2013) following that of the budget commitment (the so-called N+3 rule).

Explanatory Box: Annex 10 – 3.3.2-2

⁴⁷ For the rural development programmes under the 2007-2013 programming period, the Funds had to be used by 31 December of the second year following that of the budget commitment (the so-called N+2 rule).

Expenditure reimbursed by DG AGRI to Member States in 2018 amounted to EUR 12 456 849 077. Expenditure paid and financed under the 2007-2013 programming period amounted to EUR 271 929 053, of which EUR 224 768 001 paid as balance payments in 2018 and EUR 47 161 052 reimbursed to the Member States following Court cases. Expenditure paid and financed under the 2014-2020 programming period, amounted to EUR 12 173 540 691. Of this, EUR 19 501 317 was paid as pre-financing, EUR 12 154 039 375 was paid as interim payments and an amount of EUR 11 867 856 paid in respect of technical assistance.

In addition, a reimbursement of EUR 488 523 has been made by Member States to the Commission in respect of the previous programming period 2000-2006 (budget item 05040114).

Payments reimbursed by DG AGRI to the Member States in 2018				
Management type	Chapter	Budget item	Description	Payments (EUR)
Shared Management	0504	05040114	Completion of rural development financed by the EAGGF Guarantee Section - Programming period 2000 to 2006	-488 523
		05040201	Completion of the European Agricultural Guidance and Guarantee Fund, Guidance Section - Objective 1 regions (2000 to 2006)	-
		05040501	Rural development programmes 2007-2013	271 929 053
			Reimbursements following Court cases	47 161 052
			Final balance 2007-2013	224 768 001
		05046001	Promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector	12 173 540 691
			Interim payments for promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector 2014-2020	12 154 039 375
			Pre-financing for promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector 2014-2020	19 501 317
			Sub-Total Shared Management	12 444 981 221
		Direct Management	05040206	Completion of Leader (2000 to 2006)
05040502	Operational technical assistance 2007-2013		-	
05046002	Operational technical assistance 2014-2020		11 867 856	
Sub-Total Direct Management	11 867 856			
Grand Total 0504				12 456 849 077

Table: Annex 10 – 3.3.2-2

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

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

3.3.3.1 Control results reported by the Member States

In order to provide information on controls and error rates for rural development, Commission Implementing Regulation (EU) No 809/2014⁴⁸ 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,

⁴⁸ Commission Implementing Regulation (EU) No 809/2014 of 17 July 2014 laying down rules for the application of Regulation (EU) No 1306/2013 of the European Parliament and of the Council with regard to the integrated administration and control system, rural development measures and cross-compliance (OJ L 227 of 31.7.2014).

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

The control statistics (aggregated figures at Paying Agency level) and control data (at claimant level) received in 2018 by DG AGRI correspond to the claims introduced by the claimants in 2017 for IACS measures (claim year 2017), and to the payments made in 2017 for non-IACS measures.

Checks to be carried out by each Member State

The checks are composed of three separate sets:

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

Explanatory Box: Annex 10 – 3.3.3.1-1

3.3.3.2 DG AGRI validation and adjustment process

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

In 2018, according to the transitional provisions in Regulation (EU) No 1310/2013, measures from the 2007-2013 programming period are, under certain conditions, eligible for EAFRD co-financing under the 2014-2020 budget.

What is considered as 'transitional expenditure'?

In 2018, Member States could, under certain conditions, implement measures from both programming periods in line with the transitional provisions of Regulation (EU) No 1310/2013. This means that expenditure was claimed under the 2014-2020 programming period for projects to which the commitments for the 2007-2013 programming period applied. This is called 'transitional expenditure'.

Explanatory Box: Annex 10 – 3.3.3.2-1

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

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

Based on the opinion received and on any other information provided, an adjustment is made to the error rate reported by the Member State. Below is a summary of the impact of the Certification Body findings on the reported error rates of Paying Agencies:

- BE02 and BE03 – Belgium - Flanders and Wallonia:
For the non-IACS expenditure, the calculated most likely error and the known errors were taken into account;
- DE04, DE15 and DE17 – Germany - Bayern, Nordrhein-Westfalen and Rheinland-Pfalz:
For the non-IACS expenditure, the calculated most likely error and the known errors were taken into account;
- DE07 and DE18 – Germany – Brandenburg and Saarland:
For both the IACS and the non-IACS expenditure, the incompliance rate and the known errors were taken into account as the Certification Bodies were applying the new guidelines;
- DK02 – Denmark:
For the non-IACS expenditure, the calculated most likely error and the known errors were taken into account;
- ES03, ES11, ES12 and ES14 – Spain – Asturias, Galicia, Madrid and Navarra:
For the non-IACS expenditure, the calculated most likely error and the known errors were taken into account;
- FI01 – Finland:
For the IACS expenditure, the calculated most likely error and the known errors were taken into account;
- FR18 – France - Corsica:
For both the IACS and the non-IACS expenditure, the upper error limit of the incompliance rate was taken into account as the incompliance rate most likely error was above materiality;
- FR19 – France – ASP:
For the non-IACS expenditure, the calculated most likely error and the known errors were taken into account;
- GB06 – United Kingdom – Scotland:
For the IACS expenditure, a 2% top-up was applied due to issue with the control statistics;
- GB07 – United Kingdom – Wales:
For both the IACS and the non-IACS expenditure, the calculated most likely error and the known errors were taken into account;
- GB09 - United Kingdom – England:
For the non-IACS expenditure, the calculated most likely error and the known errors were taken into account;

- HR01 - Croatia:
For the IACS expenditure, the calculated most likely error and the known errors were taken into account;
- IT24 and IT26 – Italy – Bolzano and Calabria:
For the non-IACS expenditure, the incompliance rate and the known errors were taken into account as the Certification Body were applying the new guidelines;
- MT01 – Malta:
For the IACS expenditure, the upper error limit of the incompliance rate was taken into account as the incompliance rate most likely error was above materiality;
- PL01 – Poland:
For the IACS expenditure, the calculated most likely error and the known errors were taken into account;
- RO01 – Romania:
For both the IACS and the non-IACS expenditure, the incompliance rate and the known errors were taken into account as the Certification Body were applying the new guidelines;
- SK01 – Slovakia:
For both the IACS and the non-IACS expenditure, the incompliance rate and the known errors were taken into account as the Certification Body were applying the new guidelines.

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

The DAS 2018 cases are still under analysis and are therefore not considered for the 2018 AAR.

C. Assessment of findings from DG AGRI audits carried out in 2016-2018

A. Audit fields

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

Audit field		Measures of the programming period 2014-2020	
Name	Code	Name	Code
Investment private beneficiaries	RD-INVEST-PRIVATE	Investments in physical assets	04
		131 — Meeting standards based on Union legislation	98
Investment public beneficiaries	RD-INVEST-PUBLIC	Basic services and village renewal in rural areas	07
		Technical assistance	20
Measures with flat rate support	RD-FLAT-RATE	Farm and business development	06
		Setting up of producer groups and organisations	09
		113 — Early retirement	97
Leader	RD-LEADER	Support for Leader local development (CLLD)	19
Knowledge and innovation	RD-KNOW-INNOV	Knowledge transfer and information actions	01
		Advisory services, farm management and farm relief services	02
		Quality schemes for agricultural products and food stuffs	03
		Cooperation	16
		341 — Skills acquisition, animation and implementation of	99

Audit field		Measures of the programming period 2014-2020	
Name	Code	Name	Code
		local development strategies	
Risk management	RD-RISK-MANAGE	Restoring agricultural production potential damaged by natural disasters and introduction of appropriate prevention	05
		Risk management	17
IACS	RD-IACS	Agri-environment climate	10
		Organic farming	11
		Natura 2000 and Water Framework Directive payments	12
		Payments to areas facing natural or other specific constraints	13
		Animal welfare	14
		Financing of complementary national direct payments for Croatia	18
Forestry	RD-FORESTRY	Investments in forest area development and improvement of the viability of forests	08
		Forest-environmental and climate services and forest conservation	15

Table: Annex 10 – 3.3.2-1

What are flat-rate measures?

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

Explanatory Box: Annex 10 – 3.3.2-2

B. Audits carried out

In 2018, 36 on-the-spot audits were carried out; these audits were selected mainly on the basis of DG AGRI's central risk analysis. In addition, 5 desk audits were performed.

What is a desk audit?

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

Explanatory Box: Annex 10 – 3.3.2-3

In line with DG AGRI audit strategy for 2014-2020 (see Explanatory box: Annex 10-1-2), from September 2018, on-the-spot audits have been based on the audit work carried out by the Certification Bodies on legality and regularity. However, DG AGRI audits continue 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. Where weaknesses have been detected which creates 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 2018, based on the results of the central risk analysis and on reservations made in the 2017 annual activity report (AAR), 8 on-the-spot full-scope audits on IACS-related measures and/or on Forestry measures were carried out:

1. seven on-the-spot audits concerned IACS-related measures, with a particular focus on the management and the control system for the current programming period;
2. one on-the-spot audit focussed only on Forestry measures.

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

1. Two new approach audits on the work carried out by the Certification Bodies on legality and regularity in Ireland and Austria;
2. two joint on-the-spot audits covering EAGF and EAFRD measures for IACS and for investments measures carried out in Slovenia and Cyprus;
3. a joint audit for IACS measures of EAGF and EAFRD carried out in Corsica.

Desk audits were also performed:

1. 4 desk audits were opened to get assurance in relation to avoidance of double funding between greening (EFA) payments under EAGF and afforestation measures under EAFRD;
2. one desk audit was opened to follow up application of financial correction applied to animal welfare measure.

From September 2018, on-the-spot audits have been based on 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, including the new approach ones, assessed the management and control systems set up by Member States to ensure that they complied with EU and national rules; 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.

When a classical on-the-spot audit was carried out an important component of these audits was to evaluate the work carried out by the Certification Body on legality and regularity of the expenditure. This implied interviews with the representatives of the Certification Body and their participation during the audit, as well as specific checks on their re-performance of the on-the-spot controls carried out by the Paying Agency. Areas where reliance can be placed on the work of the Certification Body were identified, while recommendations for improvements were made where deficiencies have been found.

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

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

b) Results and possible improvements

The control systems in the Paying Agencies visited in 2018 were not always found to be effective, and there was scope for significant improvement in a number of cases. In some Paying Agencies, important delays were found in implementing the control systems due to difficulties in the development of new IT systems. DG AGRI recommended actions to increase the robustness of the control system for some specific issues and registered these weaknesses in an internal database to ensure timely follow-up to be done during the next audits or requested the Certification Bodies to report on these issues in the annual reports.

The audits carried out in 2018 found scope for improving the following issues in relation to audits on IACS-related measures (similar to those found in 2017):

- for organic farming, there were still significant inconsistencies in the system which required additional work from the Paying Agency. In addition, cross-notification between the different bodies involved was not sufficiently developed or formalised;
- for organic farming, additional improvements for the quality of the control procedures of the Control Body for organic farming are deemed necessary;
- 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 is possible as well as to respect in case of multiple checks the maximum pre-notifications rules (48 hours for animals related measures and 14 days for area related measures);
- additional procedures need to be put in place to assess the risk of double financing between the agri-environment-climate measures (AECM) payment and the greening payment;
- better traceability and clear conclusions as to the quality of the controls carried out must be achieved by indicating how the checks were performed and how the inspectors came to their conclusions. The control methods used during the on-the-spot check, to verify compliance with the farmer's commitments, must be indicated in the control report together with measurements, verification of fertilisers and animal counting, to assess whether the livestock density is correct, wherever appropriate;
- control data provided under Article 9 of Regulation (EU) No 809/2014 must be improved in terms of quality and deadline compliance;
- control system to avoid double financing of afforested areas that receive the annual premium to cover the loss of income under the afforestation measure of rural development and are, at the same time, declared as Ecological focus areas (EFA) in order to receive the greening payment;

- additional improvements in assessing the maximum eligible area for IACS measures to ensure that payments are only made for land falling within the delimited area in order to be fully in line with the EU rules and in the updates of the LPIS.

Control to avoid double-funding under afforestation measure

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

Explanatory Box: Annex 10 – 3.3.3.5.1-1

From a general point of view, when serious deficiencies are found, follow-up audits are carried out to assess the implementation of the recommendations made by DG AGRI. 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 2018, based mainly on the results of DG AGRI's central risk analysis, 19 on-the-spot audits were carried out on non-IACS-related measures, comprising eleven audits of investments measures, one audit of Leader, two audits of the audit field RD-FLAT-RATE, one audit on knowledge and innovation measures, and four audits of the audit field risk management.

In addition, the below 4 audits also covered (among other schemes/measures) audit fields for non-IACS-related measures:

1. three joint audits carried out in Croatia, Slovenia and Cyprus covering EAGF and EAFRD measures for IACS and non-IACS measures;
2. one on-the-spot audit in Germany (Thüringen), carried out to assess the work of the Certification Bodies on the legality and regularity of the expenditure.

From September 2018, on-the-spot audits have been based on 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 covered the procedures implemented by Member States to ensure that administrative checks, on-the-spot checks and ex-post checks had been carried out in line with EU legislation, paying special attention to the correct application of selection criteria and compliance with the eligibility criteria. They also checked that the costs had been correctly evaluated as reasonable, that there was compliance with procurement rules, that coverage of the risk of double funding was adequate and that reductions and sanctions imposed for non-compliance were adequate.

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

Identification of links between applicants and other stakeholders

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

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

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

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

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

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

Explanatory Box: Annex 10 – 3.3.3.5.2-1**b) Results and possible improvements**

The control systems in the Paying Agencies visited in 2018 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 registered these weaknesses in an internal database to ensure a timely follow-up.

Creation of artificial conditions

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

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

Several audits carried out in 2018 identified shortcomings in the procedures to detect and deal with the creation of artificial situations to receive the aid. In some cases, an adequate system of red flags was missing, in other cases the red flags were not used properly (did not trigger more in-depth checks).

Explanatory Box: Annex 10 – 3.3.3.5.2-2

The audits carried out in 2018 found scope for improving the following elements of the management and control system for investment and/or flat-rate measures and/or for risk management measure, including when they were implemented under Leader (non-exhaustive list) (similar to those found in 2017):

- checks on the eligibility of the applicant/application/project/investment:
 - additional improvements are required to include verification of the linked and partner enterprises when assessing the SME status and to keep an audit trail of these checks;
 - implementation of appropriate procedures to detect and deal with the creation of artificial situations to receive the aid (see explanatory box);
 - implementation of appropriate checks to verify the correctness and reliability of the data provided by the insurance companies (Risk management measure);
 - implementation of appropriate checks to verify the 30% loss of potential agricultural production (Investments for the restoration of agricultural land).
- selection and appraisal of applications – lack of selection criteria allowing to select the best projects;
- assessment of cost reasonableness: additional improvements are required to effectively assess the reasonableness of costs including checks on the independence and authenticity of the offers received, on the transparency of the decisions taken by the experts committees and to keep an audit trail of these checks;
- public procurement verifications – (see explanatory box);
- lack of in-situ visits to verify the realisation of some types of investments;
- quality of the on-the-spot checks, including verifications to establish that no artificial situations were created;
- quality (check on the durability of the investment) and quantity of ex-post checks on investment measures (non-compliance with the 1% minimum control requirement);
- checks of the payment claims to verify that the completed operation corresponds with the operation for which support was granted;
- verifiability of the methodology and calculation of the Simplified Cost Options (SCOs), as the data underlying the SCOs calculation were not available;
- lack of an adequate audit trail of the checks carried-out.

Respect of Public Procurement rules: key control elements

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

In 2018, specific audits focussed on the respect of public procurement rules and detected non-compliances at all stages of this procedure as implemented by the public beneficiaries. These non-compliances mainly concern the preparation of the procurement

documents (artificial splitting of the work, discriminatory procedure, thresholds not respected), the call for tender itself where time limits were not sufficient, the evaluation phase (lack of transparency, discriminatory, unlawful selection), the notification of the outcome of the procedure (lack or delayed publication).

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

Explanatory Box: Annex 10 – 3.3.3.5.2-3

3.3.3.5.3 Audits of Financial Instruments

No audit was carried out in respect of Financial Instruments in 2018. Pilot audits in cooperation with DG REGIO are foreseen in 2019 in order to test the audit strategy. Coordination with DG REGIO to prepare the audit strategy is ongoing.

What are financial instruments?

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

Explanatory Box: Annex 10 – 3.3.3.5.3-1

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

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

The following table summarises this information for all Paying Agencies for interim payments made in financial year 2018 for the 2014-2020 rural development programmes:

Paying Agency	Paying Agency Name	Relevant Expenditure Financial Year 2018 (EUR)	Reported (residual) error rate	Adjusted error rate	Amount at Risk (EUR)
AT01	AMA	512 804 158	1.47%	1.47%	7 514 548
BE02	ALV	38 520 110	0.97%	2.80%	1 077 855
BE03	SPW-DGARNE	30 575 419	1.29%	4.01%	1 226 420
BG01	DFZ [SFA]	205 683 318	1.09%	1.70%	3 500 258
CY01	KOAP [CAPO]	14 530 171	0.73%	5.22%	758 618
CZ01	SZiF [SAIF]	324 647 223	2.01%	2.11%	6 844 111
DE01	BLE	676 761	0.00%	0.00%	0
DE03	Baden-Württemberg MLR	85 593 343	1.17%	1.17%	1 003 806
DE04	Bayern StMLF	192 663 261	0.70%	0.79%	1 518 767
DE07	Brandenburg MLUV	107 756 136	1.39%	1.55%	1 665 462
DE09	Hamburg	-	0.00%	-	-
DE11	Mecklenburg-Vorpommern MELFF	106 103 577	0.86%	0.86%	908 849

Paying Agency	Paying Agency Name	Relevant Expenditure Financial Year 2018 (EUR)	Reported (residual) error rate	Adjusted error rate	Amount at Risk (EUR)
DE12	Niedersachsen	159 980 252	2.08%	2.08%	3 326 282
DE15	LWK Nordrhein-Westfalen	74 863 576	1.92%	2.26%	1 690 145
DE17	Rheinland- Pfalz	28 525 459	1.05%	1.28%	364 839
DE18	Saarland	5 712 422	5.98%	6.96%	397 802
DE19	Sachsen	96 237 073	0.37%	0.38%	365 669
DE20	Sachsen-Anhalt	82 615 967	0.50%	0.81%	668 433
DE21	Schleswig-Holstein	50 603 855	0.25%	0.25%	127 760
DE23	Thüringen	88 789 432	1.30%	1.30%	1 156 414
DE26	Helaba	37 547 776	1.14%	1.14%	428 245
DK02	DAFA	89 687 155	1.76%	1.92%	1 721 730
EE01	PRIA	128 104 065	0.37%	0.37%	471 207
ES01	Andalucía	159 160 959	1.84%	1.86%	2 956 756
ES02	Aragón	59 744 735	0.66%	1.81%	1 078 831
ES03	Asturias	29 258 728	2.49%	4.28%	1 253 095
ES04	FOGAIBA	11 826 785	0.14%	0.14%	16 318
ES05	Islas Canarias	27 976 434	0.07%	0.58%	162 486
ES06	Cantabria	14 557 452	0.76%	0.90%	130 865
ES07	Castilla La Mancha	113 223 745	0.63%	4.70%	5 323 637
ES08	Castilla y León	97 342 228	0.82%	1.09%	1 062 584
ES09	Cataluña	43 693 513	1.18%	1.18%	514 185
ES10	Extremadura	89 910 489	0.77%	2.84%	2 556 363
ES11	FOGGA	131 571 953	0.57%	1.45%	1 907 049
ES12	Madrid	4 328 278	11.93%	12.14%	525 634
ES13	Murcia	31 330 223	0.91%	1.15%	360 661
ES14	Navarra	18 910 952	0.55%	6.33%	1 196 415
ES15	País Vasco	17 357 720	0.10%	1.00%	173 420
ES16	La Rioja	9 152 786	0.18%	0.44%	40 539
ES17	AVFGA	23 179 773	0.32%	0.42%	97 692
ES18	FEGA	17 199 335	0.11%	0.11%	19 059
FI01	MAVI	351 787 931	1.27%	1.55%	5 463 400
FR18	ODARC	18 218 779	0.37%	10.23%	1 862 941
FR19	ASP	1 690 630 756	2.86%	7.26%	122 786 695
GB05	DARD	17 901 880	1.47%	1.49%	266 779
GB06	SGRPID	127 172 970	2.11%	3.64%	4 629 401
GB07	WG	94 969 323	1.02%	6.79%	6 448 592
GB09	RPA	340 954 356	0.25%	4.32%	14 719 015
GR01	Ο.Π.Ε.Κ.Ε.Π.Ε. [Ο.Π.Ε.Κ.Ε.Π.Ε.]	579 944 832	1.19%	4.89%	28 342 338
HR01	PAAFRD	206 150 392	9.34%	12.42%	25 603 366
HU02	HST	385 929 544	2.69%	3.12%	12 035 164
IE01	DAFM	318 709 149	2.94%	2.94%	9 357 506
IT01	AGEA	642 857 041	0.99%	1.99%	12 769 809
IT05	AVEPA	63 566 205	1.41%	2.28%	1 452 206
IT07	ARTEA	39 645 790	0.61%	0.89%	351 283

Paying Agency	Paying Agency Name	Relevant Expenditure Financial Year 2018 (EUR)	Reported (residual) error rate	Adjusted error rate	Amount at Risk (EUR)
IT08	AGREA	55 716 082	2.35%	2.50%	1 390 685
IT10	ARPEA	63 175 237	0.16%	0.31%	197 050
IT23	OPR Lombardia	41 786 079	2.32%	2.60%	1 084 501
IT24	OPPAB	31 173 335	0.62%	2.34%	728 166
IT25	APPAG	16 604 564	0.31%	0.53%	87 519
IT26	ARCEA	91 232 707	3.74%	4.29%	3 913 758
LT01	NMA [NPA]	217 968 861	0.09%	0.31%	686 561
LU01	Ministère de l'Agriculture	14 530 735	0.22%	0.75%	109 117
LV01	RSS	192 664 101	0.76%	0.76%	1 456 521
MT01	MRRA PA	9 391 195	0.96%	1.17%	109 843
NL04	ELFPO	78 872 378	0.36%	3.53%	2 781 022
PL01	ARIMR [ARMA]	944 569 722	0.51%	1.01%	9 568 419
PT03	IFAP	503 033 323	5.15%	5.41%	27 203 310
RO01	PARDF	1 146 152 415	0.58%	0.95%	10 913 865
SE01	SJV	195 642 880	2.56%	8.33%	16 297 867
SI01	ARSKTRP	110 943 349	1.26%	1.67%	1 858 143
SK01	APA	200 196 868	0.12%	4.74%	9 484 306
ABB04	Rural Development Programmes	12 154 039 375	1.68%	3.21%	390 071 955

Table: Annex 10 – 3.3.4-1

As for the amount of EUR 11.32 million of prefinancing cleared in 2018, it concerns only the Romanian 2007-2013 programme and the error rate for financial year 2015 interim payments estimated in the AAR2015 (7.41%) was used (as this was the last financial year for which payments could be made to beneficiaries under the 2007-2013 rural development programmes), which results in an additional estimated amount at risk of EUR 839 176.

A closure balance was also paid in financial year 2018 for 17⁴⁹ 2007–2013 programmes which were closed in 2018. For these closure balances the adjusted error rates assessed for financial year 2015 (as this was the last financial year for which payments could be made to beneficiaries under the 2007-2013 rural development programmes) in the AAR2015 were used for each individual Paying Agency. The following table summarises this information for all concerned Paying Agencies as regards the closure balance:

Paying Agency	Paying Agency Name	Relevant Expenditure Financial Year 2018 (EUR)	Adjusted error rate	Amount at Risk (EUR)
BE03	SPW-DGARNE	5 792 053	4.22%	244 425
ES03	Asturias	15 034 161	3.78%	568 291
IT01	AGEA	203 941 787	2.89%	5 893 918
ABB04	Rural Development Programmes	224 768 001	2.98%	6 706 634

Table: Annex 10 – 3.3.4-2

⁴⁹ The Paying Agency IT01 (AGEA) was the Paying Agency for 15 of these programmes.

As these programmes have been closed, no remedial actions by Member States are needed, deficiencies in the management and control systems are followed up where necessary via conformity clearance procedures. No reservation is entered for this expenditure.

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 interim payments for the 2014-2020 rural development programmes. It indicates if reservations are required and mitigating factors are examined in order to determine if a reservation is required and if so, an indication is given of the follow-up action required. DG AGRI calculates the amount at risk based on the relevant expenditure.

For the Spanish Paying Agencies ES03, ES07, ES10, ES12, ES14 listed in the table below, the following should be noted: in Spain projects can be implemented through the *encomienda de gestión* (in-house contracting) procedure, meaning that the contracts are directly given to in-house service providers without going through public procurement procedures as foreseen by the EU Directives on procurement. DG AGRI found in several enquiries significant differences between the amounts in-house companies were paid for works awarded directly and the amounts in-house companies paid to their sub-contractors for [part of] the works. DG AGRI considers that the difference –co-financed by EAFRD– was overpaid and therefore not eligible for financing. These deficiencies also affect other in-house companies and most of the regions in Spain. The Spanish authorities already stated that remedial action had been taken (the in-house companies are not anymore paid based on predefined tariffs but based on actual incurred expenditure) and have provided a calculation of the financial risk. The issue of the subcontracting and the tariff methodology is being followed up in the framework of conformity clearance procedures.

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/Reservation follow-up
BE02 – Flanders	2.80%	EUR 1.078 million	The Member State reported a high error rate under IACS measures. A DG AGRI audit in 2018 identified weaknesses in the checks of the active farmer status. Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for non-IACS measures.	Yes	A reservation is entered in respect of 2018 expenditure. An action plan is requested for deficiencies detected by the Certification Body, mainly regarding public procurement under non-IACS. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
BE03 – Belgium – Wallonia	4.01%	EUR 1.226 million	A DG AGRI audit in 2017 identified deficiencies in IACS measures. Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for non-IACS measures.	Yes	A reservation is entered in respect of 2018 expenditure. The ongoing action plan should be continued and reinforced to address the deficiencies identified by the Certification Body. The ongoing conformity clearance procedure 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
CY01 – Cyprus	5.22%	EUR 0.759 million	DG AGRI audits in 2018 have identified deficiencies in the eligibility of areas for IACS measures and in the eligibility of costs and verification of payment claims for several non-IACS measures.	No	As the amount at risk is below the <i>de minimis</i> threshold established by DG AGRI's materiality threshold (see Annex 4), no reservation is required. The Member State should address the deficiencies identified by DG AGRI.
CZ01 – Czech Republic	2.11%	EUR 6.844 million	The Member State has reported high error rates under IACS measures. DG AGRI audits in 2017 identified deficiencies in the animal welfare measures under IACS. Furthermore, a DG AGRI audit in 2017 identified weaknesses in the checks of the active farmer status.	Yes	A reservation is entered in respect of 2018 expenditure. The Member State should continue to address the underlying causes of the high error rates reported under IACS measures. In light of the above, the Member State should analyse the effectiveness of the reported implementation of the action plan. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
DE12 – Germany Niedersachsen	2.08%	EUR 3.326 million	The Member State has reported high error rates under IACS measures.	No	A reservation is not considered necessary. The Member State should address the underlying causes of the high error rates reported under IACS measures. DG AGRI will closely monitor the situation.
DE15 – Germany Nordrhein-Westfalen	2.26%	EUR 1.690 million	The Member State has reported high error rates for IACS measures. Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for non-IACS measures.	Yes	A reservation is entered in respect of 2018 expenditure. The Member State should address the underlying causes of high error rates reported under IACS measures, as well as the Certification Body's issues. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
DE18 – Germany Saarland	6.96%	EUR 0.398 million	The Member State has reported a high error rate for organic farming measure. Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for non-IACS measures.	No	As the amount at risk is below the <i>de minimis</i> threshold established by DG AGRI's materiality threshold (see Annex 4), no reservation is required. The Member State should address the underlying causes of the high error rates reported under IACS measures.
ES03 – Spain Asturias	4.28%	EUR 1.253 million	The Member State has reported high error rates under non-IACS measures. A DG AGRI audit in 2017	Yes	A reservation is entered in respect of 2018 expenditure. The Member State should implement an action plan to

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/Reservation follow-up
			has identified deficiencies for one IACS sub-measure. Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State. <i>* Common issue for Non-IACS expenditure Spain*:</i> <i>DG AGRI audits carried out in 2017 and 2018 identified weaknesses in the implementation of investments through in-house companies in almost all Spanish Paying Agencies.</i> <i>The related top-ups are applied for all affected Spanish Paying Agencies.</i>		address the underlying causes for the high error rate reported under non-IACS measures, as well as the deficiencies detected by DG AGRI under IACS and by the Certification Body under non-IACS measures. <i>* Common issue for Non-IACS expenditure Spain*:</i> <i>The Member State has taken actions to remedy certain findings of the ongoing conformity clearance procedures.</i> <i>Any further necessary remedial actions will be agreed with the Member State following the exchanges in the framework of the ongoing conformity clearance procedures.</i> The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
ES07 – Spain Castilla-La Mancha	4.70%	EUR 5.324 million	A DG AGRI audit in 2018 identified weaknesses in some non-IACS measures regarding on-the-spot and ex-post controls, reasonableness of costs, selection of projects and checks to ensure that projects fulfil all eligibility criteria. <i>* Common issue for Non-IACS expenditure Spain*:</i> <i>DG AGRI audits carried out in 2017 and 2018 identified weaknesses in the implementation of investments through in-house companies in almost all Spanish Paying Agencies.</i> <i>The related top-ups are applied for all affected Spanish Paying Agencies.</i>	Yes	A reservation is entered in respect of 2018 expenditure. Following the exchange with the Member State in the framework of the ongoing conformity clearance procedure, the necessary remedial actions will be agreed. <i>* Common issue for Non-IACS expenditure Spain*:</i> <i>The Member State has taken actions to remedy certain findings of the ongoing conformity clearance procedures.</i> <i>Any further necessary remedial actions will be agreed with the Member State following the exchanges in the framework of the ongoing conformity clearance procedures.</i> The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
ES10 – Spain Extremadura	2.84%	EUR 2.556 million	A DG AGRI audit in 2017 has identified deficiencies under IACS and non-IACS measures, including afforestation (double financing). <i>* Common issue for Non-IACS expenditure Spain*:</i> <i>DG AGRI audits carried out in 2017 and 2018 identified weaknesses in</i>	Yes	A reservation is entered in respect of 2018 expenditure. For the IACS measures, the action plan should be continued and reinforced to address the deficiencies identified. For the non-IACS measures, the Member State has taken certain actions to remedy the detected findings of the ongoing conformity clearance procedure.

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/Reservation follow-up
			<i>the implementation of investments through in-house companies in almost all Spanish Paying Agencies.</i> <i>The related top-ups are applied for all affected Spanish Paying Agencies.</i>		<i>* Common issue for Non-IACS expenditure Spain*:</i> <i>The Member State has taken actions to remedy certain findings of the ongoing conformity clearance procedures.</i> <i>Any further necessary remedial actions will be agreed with the Member State following the exchanges in the framework of the ongoing conformity clearance procedures.</i> The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
ES12 – Spain Madrid	12.14%	EUR 0.526 million	The Member State has reported high error rates under IACS afforestation measure. Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for non-IACS measures. <i>* Common issue for Non-IACS expenditure Spain*:</i> <i>DG AGRI audits carried out in 2017 and 2018 identified weaknesses in the implementation of investments through in-house companies in almost all Spanish Paying Agencies.</i> <i>The related top-ups are applied for all affected Spanish Paying Agencies.</i>	No	As the amount is below the <i>de minimis</i> threshold established by DG AGRI's materiality threshold (see Annex 4), no reservation is required. The Member State has been requested to address the underlying causes for the high error rate reported under IACS afforestation measure. <i>* Common issue for Non-IACS expenditure Spain*:</i> <i>The Member State has taken actions to remedy certain findings of the ongoing conformity clearance procedures.</i> <i>Any further necessary remedial actions will be agreed with the Member State following the exchanges in the framework of the ongoing conformity clearance procedures.</i> The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
ES14 – Spain Navarra	6.33%	EUR 1.196 million	DG AGRI audit in 2017 has identified deficiencies under afforestation (double financing). Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for non-IACS measures. <i>* Common issue for Non-IACS expenditure Spain*:</i> <i>DG AGRI audits carried out in 2017 and 2018 identified weaknesses in</i>	Yes	A reservation is entered in respect of 2018 expenditure The Member State should implement an action plan to address the deficiencies identified by the Certification Body. <i>* Common issue for Non-IACS expenditure Spain*:</i> <i>The Member State has taken actions to remedy certain findings of the ongoing conformity clearance procedures.</i> <i>Any further necessary remedial actions will be agreed with the Member State following the exchanges in the framework of</i>

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/Reservation follow-up
			<i>the implementation of investments through in-house companies in almost all Spanish Paying Agencies.</i> <i>The related top-ups are applied for all affected Spanish Paying Agencies.</i>		<i>the ongoing conformity clearance procedures.</i> The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
FR18 – France ODARC (Corsica)	10.23%	EUR 1.863 million	A DG AGRI audit in 2018 identified deficiencies under IACS measures, including late on-the-spot-checks. Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for both IACS and non-IACS measures.	Yes	A reservation is entered in respect of 2018 expenditure. The action plan should be continued and reinforced to address the deficiencies identified by DG AGRI in 2018 under IACS measures and the deficiencies identified by the Certification Body. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
FR19 – France ASP	7.26%	EUR 122.79 million	The Member State has reported high error rates for non-IACS measures. DG AGRI audits in 2017 and 2018 detected deficiencies under IACS and non-IACS measures, including late on-the-spot-checks under IACS measures, and active farmer checks. Furthermore, DG AGRI detected in 2016 and 2017 deficiencies in public procurements under non-IACS measures. Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for non-IACS measures.	Yes	A reservation is entered in respect of 2018 expenditure. The Member State should assess the underlying causes of the high error rates reported under non-IACS measures. The action plan should be reinforced to address the deficiencies identified by DG AGRI in 2017 and 2018, and the deficiencies identified by the Certification Body. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
GB06 ⁵⁰ – the United Kingdom Scotland	3.64%	EUR 4.629 million	The Member State has reported a high error rate for areas under natural or specific constraints measure under IACS measure. A DG AGRI audit in 2016 (followed up by audit in 2018) has identified deficiencies in the checks on active farmer status.	Yes	A reservation is entered in respect of 2018 expenditure. The Member State should address the underlying causes of the high error rates reported under IACS measure. The Member State should reinforce the ongoing action plan to address the issues underlined by the Certification Body.

⁵⁰ For GB06, GB07 and GB09: mitigating factors/reservation follow-up are subject to possible review depending on the exact modalities of the withdrawal of the UK from the Union.

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/Reservation follow-up
			Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for IACS measures.		The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
GB07 – The United Kingdom Wales	6.79%	EUR 6.449 million	The Member State has reported a high error rate for agri-environmental and climate measure under IACS measure. A DG AGRI audit in 2018 has identified deficiencies in non-IACS investment measures. Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for both IACS and non-IACS measures.	Yes	A reservation is entered in respect of 2018 expenditure. The Member State should address the underlying causes of the high error rates reported under IACS measure. The Member State should reinforce the ongoing action plan to address the issues underlined by DG AGRI and by the Certification Body. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
GB09 – the United Kingdom England	4.32%	EUR 14.719 million	DG AGRI audits in 2017 have identified deficiencies in controls of the public procurement procedures and in the checks on active farmer status. Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for non-IACS measures.	Yes	A reservation is entered in respect of 2018 expenditure. The Member State should continue to implement the action plan to address the deficiencies identified by DG AGRI audits in 2017, as well as addressing the issues identified by the Certification Body. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
GR01 – Greece	4.89%	EUR 28.342 million	DG AGRI audits in 2017 and 2018 have identified deficiencies in IACS measures, including in the LPIS, as well as deficiencies in measures for young farmers and investment measures.	Yes	A reservation is entered in respect of 2018 expenditure. The Member State should implement an action plan addressing the deficiencies identified by DG AGRI in 2017 and 2018. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
HR01 – Croatia	12.42%	EUR 25.603 million	The Member State has reported high error rates for IACS measures. DG AGRI audits in 2017 and 2018 identified deficiencies under agro-environment-climate and organic measures and under investments and farm and business development measures. Based on the Certification Body assessment, a	Yes	A reservation is entered in respect of 2018 expenditure. The Member State should address the underlying causes of high error rates reported under IACS measures. The Member State should implement an action plan addressing the deficiencies identified by DG AGRI and by the Certification Body. The ongoing conformity clearance

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/Reservation follow-up
			further adjustment was made to the error rate reported by the Member State for IACS measures.		procedures will ensure that the financial risk to the EU budget is covered.
HU02 – Hungary	3.12%	EUR 12.035 million	The Member State has reported high error rates under IACS measures. DG AGRI audits in 2017 and 2018 have identified deficiencies in forestry measures, for the setting up of producer groups and in the checks of the active farmer status.	Yes	A reservation is entered in respect of 2018 expenditure. The Member State should address the underlying causes of the high error rates reported under IACS measures. The action plan should be continued and reinforced to address the deficiencies identified by DG AGRI audits in 2017 and 2018. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
IE01 – Ireland	2.94%	EUR 9.358 million	The Member State has reported high error rates under IACS and non-IACS measures.	No	A reservation is not considered necessary. The Member State should address the underlying causes of the high error rates reported under IACS and non-IACS measures. DG AGRI will closely monitor the situation.
IT05 – Italy - Veneto	2.28%	EUR 1.452 million	The Member State has reported high error rates under non-IACS measures. Furthermore, a DG AGRI audit in 2016 has identified deficiencies in the checks on active farmer status.	No	A reservation is not considered necessary. The Member State should nonetheless implement corrective actions to address the underlying causes of high error rates reported under non-IACS measures. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
IT08 – Italy - Emilia-Romagna	2.50%	EUR 1.391 million	A DG AGRI audit in 2016 has identified deficiencies in the checks on active farmer status.	No	A reservation is not considered necessary. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
IT23 – Italy - Lombardia	2.60%	EUR 1.085 million	The Member State has reported high error rates under non-IACS measures. DG AGRI audits in 2017 and 2018 have identified deficiencies in the checks on active farmer status as well as deficiencies regarding the reasonableness of costs for investment measures.	No	A reservation is not considered necessary. The Member State should address the underlying causes of the high error rates reported under non-IACS measures. The Member State should also address deficiencies identified in the checks on reasonableness of costs for investment measures. The ongoing conformity clearance

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reser- vation	Mitigating factors/Reservation follow-up
					procedure will ensure that the financial risk to the EU budget is covered.
IT24 – Italy Bolzano	2.34%	EUR 0.728 million	A DG AGRI audit in 2016 has identified deficiencies in the checks on active farmer status. Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for non-IACS measures.	No	As the amount at risk is below the <i>de minimis</i> threshold established by DG AGRI's materiality threshold (see Annex 4), no reservation is required. The Member State should nonetheless address the deficiencies identified by the Certification Body. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
IT26 – Italy Calabria	4.29%	EUR 3.914 million	The Member State has reported high error rates under IACS and non-IACS measures. A DG AGRI audit in 2016 has identified deficiencies in the checks on active farmer status. The Certification Body has confirmed that there are actions that remain to be completed to address the high error rate. Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for non-IACS measures.	Yes	A reservation is entered in respect of 2018 expenditure. The Member State has reported progress in the implementation of the action plan addressing the deficiencies identified under IACS and non-IACS measures. The action plan needs to be fully implemented in order to remove the root causes of the high error rates reported under IACS and non-IACS measures, and address the issues detected by the Certification Body. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
NL04 – The Netherlands	3.53%	EUR 2.781 million	DG AGRI audits in 2018 detected deficiencies in agri-environmental and climate measures, as well as in risk management.	Yes	A reservation is entered in respect of 2018 expenditure. Following the exchanges with the Member State in the framework of the ongoing conformity procedure the necessary remedial actions will be agreed with the Member State. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
PT03 – Portugal	5.41%	EUR 27.203 million	The Member State has reported high error rates under IACS and non-IACS measures. In addition, the minimum control rate for Leader is not achieved. A DG AGRI audit in 2017 has identified deficiencies under afforestation	Yes	A reservation is entered in respect of 2018 expenditure. The Member State has been requested to address the underlying causes for the high error rate reported under IACS and non-IACS measures. The ongoing action plan should be continued and reinforced to address the DG AGRI findings, as

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/Reservation follow-up
			(double financing). DG AGRI audits in 2017 and 2018 have also identified deficiencies in the functioning of several controls under IACS and non-IACS measures.		well as the insufficient control rates under Leader. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
SE01 – Sweden	8.33%	EUR 16.298 million	The Member State has reported high error rates under IACS and non-IACS measures. DG AGRI audits in 2017 and 2018 have identified deficiencies for IACS and investments measures.	Yes	A reservation is entered in respect of 2018 expenditure. The Member State should address the underlying causes of the high error rates reported under IACS and non-IACS measures. The Member State should continue to implement the action plan addressing the deficiencies identified by DG AGRI in 2017 and 2018. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
SK01 – Slovakia	4.74%	EUR 9.484 million	DG AGRI audits in 2017 and 2018 have identified deficiencies in eligibility checks and in the public procurement procedures for several non-IACS measures. Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for both IACS and non-IACS measures.	Yes	A reservation is entered in respect of 2018 expenditure. The Member State has reported the implementation of an action plan addressing the deficiencies identified by DG AGRI in 2016 and 2017 under IACS and non-IACS measures. The action plan should be continued and reinforced to address the deficiencies identified by DG AGRI audits in 2017 and 2018 and by the Certification Body. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 – 3.3.5-1

The following table gives details of cases for Rural Development where a reservation made in the 2017 AAR was not carried forward in the 2018 AAR:

Member State/ Paying Agency	Adjusted error rate	Amount at risk	Justification
Austria	1.47%	EUR 7.515 million	The Member State has implemented an action plan addressing the deficiencies that led to reservation in 2017 AAR. The financial risk to the EU budget is covered by ongoing conformity clearance procedures.
Bulgaria	1.70%	EUR 3.500 million	The Member State has launched remedial actions addressing the deficiencies identified and the findings of the Certification Body. As the deficiencies persist, the remedial actions should be continued. DG AGRI will closely monitor the situation. The financial risk to the EU budget is covered by ongoing conformity clearance procedures for Leader and by the future conformity clearance procedure for the organic farming measure.
Denmark	1.92%	EUR 1.722 million	The Member State has reported an implementation of an action plan. The Member State has also corrected its accounts to reduce the eligible expenditure for financial year 2018. The remaining financial risk to the EU budget is covered by ongoing conformity clearance procedures.
Germany Sachsen	0.38%	EUR 0.366 million	As the amount at risk is below the <i>de minimis</i> threshold established by DG AGRI's materiality threshold (see Annex 4), no reservation is required. The Member State has implemented an action plan addressing the deficiencies that led to reservation in 2017 AAR. The financial risk to the EU budget is covered by ongoing conformity clearance procedures.
Germany Thüringen	1.30%	EUR 1.156 million	The Member State has taken the necessary actions to remedy the underlying causes for the high error rate reported that led to reservation in 2017 AAR.
Spain Castilla y León	1.09%	EUR 1.063 million	As the amount at risk is below the <i>de minimis</i> threshold established by DG AGRI's materiality threshold (see Annex 4), no reservation is required. The Member State has implemented an action plan addressing the underlying causes of the high errors reported under non-IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
Spain Galicia	1.45%	EUR 1.907 million	As the amount at risk is below the <i>de minimis</i> threshold established by DG AGRI's materiality threshold (see Annex 4), no reservation is required. The Member State has implemented an action plan addressing the deficiencies identified under the forestry measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
Finland	1.55%	EUR 5.463 million	The Member State has taken the necessary actions to remedy the deficiencies that were identified by the Certification Body and that led to reservation in 2017 AAR.
Italy AGEA	1.99%	EUR 12.770 million	The Member State has taken the necessary actions to remedy the deficiencies identified. The financial risk to the EU budget is covered by ongoing conformity clearance procedures.

Table: Annex 10 – 3.3.5-2

3.3.6 Conclusions for ABB04

3.3.6.1 Expenditure under the Rural Development Programme

Total expenditure for the Rural Development Programmes in 2018 amounted to EUR 12 456 849 077 of which EUR 271 929 053 were financed by the budget for the 2007-2013 programming period (budget item 05040501), and EUR 12 173 540 691 were financed by the budget for the 2014-2020 programming period (budget item 05046001). DG AGRI's assessment results in an adjusted error rate for the total relevant expenditure of 3.20%.

30 out of the 72 Paying Agencies have an adjusted error rate above 2% (of which 10 were above 5%: Croatia, Cyprus, France (2 Paying Agencies), Germany (1 Paying Agency), United Kingdom (1 Paying Agency), Portugal, Spain (2 Paying Agencies), Sweden).

In line with its materiality criteria in Annex 4, 7 cases where the error rate is above 5% (Croatia, France (2 Paying Agencies), Portugal, United Kingdom (1 Paying Agency), Spain (1 Paying Agency) and Sweden) 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. In 3 cases (Cyprus, Germany-Saarland and Spain-Madrid), the amount at risk is below DG AGRI's *de minimis* threshold of EUR 1 million as established in Annex 4 (materiality criteria) therefore no reservation was necessary.

For 20 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 5 cases (Germany-Niedersachsen, Ireland and Italy (3 Paying Agencies)), it was considered that, given the mitigating factor (the high error rate was due to the high error rate reported by these Member States) present it would not be necessary to make reservations. For 1 Paying Agency (Italy (1 Paying Agency)), the amount at risk is below DG AGRI's *de minimis* threshold of EUR 1 million as established in Annex 4 (materiality criteria), therefore no reservation was necessary. For the remaining 14 Paying Agencies, a reservation was deemed necessary.

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

- Belgium (2 Paying Agencies)
- Croatia
- Czech Republic
- Germany (1 Paying Agency)
- Spain (4 Paying Agencies)
- France (2 Paying Agencies)
- The United Kingdom (3 Paying Agencies)
- Greece
- Hungary
- Italy (1 Paying Agency)
- The Netherlands
- Portugal
- Sweden
- Slovakia.

3.3.6.2 Conclusion on risk assessment for all budget items within ABB04

While budget items 05040501 and 05046001 concern the Rural Development programmes for 2007-2013 and 2014-2020 and thus account for the large majority of the expenditure for ABB04, it is also necessary to assess the risk for the entire expenditure under Chapter 0504. The following table sets out the budget items and the error rates, which have been used to assess the amounts at risk. The adjusted error rate of 3.19% represents a decrease compared to 2017 and confirms the stable downward trend.

Payments reimbursed by DG AGRI to the Member States in 2018						
Management type	Chapter	Budget item	Description	Payments (EUR)	Error rate (%)	Amount at risk (EUR)
Shared Management	0504	05040114	Completion of rural development financed by the EAGGF Guarantee Section - Programming period 2000 to 2006	-488 523	0.00%	-
		05040201	Completion of the European Agricultural Guidance and Guarantee Fund, Guidance Section - Objective 1 regions (2000 to 2006)	-	-	-
		05040501	Rural development programmes 2007-2013	271 929 053		
			Reimbursements following Court cases	47 161 052	0.00%	
			Final balance 2007-2013	224 768 001	2.98%	6 706 634
		05046001	Promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector	12 173 540 691		390 071 955
			Interim payments for promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector 2014-2020	12 154 039 375	3.21%	390 071 955
			Pre-financing for promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector 2014-2020	19 501 317	0.00%	-
			Sub-Total Shared Management	12 444 981 221	3.19%	396 778 589
		Direct Management	05040206	Completion of Leader (2000 to 2006)	-	-
05040502	Operational technical assistance 2007-2013		-	-	-	
05046002	Operational technical assistance 2014-2020		11 867 856	1.00%	118 679	
	Sub-Total Direct Management		11 867 856	1.00%	118 679	
Grand Total 0504				12 456 849 077	3.19%	396 897 267

Table: Annex 10 – 3.3.6.2-1

The adjusted error rate for payments made for ABB04 is 3.19% and the total amount at risk is EUR 396.90 million.

The assessment of the risk for the entire chapter 0504 covers all payments to Member States in 2018 including pre-financing.

The average amount of net financial corrections per year for the five year period 2014-2018 (excluding corrections made for cross-compliance) is EUR 195.20 million for ABB04⁵¹ while recoveries from Member States from beneficiaries amounted to EUR 112.37 million.

⁵¹ See sub-section 2.4.1.5.1 of the main body of the report on "corrective capacity".

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

Communication on the root causes of errors and actions taken

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

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

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

Simplification and Omnibus

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

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

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

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

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

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

Finally, a set of changes has been introduced in the **competition provisions** of the Common Market Organisation (CMO) Regulation. The position of producer organisations

is strengthened: an explicit competition derogation is possible for sales and production planning activities of POs and Associations of POs, which genuinely integrate activities of their members while sector specific provisions have been deleted. Furthermore, the farmers have the right to ask for a written contract, unless their trading partner is a SME. These provisions entered into force on 1 January 2018.

Conferences, workshops and networking

In 2018 DG AGRI participated in 3 Conferences with the Heads of the Paying Agencies in Sofia (Bulgaria), Andau (Austria) and Brussels (Belgium) (the latter organised by DG AGRI). These Conferences allow for the sharing of good practices in the implementation of the CAP and inform about strategic issues as regards assurance and audit. Meetings are also regularly organised with representatives of the Learning Network of the Paying Agencies, in which strategic issues and implementation challenges are discussed. Furthermore, since 2013 eight seminars on error rate in Rural Development have been organised, of which the latest took place in June 2018. The seminars aim at presenting the lessons learnt from the audit work, sharing good practices in Member States' experience with the implementation of the programmes and provide guidance on various aspects of the policy. These seminars are organised jointly in the framework of the Rural Development Committee and the Agricultural Funds Committee in order to ensure the involvement of both Managing Authorities and Paying Agencies. In the meantime, the "geographical desks" (DG AGRI's units responsible for the Member States' Rural Development Programmes) ensure regular monitoring of the remedial action plans and carry out follow-up activities in annual and ad-hoc meetings with Member States, monitoring committees and, if relevant, in the context of programme amendments.

The European Network for Rural Development also has an enhanced role in disseminating good practices and guidance related to the reduction of errors, and improving the RDP implementation. In 2018, workshops and other events for Managing Authorities and Paying Agencies have been carried out in relation to the following topics: Leader simplification, RDP measures aimed at improving the attractiveness of rural areas for young people and fostering generational renewal, addressing bottlenecks in RDP implementation and preparing for the Performance Review, and more general events aiming to unlock the potential and improve overall implementation of RDPs.

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

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

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

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

Action plans

As from 2015, DG AGRI has further improved the system of action plans reporting by Member States concerned by, including a reinforcing focus on audit findings as well as improving indicators and milestones for monitoring purposes. The request for action plans is normally triggered by serious deficiencies identified in the framework of conformity procedures. Once approved, the action plans are expected to address the identified deficiencies by describing, for each of them, the corrective actions to be taken and the established benchmarks and timetable for implementing their actions. For Direct payments, DG AGRI monitors the implementation progress of each established action plan based on the progress reports that are sent regularly (at least every 3 months) by the Member States and reacts in case of inconsistencies on the implementation of the necessary remedial measures.

For Rural Development, action plans are normally requested when there are serious deficiencies: 1) when there are serious weaknesses with the management and control system or 2) in the implementation of the RDPs which are triggered by audit findings and which cannot or should not be resolved by a modification of the programmes. The concerned Member States are asked to establish action plans on the basis of a pre-established template, and are asked to report on the progress of their actions on a regular basis. The frequency is determined 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. As from 2015, DG AGRI has supported effectively, with the help of the JRC, ten LPIS systems with specific dedicated LPIS QA advisory missions. An assessment of the correct application of the LPIS QA method is included in the conformity clearance procedure.

Part 4: Conformity Clearance Procedure and Net Financial Corrections

4.1 What is "Clearance"?

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

The legal basis for the Clearance of Accounts procedures in place is provided by Regulation (EU) No 1306/2013⁵², Commission Delegated Regulation (EU) No 907/2014⁵³ and Commission Implementing Regulation (EU) No 908/2014⁵⁴.

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

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

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

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

⁵² 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).

⁵³ 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).

⁵⁴ 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).

agricultural expenditure a financial year starts on 16 October of one year and ends on 15 October of the next year).

4.1.2 Conformity clearance – checking the system

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

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

Financial corrections

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

Explanatory Box: Annex 10 - 4.1.2-1

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

Every year, the Commission's Directorate General for Agriculture and Rural Development carries out over 220 audits, more than half of which include on-the-spot missions to the Paying Agencies and/or Certification Bodies in the Member States. The Paying Agencies and Certification Bodies to be visited are selected on the basis of a detailed risk analysis, and the audit work normally concentrates on the work of the Certification Bodies on legality and regularity and the functioning of the Paying Agencies' management and control systems (see Explanatory box 1.1 in Annex 10 – Part 1 for more information on the Central Risk Analysis (CRA)).

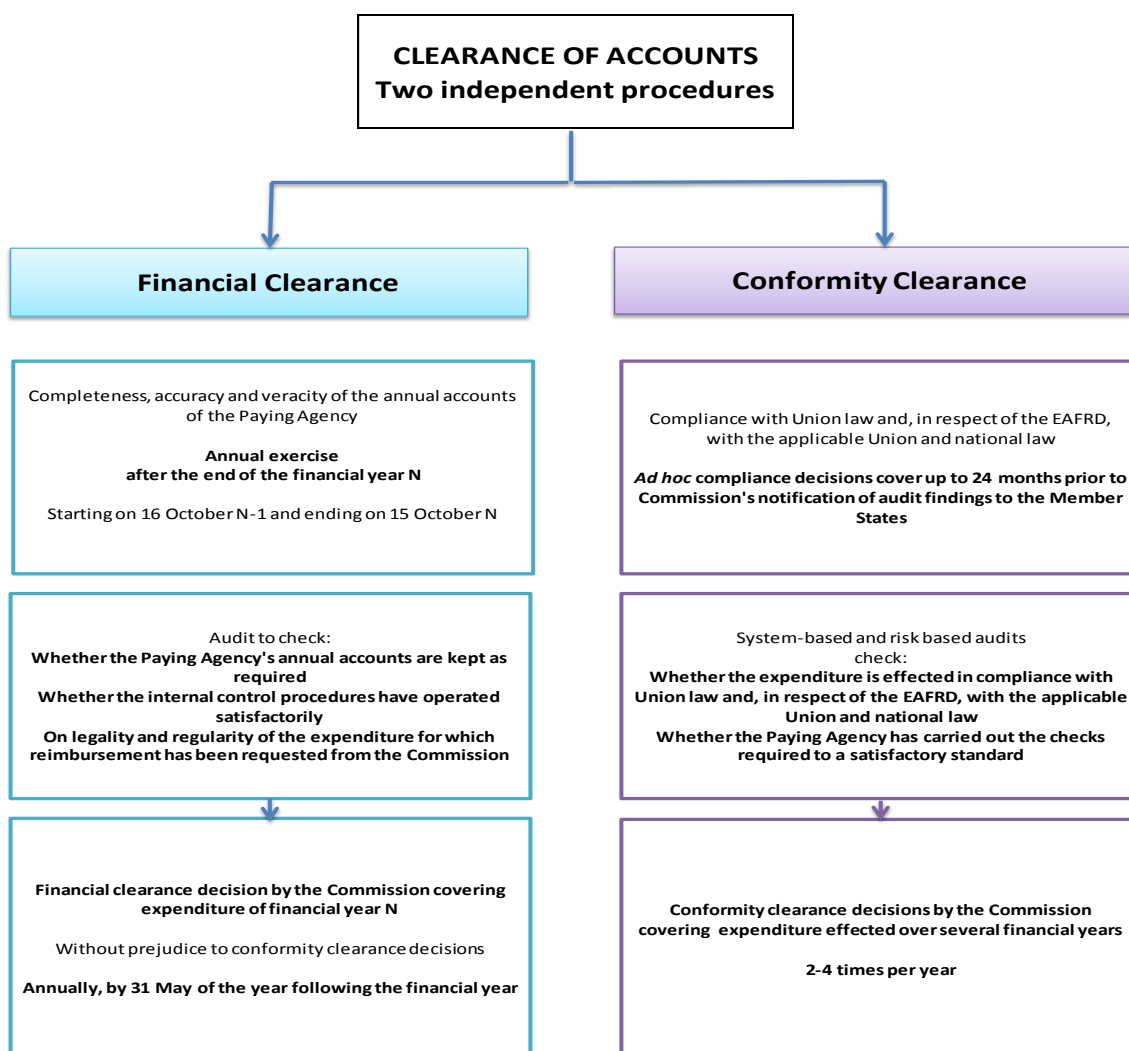


Diagram: Annex 10-4.1.2-1

4.1.3 How does the conformity procedure work in practice?

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

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

the minutes of the meeting to react and provide further information (if requested, two more months).

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

What is the role of the Conciliation Body?

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

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

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

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

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

Explanatory Box: Annex 10 - 4.1.3-1

Once this procedure has been completed, any resulting financial correction is included in a formal decision adopted by the Commission (referred to as *ad-hoc* decision) after having consulted the Member States through the Committee on the Agricultural Funds. Such a conformity decision can then be challenged by the Member States before the Court of Justice of the European Union. Throughout the procedure Member States have the right to a fair contradictory procedure. Also because Member States have the right (which they regularly exercise) to challenge 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, provide that "*Member States shall be given the opportunity to demonstrate that the actual extent of the non-compliance is less than the Commission's assessment*". The principle of a contradictory process between the auditor and the auditee is also an essential element of audit quality standards.

In addition to the contradictory procedure, 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 months⁵⁵.

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 Act (Article 34 of Commission Implementing Regulation (EU) No 908/2014).

⁵⁵ It can take even longer if the whole case has to be re-examined.

Annex 10 – Part 4 – Conformity Clearance Procedure and Net Financial Corrections

Conformity Clearance Procedure

DG AGRI Conformity Clearance Procedure for Net Financial Corrections

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

Year	Month	Procedural steps	Procedural Phase	Coverage of the financial correction
		Preparatory Phase		Financial correction may cover expenditure incurred for 24 months prior to notification
2015	S	Audit Mission		
	O N D	Mission report & preparation of the Letter of Findings		
START OF CONFORMITY PROCEDURE				
2016	J	Notification of audit finding to MS	Contradictory phase with 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			
	M	MS reply to the Letter of Findings		
	A			
	M			
	J			
	J	Bilateral meeting with MS to discuss the deficiencies identified, action to be taken and the risk to the EU Budget		
	A	Minutes of Bilateral Meeting		
2017	S	Member State's reply to the minutes of bilateral meeting		
	O			
	N			
	D			
	J		Conciliation phase for MS	
	F	Notification of financial correction to MS		
	M	MS submission of reasoned request for conciliation - optional to MS -		
	A	Conciliation procedure (if requested by MS) The Conciliation Body is independent from the COM and the MS. Its role is to conciliate the positions of both parties. Its conclusions are not binding on the COM.		
M				
J				
J				
A				
S				
O				
N				
D		Preparation of the Final Letter		
2018	J	Final Letter to MS with definitive financial correction		
END OF PROCEDURE				
	F		Comitology & COM decision procedure	
	M			
	A	Commission decision on financial corrections		
	M			
J				
J		Actual reimbursement to EU Budget by MS		

Diagram: Annex 10 – 4.1.4-1

4.2 Net financial corrections

4.2.1 How does the Commission calculate net financial corrections?

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

Where this is not possible, **flat-rates** (Article 12(6) of Commission Delegated Regulation (EU) No 907/2014) are used which take account of the severity of the deficiencies in the national management and control systems in order to reflect the financial risk for the EU budget. In order to ensure equal treatment of all cases of this kind, the Commission has adopted guidelines⁵⁶, which provide for standard correction rates of 2%, 3%, 5%, 7%, 10% or 25% of the expenditure at risk, depending on whether the deficiencies concern key or ancillary control requirements, which are determined for each aid schemes.

What are key and ancillary controls?

- Key controls are the administrative and on-the-spot checks necessary to determine the eligibility of the aid and the relevant application of reductions and penalties. It concerns those physical and administrative checks required to verify substantive elements, in particular the existence of the subject of the claim, identification of duplicate claims for the same subject, the quantity, the qualitative conditions including the respect of time limits, harvesting requirements, retention periods, etc. in order to ensure the accurate calculation of the amount due to the beneficiary. They are performed on-the-spot, and by administrative cross-checks with independent data (such as a land parcel identification system).
- Ancillary controls involve all other administrative operations required to correctly process claims, such as a risk analysis and appropriate supervision of the procedures.
- When assessing the administrative and on-the-spot (OTS) process (the authorisation of claims) for a given population, the Certification Body's assessment should be based on the key and ancillary controls. The Certification Bodies are also using the key and ancillary controls when they assess the legality and regularity of the expenditure (under their compliance and substantive testing).

Explanatory Box: Annex 10 - 4.2.1-1

On this basis, the guidelines provide that:

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

⁵⁶ Guidelines on the calculation of the financial corrections in the framework of the conformity and financial clearance of accounts procedures C(2015) 3675 final.

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

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

4.2.2 Net financial corrections in 2018

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

All corrections except cross-compliance, late payments and overshooting of ceilings				
million EUR				
	ABB02	ABB03	ABB04	Total
2014	102.245	533.356	62.342	697.943
2015	205.255	756.932	243.985	1 206.172
2016	213.272	1 191.485	226.396	1 631.153
2017	363.533	517.097	303.807	1 184.437
2018	166.597	548.407	139.456	854.460
Total	1 050.902	3 547.277	975.986	5 574.165
5-year average	210.180	709.455	195.197	1 114.833

Table: Annex 10 – 4.2.2-1

As mentioned in the main body of the report (under sub-section 2.1.1.3.1), as for 2017 corrective capacity, DG AGRI carefully reviewed the individual corrections for market measures ABB02 and has excluded factors from the past years, that would no longer be relevant for current measures, in order to come to the best but conservative estimate of the expected corrective capacity average to be applied to the reporting year's relevant expenditure, so as to get the related estimated future corrections. The corrections excluded refer exclusively to ABB02 (market measures) and are those concerning aid schemes which no longer exist, notably, export refunds, food for the most deprived, sugar restructuring, historic wine plantation right, certain irregularities and aid for fruit and vegetables producer groups with historically high financial corrections as the measure is now under EAFRD and with limited expenditure.

In order to avoid an overestimation of the corrective capacity, for ABB03 DG AGRI calculates the historic average using the amounts of the net financial corrections for the years 2014, 2015, 2017 and 2018 (see table 2.1.1.3.1-3 in the main body of the report).

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

Cross-compliance executed in 2018 and 5-year average				
million EUR				
	ABB02	ABB03	ABB04	Total
2018	0.122	31.523	2.562	34.207
5-year average	0.189	90.236	6.854	97.279

Table: Annex 10 – 4.2.2-2

4.2.3 Instalments and Deferrals

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

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

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

Ad-hoc decision	Adopted	Amount in instalments(*)	Year of reimbursement							
			until 2014	2015	2016	2017	2018	2019	2020	2021
34-41	2010-2013	657.671	649.869	7.802						
43	2013	92.489	30.830	30.830	30.830					
44	2014	16.560	5.520	5.520	5.520					
46	2014	96.829		32.276	32.276	32.276				
47	2015	1.279.173		426.391	426.391	426.391				
48	2015	177.366		59.122	59.122	59.122				
49	2015	7.099			2.366	2.366	2.366			
50	2016	103.476			34.492	34.492	34.492			
51	2016	340.069			113.356	113.356	113.356			
52	2016	219.177				73.059	73.059	73.059		
54	2017	275.195				91.732	91.732	91.732		
55	2017	11.303					3.768	3.768	3.768	
56	2018	15.299					5.100	5.100	5.100	
57	2018	126.333					42.111	42.111	42.111	
58	2018	28.277						9.426	9.426	9.426
Total		3.446.316	686.219	561.941	704.353	832.794	365.984	225.196	60.405	9.426

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

Table: Annex 10 – 4.2.3.-1

In 2015, a deferral decision under Article 34(8)(a) of Regulation No 908/2014 was

adopted for Greece. This type of decision allows deferring the execution date for financial corrections for a period of 24 months from the date of the adoption. After the expiry of the deferral period the corrections are required to be executed in five annual instalments. The deferral granted to Greece was due to expire on 22 June 2017 but on 8 June 2017 the Commission adopted Decision C(2017)3780 extending the deferral period to 22 June 2018. The following amounts (in EUR million) were deferred with ad hoc 57 being the last ad hoc decision with deferral possible:

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

Table: Annex 10 – 4.2.3.-2

4.2.4 Amounts of financial corrections decided each year

Sub-section 2.1.1.3 of this report provides further information on financial impact of financial corrections and how they protect the EU budget. Three conformity clearance decisions were adopted by the Commission in 2018:

Net financial corrections decided in 2018				
million EUR				
Commission Conformity Decisions		EAGF	EAFRD	Total
ad-hoc 56	(EU)2018/304	28.126	52.373	80.499
ad-hoc 57	(EU)2018/873	89.702	73.286	162.988
ad-hoc 58	(EU)2018/1841	101.367	38.523	139.890
Total		219.195	164.182	383.377

Table: Annex 10 – 4.2.4-1

Impact of net financial corrections on Member States

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

Explanatory Box: Annex 10 – 4.2.4-1

4.2.5 Legal Mechanisms for net financial corrections were strengthened from 2015

4.2.5.1 Focus on more risky expenditure

DG AGRI audit activities are driven by risk analysis, i.e. more audits focus on Member States, measures and programmes affected by higher risks. Formerly, DG AGRI conducted an annual Central Risk Analysis (CRA) covering all CAP expenditure in all Member States in order to produce an annual audit work programme. In mid-2014, in line with its audit strategy, DG AGRI developed a rolling three-year audit programme. (Explanatory boxes 1-1 and 1-2 in Annex 10 - Part 1 set out the elements which comprise the risk analysis). The risk assessment for this multi-annual plan has been complimented by risk mapping (see Part 1 of this Annex) and it was decided to carry it out mid-year in order to exploit the opinions of the Certification Bodies (which are available in March) and to take into account any follow up work resulting from the AAR (in particular action plans which have to be followed up with the Member States). This 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 above⁵⁷.

This legislation frames the procedure even more tightly with the method and the criteria for fixing the amount of financial corrections now set out in the delegated act. In the case of flat-rate corrections, it is specified how the severity of deficiency shall be assessed, taking into account its nature (key or ancillary control) but also its recurrence (repetition from a previous year without improvement) and the accumulation with other deficiencies (the risk of errors is likely to be higher when there are several deficiencies). The Commission guidelines⁵⁸ on how it determines financial corrections fully reflect the changes. The implementing act sets out mandatory legal deadlines for both Member State and Commission for the various steps of the conformity clearance procedure.

4.2.5.3 Less recourse to flat-rate corrections

Both the Financial Regulation and the 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.

⁵⁷ Up until the end of 2014, the clearance of accounts procedures were governed by Council Regulation (EC) No 1290/2005 and Commission Regulation (EC) No 885/2006.

⁵⁸ Guidelines on the calculation of the financial corrections in the framework of the conformity and financial clearance of accounts procedures C(2015) 3675 final.

Part 5: Debt management by the Member States

5.1 Legal Framework

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

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

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

From financial year 2014, the 50/50 rule is applied to EAFRD in the financial year when it occurs and not at the closure of the programme. Consequently, the Member States are required to indicate amounts to be charged under the 50/50 rule also for EAFRD 2007-2013 as well as for EAFRD 2014-2020 programmes⁵⁹.

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.

⁵⁹ Article 54(2) of Regulation (EU) No 1306/2013.

5.2 Amounts recovered by the Member States in financial year 2018 for the EAGF

Table Annex 10 – 5.2-1 below sets out the amounts recovered in 2018 from the beneficiaries by the Member States as reported in their debtors' ledger for the EAGF⁶⁰.

MS	EAGF recoveries	EAGF recoveries cross-compliance	EAGF recoveries Total
AT	3 078 619	530 763	3 609 382
BE	389 562	1 410 455	1 800 016
BG	200 854	2 191 691	2 392 545
CY	40 926	182 723	223 648
CZ	216 879	1 347 497	1 564 376
DE	5 876 674	6 086 940	11 963 613
DK	173 453	556 972	730 425
EE	30 227	301 228	331 455
ES	10 753 970	2 250 647	13 004 617
FI	573 379	631 634	1 205 013
FR	9 374 514	8 785 606	18 160 120
GB	2 052 753	103 788	2 156 541
GR	3 496 952	2 858 433	6 355 385
HR	1 046 099	601 693	1 647 792
HU	731 684	3 398 127	4 129 811
IE	940 003	1 257 129	2 197 132
IT	10 718 392	21 804 730	32 523 122
LT	2 372 333	693 371	3 065 704
LU	16 660	95 503	112 163
LV	112 235	266 391	378 625
MT	19 965	39 189	59 154
NL	681 981	2 092 022	2 774 002
PL	5 163 793	1 749 004	6 912 797
PT	3 672 109	1 253 455	4 925 564
RO	6 326 544	5 725 373	12 051 916
SE	168 857	9 785	178 642
SI	205 256	339 251	544 507
SK	238 316	736 774	975 090
Total	68 672 986	67 300 173	135 973 160

Table: Annex 10 – 5.2-1

For the purpose of calculating corrective capacity (see Table Annex 10 – 5.2-2 below and sub-section 2.1.1.3 of the main body of the report), amounts recovered from the beneficiaries by the Member States and reimbursed to the Commission as assigned revenue (67 02) for the EAGF in 2018 are taken into account. These amounts slightly differ from the debtors' ledgers as reported by the Member State as it accounts for recovered amounts subject to the retention of a 20% flat rate recovery cost, as well as recovered amounts of recovery cases that were subject to the 50/50 rule in the financial

⁶⁰ 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.

clearance of accounts for financial year 2018 and assigned revenue from (disjoined) financial clearance decisions of previous financial years.

The total amount recovered and reimbursed to the EU budget is EUR 131.6 million. This corresponds to the amount declared by DG AGRI in the consolidated accounts for 2018. Amounts recovered in respect of cross-compliance infringements (i.e. EUR 33.9 million) are indicated separately and deducted to show the amount of recoveries for 2018 which DG AGRI considers to be relevant for its corrective capacity, i.e. EUR 97.7 million for 2018.

MS	EAGF recoveries	EAGF recoveries cross-compliance	EAGF recoveries Total
AT	2 759 950	453 532	3 213 482
BE	921 581	1 193 950	2 115 531
BG	1 948 118	409 633	2 357 751
CY	135 543	47 179	182 723
CZ	434 180	919 096	1 353 275
DE	5 359 443	8 369 889	13 729 332
DK	702 420	694 614	1 397 034
EE	133 400	158 057	291 458
ES	11 181 890	1 403 543	12 585 434
FI	792 266	474 883	1 267 149
FR	11 527 657	2 815 956	14 343 613
GB	2 063 441	3 012 425	5 075 866
GR	6 412 675	884 774	7 297 449
HR	1 350 951	259 039	1 609 991
HU	3 864 231	185 065	4 049 296
IE	934 061	2 970 021	3 904 082
IT	23 522 582	2 556 668	26 079 250
LT	1 444 702	798 478	2 243 180
LU	16 660	146 368	163 028
LV	248 823	87 974	336 797
MT	26 138	9 227	35 365
NL	1 151 675	793 137	1 944 811
PL	7 286 370	866 387	8 152 757
PT	4 599 082	921 873	5 520 955
RO	7 805 108	2 889 868	10 694 976
SE	152 132	124 760	276 892
SI	211 308	183 078	394 387
SK	696 253	280 281	976 533
Total	97 682 639	33 909 756	131 592 395

Table: Annex 10 – 5.2-2

5.3 Amounts recovered by the Member States in financial year 2018 for the EAFRD

Table Annex 10 – 5.3-1 below sets out the amounts recovered in 2018 from the beneficiaries by the Member States as reported in their debtors' ledger for the EAFRD.

MS	EAFRD recoveries	EAFRD recoveries cross-compliance	EAFRD recoveries Total
AT	4 098 054	82 983	4 181 037
BE	221 377	59 927	281 304
BG	1 662 840	724 607	2 387 447
CY	8 740	26 711	35 451
CZ	711 471	716 879	1 428 349
DE	9 374 929	443 520	9 818 450
DK	646 629	19 815	666 444
EE	1 252 496	140 238	1 392 734
ES	4 379 876	278 839	4 658 715
FI	1 143 590	264 497	1 408 087
FR	2 817 962	581 416	3 399 378
GB	4 377 010	57 709	4 434 720
GR	2 493 063	2 261 708	4 754 771
HR	589 392	1 667 008	2 256 400
HU	1 820 750	1 418 015	3 238 765
IE	1 984 936	380 301	2 365 237
IT	4 222 814	16 725 017	20 947 831
LT	1 860 248	366 189	2 226 437
LU	3 207	132 182	135 388
LV	475 407	131 254	606 661
MT	377 181	19 381	396 562
NL	185 005	25 182	210 187
PL	9 002 633	612 895	9 615 528
PT	14 794 018	509 380	15 303 398
RO	26 483 145	3 101 537	29 584 682
SE	377 021	16 882	393 903
SI	471 813	154 940	626 752
SK	1 195 988	504 042	1 700 030
Total	97 031 592	31 423 055	128 454 647

Table: Annex 10 – 5.3-1

For the purpose of calculating the corrective capacity, (see sub-section 2.1.1.3 of the main body of the report), recoveries in respect of SAPARD and TRDI are excluded as they are not relevant to EAFRD. Recovered amounts in respect of cross-compliance infringements are also deducted. The resulting amount of recoveries for 2018 which DG AGRI considers relevant for its corrective capacity is EUR 97 million.

5.4 Application of the 50/50 Rule

The financial consequences of non-recovery for cases dating from 2014 (4 year deadline for recovery) or 2010 (8 year deadline in case of legal proceedings) will be determined for 2018 in accordance with the 50/50 rule mentioned above by charging approximately EUR 17.7 million to the Member States concerned⁶¹. On the other hand, around EUR 17.7 million represents cases reported as fully irrecoverable during financial year 2018⁶². The final figures will be established in May 2019 when the financial clearance decision for financial year 2018 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 2018 was EUR 1 687.5 million for all the Funds. Of this amount, EUR 1 559.9 million is outstanding to the EU budget (the difference, EUR 127.6 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 2018, 58% of the new EAGF debts, registered as from 2007, had already been recovered, which is a significant improvement compared to the past. The detailed breakdown of this recovery rate has developed as follows:

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

Table: Annex 10 – 5.4-1

⁶¹ Please note that these amounts relate to EAGF, EAFRD and TRDI.

⁶² For EAFRD, based on the new legal regime, from financial year 2014 the Member States have to report as well the irrecoverable cases established during the financial year in question.

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 2018 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 2007-2018 (EUR 160 million) and therefore, in the vast majority of cases, they will not be recovered from the beneficiaries.

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

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

Member State	New cases since FY2007	Adjustments ⁶³ since FY2007	Recoveries since FY2007	Irrecoverable since FY2007	Recovery rate
AT	57.798.384,00	2.779.788,37	-57.061.540,08	-283.883,02	95%
BE	81.860.709,11	-17.758.363,14	-38.923.159,21	-11.541.353,96	74%
BG	2.601.121,47	543.651,19	-936.099,98	-266.496,00	33%
CY	3.053.138,56	-29.644,94	-2.372.388,61	0,00	78%
CZ	3.381.717,25	-138.115,37	-2.905.579,13	-1.185,44	90%
DE	105.123.020,18	-5.976.171,79	-83.739.195,65	-3.814.368,49	88%
DK	36.536.596,17	18.912.951,47	-28.724.805,15	-26.021.390,76	98%
EE	2.869.177,58	-1.008.464,37	-1.486.556,82	-100.009,58	84%
ES	294.296.935,95	-44.917.755,28	-173.533.839,66	-40.492.530,58	83%
FI	12.737.629,09	94.533,73	-11.366.754,44	-215.568,66	90%
FR	438.462.960,47	-99.143.978,42	-110.531.561,44	-15.681.243,99	34%
GB	90.840.287,71	-10.005.634,52	-46.010.952,70	-843.453,83	58%
GR	151.041.636,54	-40.113.695,04	-35.946.893,49	-37.584,40	32%
HR	2.669.944,87	7.245,04	-1.923.639,91	0,00	72%
HU	99.257.884,22	-53.468.986,51	-18.879.219,26	-12.921.530,64	57%
IE	31.638.091,64	-2.782.866,77	-26.093.027,85	-658.046,33	93%
IT	367.116.627,30	-44.209.948,95	-177.448.248,04	-37.984.985,80	62%
LT	12.259.758,29	-2.877.455,82	-7.502.522,35	-147.835,27	81%
LU	1.152.883,89	-620.197,62	-384.241,96	-2.256,31	72%
LV	2.594.665,79	-25.568,79	-2.026.928,76	-86.470,65	82%
MT	1.503.313,51	141.694,94	-658.450,64	-31.388,78	41%
NL	78.195.869,34	2.709.457,07	-29.238.803,95	-66.730,89	36%
PL	118.848.740,16	-25.709.669,58	-33.311.451,57	-5.168.923,35	38%
PT	83.552.285,98	-23.614.294,50	-45.050.437,95	-2.618.830,02	79%
RO	108.511.043,29	-2.017.666,99	-30.852.981,48	-78.770,76	29%
SE	30.031.476,30	-5.827.387,91	-21.192.974,52	-180.917,33	88%
SI	19.104.893,10	-8.793.738,72	-9.108.436,86	-828,09	88%
SK	4.812.632,02	-1.000.853,13	-1.870.508,04	-461.415,63	56%
Total	2.241.853.423,77	-364.851.136,36	-999.081.199,50	-159.707.998,56	58%

Table: Annex 10 – 5.4-2

⁶³ Adjustments include any correction (+ or -) arising from the revision of the initial debt amount (as a result of recovery procedures in the Member States) reported in Annex 2 of the Annual Accounts.

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 2018.

5.5 DG AGRI Enquiries

Based on the annual accounts of financial year 2018, the global amount subject to debt management is approximately **EUR 1.7 billion**.

Based on the results of the audit work carried out by DG AGRI (desk audits and missions) as well as on the audit work of external audit bodies (Certification Bodies, European Court of Auditors, OLAF), the consolidated assessment of DG AGRI, at the end of 2018, as regards the effectiveness of irregularities and debt management and control systems (IDMCS) can be described as follows:

- the IDMCS implemented in the following Paying Agencies is partially effective and some substantial improvements are necessary: BG01, DE17, FR19, FR20, GB06, GB07, HR01, IT01, PL01, MT01, RO01 and RO02.

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

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

After several delays in the implementation of the action plan, the deadline was subsequently extended to 15 October 2016. A follow-up mission carried out by DG AGRI in November 2016 found that the action plan had not yet been fully implemented by the extended deadline. DG AGRI has been following the developments since then and a financial correction has been applied⁶⁴ to cover the risk to the EU funds. The Certification Body, in its audit report concerning the financial year 2018, reported on some deficiencies of intermediate level in the accreditation criteria, but did not identify major deficiencies. However, in its comments on the action plan, the Certification Body concluded that, despite the clear progress made by the Italian Paying Agency AGEA in the implementation of the action plan, various problems remain in relation to supervision of delegated tasks and the organisational structure (see also sub-section 2.1.4).

⁶⁴ Commission Implementing Decision (EU) 2018/873 of 13 June 2018.

Part 6: Cross-compliance

Cross-compliance is a mechanism by which farmers are penalised when they do not respect a series of rules which stem in general from policies other than the CAP and which apply to EU citizens independently of the CAP.

The respect of cross-compliance obligations does not constitute an eligibility criterion for CAP payments and therefore the checks of these requirements do not pertain to the legality and regularity of the underlying transactions. Penalties imposed for non-compliance with cross-compliance requirements are therefore not taken into account for the calculation of the error rates for the CAP.

The control statistics referred to below do not therefore correspond to errors in underlying transactions.

The results of the checks on cross-compliance are shown in table Annex 10 – 6-1 for claim year 2017 (financial year 2018). That table shows that 2.29% of all claimants were checked as regards their compliance with cross-compliance requirements in claim year 2017, and thereby the minimum control rate of 1% was globally respected. The claim year 2017 rate of farmers checked on the spot and subsequently subject to a cross-compliance sanction was 22.00%.

According to the control statistics, total cross-compliance sanctions in respect of claim year 2017 amounted to EUR 39.9 million. Sanctions following regulatory on-the-spot checks amounted to EUR 26.5 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 22.6 million (2.64% of the aid covered by on-the-spot checks). Additional EUR 23.7 million of sanctions was applied following repetition and intentional non-compliance.

It should be noted that, at the time of the drafting of the report, France had not submitted their control statistics for claim year 2017 (normally pertaining to payments in financial year 2018).

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	99,455	2,067	2.08%	401	19.40%
BE	35,735	3,703	10.36%	635	17.15%
DE	295,486	9,249	3.13%	3,132	33.86%
DK	39,001	409	1.05%	161	39.36%
EL	479,232	4,831	1.01%	941	19.48%
ES	566,151	7,954	1.40%	2,020	25.40%
FI	50,676	1,592	3.14%	301	18.91%
FR					
IE	128,913	1,329	1.03%	643	48.38%
IT	635,939	24,725	3.89%	2,448	9.90%
LU	1,790	254	14.19%	67	26.38%
NL	48,281	571	1.18%	136	23.82%
PT	126,258	3,281	2.60%	1,080	32.92%
SE	60,007	644	1.07%	331	51.40%
UK	149,294	3,992	2.67%	785	19.66%
EU-15 2017	2,716,218	64,601	2.38%	13,081	20.25%
EU-15 2016	2,638,257	73,386	2.78%	13,472	18.36%
CY	32,387	540	1.67%	116	21.48%
CZ	30,925	2,411	7.80%	108	4.48%
EE	19,543	529	2.71%	21	3.97%
HU	146,725	7,011	4.78%	773	11.03%
LV	46,469	1,033	2.22%	1,011	97.87%
LT	130,225	3,557	2.73%	1,489	41.86%
MT	2,048	204	9.96%	110	53.92%
PL	678,350	15,451	2.28%	2,368	15.33%
SK	19,076	505	2.65%	159	31.49%
SI	57,452	930	1.62%	347	37.31%
EU-10 2017	1,163,200	32,171	2.77%	6,502	20.21%
EU-10 2016	1,127,855	31,977	2.84%	6,767	21.16%
BG	69,773	1,056	1.51%	466	44.13%
RO	566,838	5,539	0.98%	1,789	32.30%
EU-2 2017	636,611	6,595	1.04%	2,255	34.19%
EU-2 2016	970,270	14,509	1.50%	6,061	41.77%
HR	105,774	2,563	2.42%	1,471	57.39%
EU-1 2017	105,774	2,563	2%	1,471	57.39%
EU-1 2016	101,534	2,130	2.10%	1,445	67.84%
EU-28 2017	4,621,803	105,930	2.29%	23,309	22.00%
EU-28 2016	4,837,916	122,002	2.52%	27,745	22.74%

Table: Annex 10 – 6-1

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

Relevant control system for Shared Management							
Ex ante controls			Ex post controls			Total*	
EC total costs (in EUR)	Funds managed (in EUR)*	Ratio (%)*: <i>Total ex ante control cost in EUR ÷ funds managed in EUR</i>	EC total costs (in EUR)	Total value verified and/or audited (in EUR)	Ratio (%): <i>Total ex post control cost in EUR ÷ total value verified and/or audited in EUR</i>	EC total estimated cost of controls (in EUR)	Ratio (%): <i>Total cost of controls ÷ funds managed</i>
38 038 940	56 830 266 331.05	0.07%	17 306 500	N/A	N/A	55 345 440	0.1%

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

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

ANNEX 12: Performance tables ⁶⁵

General objective: A New Boost for Jobs, Growth and Investment		
Impact indicator: Percentage of EU GDP invested in R&D (combined public and private investment)		
Source of the data: Eurostat ⁶⁶		
Baseline (2012)	Latest known value (2017)	Target (2020) Europe 2020 target
2.00% [Baseline adjusted - before: 2.01%]	2.07% (provisional)	3%
Impact indicator: Employment rate population aged 20-64		
Source of the data: Eurostat		
Baseline (2014)	Latest known value (2017)	Target (2020) Europe 2020 target
69.2%	72.2%	At least 75%
General objective: A Connected Digital Single Market		
Impact indicator: Aggregate score in Digital Economy and Society Index (DESI) ⁶⁷ EU-28		
Explanation: DESI is a composite index that summarises relevant indicators on Europe's digital performance and tracks the evolution of EU Member States in digital competitiveness. The closer the value is to 1, the better. The DESI index is calculated as the weighted average of the five main DESI dimensions: 1 Connectivity (25%), 2 Human Capital (25%), 3 Use of Internet (15%), 4 Integration of Digital Technology (20%) and 5 Digital Public Services (15%). The DESI index is updated once a year.		
Source of the data: DESI		
Baseline (DESI 2015)	Latest known value (DESI-2018)	Target (2020)
45 [Baseline adjusted - before: 46 according to new scale]	54	Increase
General objective: A Resilient Energy Union with a Forward-Looking Climate Change Policy		
Impact indicator: Greenhouse gas emissions (index 1990=100)		
Source of the data: European Environmental Agency		
Baseline (2013)	Latest known value (2016 prox estimates by EEA)	Target (2020) Europe 2020 target
80.4% [Baseline adjusted - before: 80.2%]	78.1%	At least 20% reduction (index ≤80)

⁶⁵ The performance indicators reported in this annex reflect the set of indicators of DG AGRI's Strategic Plan 2016-2020, a number of which are also included in other reporting documents such as the Programme Statements which accompany the Draft Budget for a given year (http://ec.europa.eu/budget/biblio/documents/index_en.cfm)

⁶⁶ Please note that Eurostat periodically revises its published data to reflect new or improved information, also for previous years. The latest published data is available by clicking on "bookmark". The "latest known value" column reflects the data that was available at the time of the preparation of the AARs 2017 and it is the reference point for the AARs of Commission services.

⁶⁷ DESI has been updated, the indicator list has slightly changed; in addition, move from 0-1 scale to 0-100 scale

General objective: **A balanced and progressive trade policy to harness globalisation**⁶⁸

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

Source of the data: Eurostat for the raw indicators (1,2,3) and DG Trade for the list of countries covered by [trade and investments agreements](#) (4)

Baseline Goods average for 2014-2016, Services and FDI average for 2013-2015	Latest known value Goods average 2016-2018; Services and FDI average for 2015-2017 FTA status: 2018	Milestone* (2018)	Target* (2020)
Goods: Imports 27% Exports 32% Total 29% Services: Imports 10% Exports 9% Total 9% FDI stocks: Imports 4% Exports 7% Total 6%	Goods: Imports 29% Exports 34% Total 32% Services: Imports 12% Exports 12% Total 12% FDI stocks: Imports 9% Exports 12% Total 11%	Goods: Imports 32% Exports 37% Total 34% Services: Imports 15% Exports 15% Total 15% FDI stocks: Imports 9% Exports 13% Total 11%	Goods: Imports 51% Exports 61% Total 56% Services: Imports 54% Exports 52% Total 53% FDI stocks: Imports 55% Exports 59% Total 57%

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

⁶⁸ The title of Priority 6 has been updated and made geographically neutral in view of the slowing down of trade talks with the United States, the new geopolitical context, and the new dynamism in trade talks with other important regions of the world. The Commission has reflected this reality by changing the previous General Objective ("A Reasonable and Balanced Free Trade Agreement with the U.S") and introducing a new impact indicator replacing the old one "Share US in total EU FDI stocks".

Common CAP objective 1: Viable food production

Common CAP objective 1: Viable food production

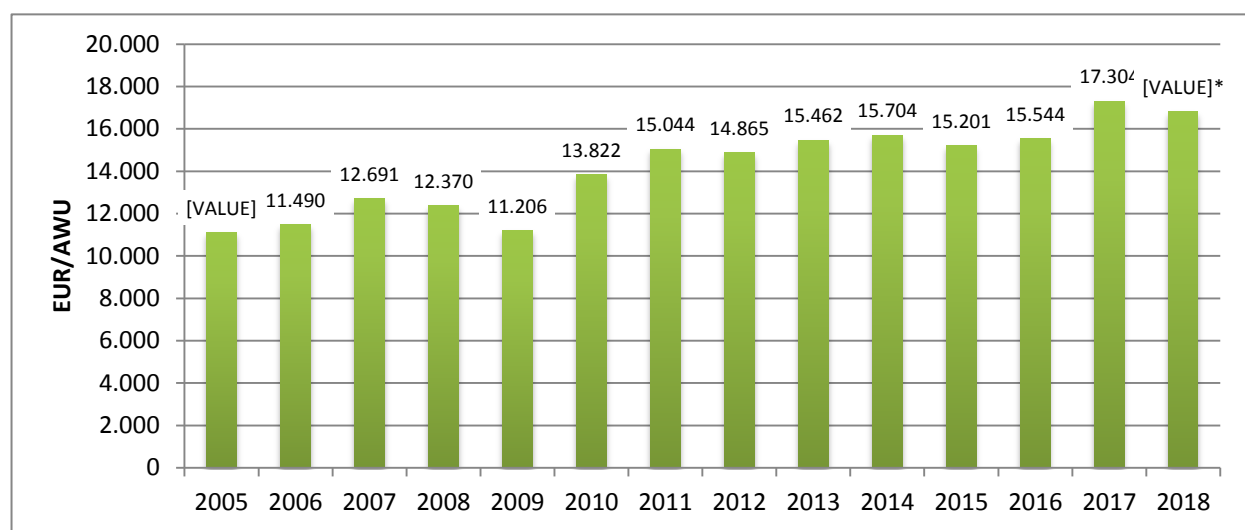
CAP Impact indicator: Agricultural factor income⁶⁹

Definition: Agricultural factor income (net value added at factor costs) per annual work unit (AWU) (in real terms)⁷⁰

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

This indicator is also used in the Programme Statements.

Baseline (2012 - EU-28)	Target	Latest known results (2017 - EU-28)
14 865 EUR/AWU ⁷¹ (in real prices)	To increase <i>Article 39 (1)(b) TFEU</i>	17 304 EUR/AWU



* First estimate for 2018

⁶⁹ In 2015, Eurostat changed the base year for the economic accounts for agriculture from 2005 to 2010, which has retroactive effects on values published previously. Eurostat has also updated values for previous years.

⁷⁰ Agricultural factor income is defined as the net value added at factor costs, calculated according to the following equation:

Value of agricultural production

- variable input costs (fertilisers, pesticides, feed, etc.)

- depreciation

- total taxes (on products and production)

+ total subsidies (on products and production)

= factor income (net value added at factor costs)

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

⁷¹ Eurostat regularly updates values for previous years when new data become available. This explains slight changes in the baseline value.

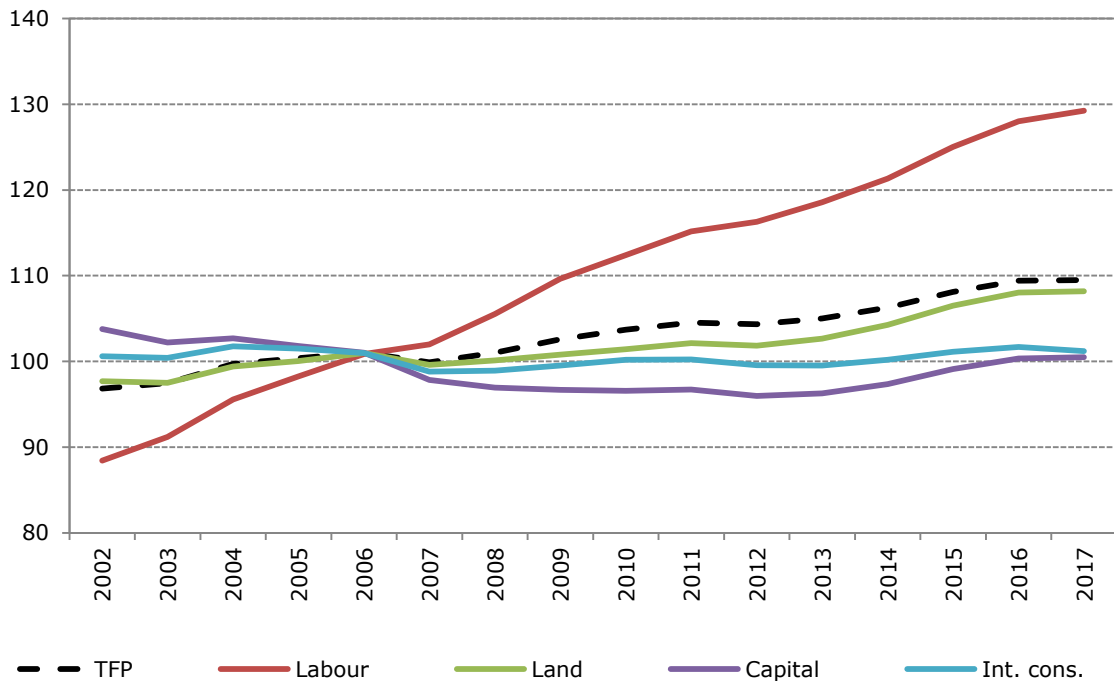
CAP Impact indicator: Total factor productivity in agriculture

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

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

This indicator is also used in the Programme Statements.

Baseline (2012-2014, average)	Target	Latest known results (2017)
106.2 (index 2005 = 100)	To increase <i>Article 39 (1)(a) TFEU</i>	109.5

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

"TFP" means Total Factor Productivity

"Int. cons." Means "Intermediate Consumption". It measures the value of the goods and services consumed as inputs by a process of production.

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

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

Related to spending programme: EAGF

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

Definition:

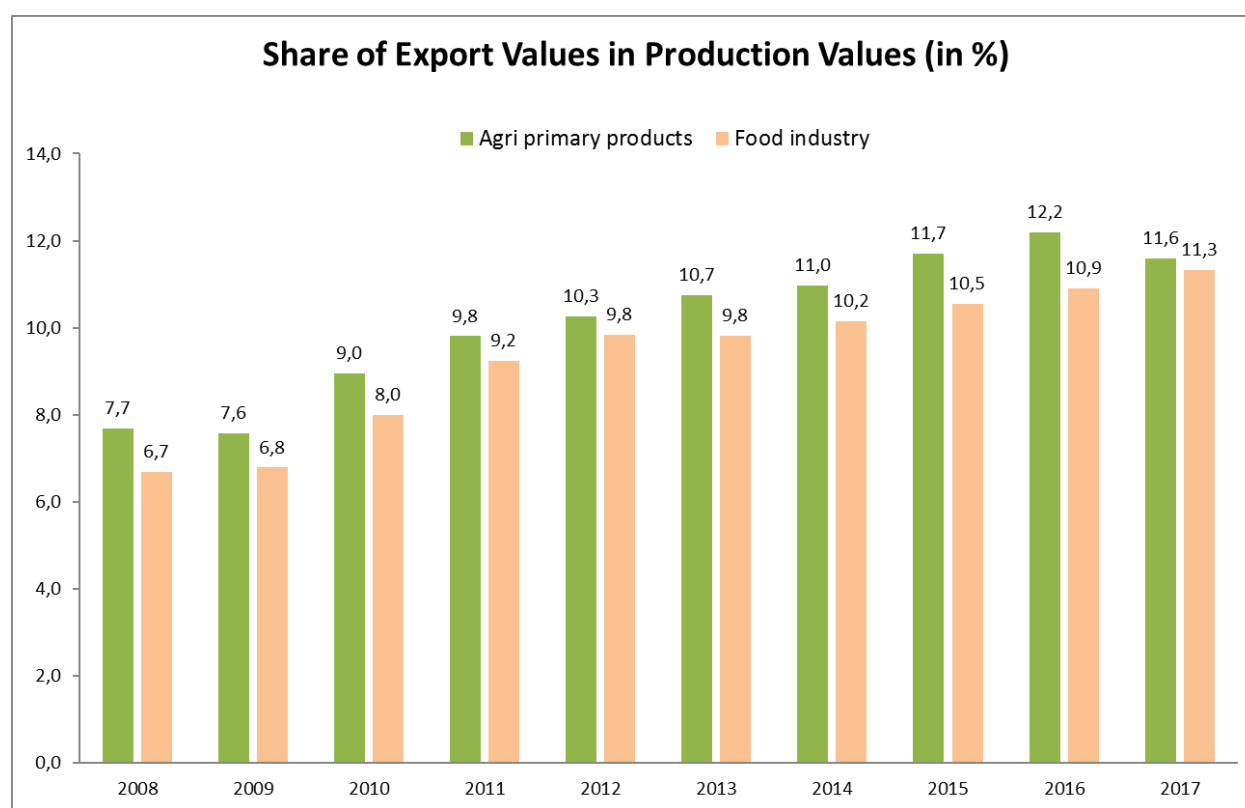
Agricultural primary products: value of annual exports in agricultural primary products (source Eurostat, Comext) as a percentage share of total value of production in agricultural products

Source of data: Eurostat, agricultural accounts

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

Source of data: Eurostat⁷², Prodcom⁷³

Baseline (2011)	Target (2020)	Latest known results (2017)
Agricultural primary products: 9.8%	Agricultural Primary products: 14%	Agricultural Primary products: 11.6%
Processed food products: 8.9%	Processed food products: 11.5%	Processed food products: 11.3%



⁷² Eurostat has updated values for previous years.

⁷³ Eurostat / Prodcom - Statistics by product (<http://ec.europa.eu/eurostat/web/prodcom>)

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

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

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

This indicator is also used in the Programme Statements.

(2011) ⁷⁴			Target	Latest known results (2016)		
EU-28	Value added (in billion EUR)	%	Higher share of value added for primary products in the food chain <i>Regulation n°1308/2013</i>	EU-28	Value added (in billion EUR)	%
Primary production	213	26		Primary production	215	23
Processing	214	26		Processing	243	26
Retail and wholesale	256	31		Retail and wholesale	295	32
Food services	142	17		Food services	175	19

Result indicator: Ratio between EU and World agricultural commodity prices

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

Main outputs in 2018:**All new initiatives and REFIT initiatives from the Commission Work Programme**

Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
Food chain legislation on basis of CAP competence aimed at addressing unfair trading practices (PLAN/2017/764; cf Annex 1 of Commission Work Programme 2018) ⁷⁵	Adoption of the COM's proposal on Directive on unfair trading practices in business-to-business relationship in the food supply chain before the end of EP mandate.	First half of 2018	Proposal adopted in April 2018, adoption by co-legislators and publication scheduled in April 2019

Important items from work programmes/financing decisions/operational programmes

Output	Indicator	Target	Latest known results (situation on 31/12/2018)
Food supply chain legislation on the basis of CAP competence aimed at increasing market transparency (Implementing Act)	Adoption of a review of Implementing Regulation (EU) 2017/1185	2018	First quarter of 2019

⁷⁴ Change of baseline year to 2011 to account for more detailed information available on distribution and services.

⁷⁵ This output also contributes to the priority "A deeper and fairer internal market" (Commission General Objective 4)

Other important outputs			
<i>Description</i>	<i>Indicator</i>	<i>Target date</i>	Latest known results (situation on 31/12/2018)
Alignment of rules for market measures (leading to reduction of Commission regulations from more than 200 to no more than 40)	Adoption of delegated and implementing acts	2018	Pending IA/DA Regulations end 2018: TRQ management (to be adopted in 2019)
Commission implementing decision on the definitive allocation of Union aid to Member States under the school fruit, vegetables and milk scheme for the period 1 August 2018 to 31 July 2019	Adoption	Planned 1 st quarter 2018	Adopted (C(2018)1762 of 27/3/2018)
2017/AGRI/004 Delegated act amending Regulation (EU) No 543/2011 as regards marketing standards in the fruit and vegetables sector (alignment to UNECE standards)	Adoption	By mid-2018	Publication expected in February 2019
2017/AGRI/045-046 Delegated and Implementing regulation as regards the scheme of authorisations for wine plantings, vineyard register, accompanying documents, inward and outward register and compulsory declarations.	Adoption	Planned 1 st quarter 2018	Regulations 2018/273 and 2018/274 adopted
Commission Report on the development of plant proteins in the European Union	Adoption	Planned 4 th quarter 2018	Report adopted on 22 November 2018 ⁷⁶

⁷⁶ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2018%3A757%3AFIN>

2015/AGRI/098 Proposal of Council Decisions on the conclusion and on the EU implementing procedures of the International Olive Agreement 2015 (cooperation with EEAS and DEVCO, ENV, GROW as DGs also being in charge for International Commodity Bodies)	Adoption by Council and EP consent.	Planned 2 nd quarter 2018	Under discussion in the competent Council Working Party (PROBA)
The Commission shall present a report to the European Parliament and to the Council by 31 December 2017, on the application of the competition rules to the agricultural sector in all Member States, in particular on the operation of Articles 209 and 210, and of Articles 169, 170 and 171 in the sectors concerned (Regulation 1308/2013, Art. 225 d) (PLAN/2017/1352)	Report on the application of the competition rules in the agricultural sector	1 st quarter 2018	Report published on 26 October 2018 (COM/2018/706 final)
Evaluation of the impact of CAP measures towards the general objective "viable food production"	Finalisation of staff working document	2018	1 st quarter 2019
Evaluation of the impact on the internal market of certain state aid measures in the agriculture and forestry sectors	Finalisation of staff working document	2018	2 nd quarter 2019

Specific objective: To maintain market stability		Related to spending programme: EAGF
Result indicator: Public intervention Definition: Ratio of volume of the products bought in the intervention storage and the total EU production of those respective products Source of data: DG AGRI This indicator is also used in the Programme Statements.		
Baseline 2012	Target	Latest known results (2018)
0%	Used only in case of need (seen against market developments) <i>Regulation n° 1308/2013</i>	SMP: 0 % (2018) – the last buying-in took place in 2017
Result indicator: Private storage Definition: Ratio of volume of the products placed into the publicly aided private storage and the total EU production of those respective products Source of data: Market monitoring data DG AGRI This indicator is also used in the Programme Statements.		
Baseline 2013	Target	Latest known results (2018)
Butter: 4% Olive oil: 0%	Used only in case of need (seen against market developments) <i>Regulation n° 1308/2013</i>	Butter: 0% (2018) SMP: 0% (2018) Cheese: 0% (2018) Pigmeat: 0% (2018) Olive oil: 0% (2018)

Main outputs in 2018:			
Important items from work programmes/financing decisions/operational programmes			
Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
Proposal of Council Regulation fixing production levies for sugar for the marketing years 1999/2000 and 2000/2001 following the ruling of court case C-585/15	Council Adoption	1st quarter 2018	Regulation (EU) 2018/264 adopted on 19/02/2018 Implemented by Autumn 2018
Council Regulation amending Regulation (EU) No 1370/2013 as regards the quantitative limitation for buying-in skimmed milk powder (PLAN/2017/1917)	Adoption	Enter into force before 1 March 2018	Adopted (Council Regulation (EU) 2018/147); entry into force on 01/02/2018

Implementing Regulation on exceptional market support measures for the poultry meat sector in France, and possibly other MS, following avian influenza outbreaks	Adoption	2018	Adopted for FR (Regulation (EU) 2018/252), IT (Regulation (EU) 2018/1506) and PL (Regulation (EU) 2018/1507)
Implementing Regulation on exceptional market support measures for the pig meat sector following African Swine Fever outbreaks	Adoption, if necessary and upon MS request.	2018	N/A
Implementing Regulations fixing minimum selling prices for skimmed milk powder held in public stocks	Adoption	Throughout the year and next years until stocks are fully disposed of	Some 278 000 tonnes of skimmed milk powder stocks were sold in 2018. Approximately three quarters of skimmed milk powder bought into public stock have been carefully returned to the market in 2018.
Other important outputs			
<i>Description</i>	<i>Indicator</i>	<i>Target</i>	
Temporary exceptional support measures for producers of certain fruit and vegetables	Adoption	In place till June 2018	Discontinued since June 2018
Exceptional support measures for producers of certain fruit and vegetables	Share of volume withdrawn in support of market (0.91%)	Maintain market stability	In 2018, less than 150.000 t were withdrawn (this amount corresponds to the July 2017 / June 2018 period), ie less than 0.2% of the volumes produced
Smooth functioning of the sugar market in the first post quota year through intensive monitoring, among others supported by the newly created Sugar Market Observatory	Relatively stable prices	A price ranging above EUR 400 per tonne	EU average sugar price decreased below EUR 400 per tonne (lowest levels around EUR 320 in autumn). As a result, a High Level Group was created with the aim of exploring and evaluating possible solutions and policy measures to tackle the problems identified. The Group will take up its work in January 2019.
Temporary exceptional measures for livestock farmers	Adoption if necessary to maintain market stability	Depend on market developments	N/A

To ensure sound and efficient financial management of the European Agricultural Guarantee Fund (EAGF) ⁷⁷	Correct and timely monthly payments (12 payments + 1 complementary)	3rd working day of every month	All payments made in time.
	Public Storage expenditure management (12 monthly declarations + 1 annual declaration from Member states holding stocks)	Declarations received by the 12th each month. Continuous follow up required	Public Storage expenditure declarations timely received and reimbursed.
Evaluation of the impact of CAP measures towards the general objective "viable food production"	Finalisation of staff working document	2018	1 st quarter 2019

Specific objective: To sustain farmers' income stability by providing direct income support

Related to spending programme: EAGF

Result indicator: Share of direct support in agricultural entrepreneurial income (family farm income)

Definition: The indicator gives the share of direct support (coupled and de-coupled payments) in entrepreneurial income.

Source of data: EAGF Financial Report and –EUROSTAT Economic Accounts for Agriculture
This indicator is also used in the Programme Statements.

Baseline 2013	Target	Latest known results (2017)
41%	To maintain the ratio <i>Regulation n° 1307/2013</i>	38% ⁷⁸

Main outputs in 2018:

Important items from work programmes/financing decisions/operational programmes

Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
Preparation of legal acts (adaptations of delegated and implementing acts following the adoption of the Omnibus regulation; approval decisions for possible reviewed Voluntary	Necessary delegated Acts and Implementing Acts prepared and adopted	All along the year	- Following the Omnibus, adaptation of Commission Delegated Regulation 639/2014 (adoption of Delegated Regulation (EU) 2018/707 of 28 February 2018), and of the implementing Regulations 641/2014 and 809/2014).

⁷⁷ This output is applicable to all DG AGRI objectives related to the EAGF spending programme.

⁷⁸ The indicator looks at the ratio of direct payments to agricultural income. If direct payments stay more or less stable but agricultural income increases, the ratio declines as it did in 2017, when agricultural income was higher than in previous years.

coupled support (VCS) for BE, FI, PT)			To note: BE, FI and PT did not modify their decisions for VCS following the Omnibus. - Adoption by the Commission of a proposal for a Regulation of the European Parliament and the Council amending Regulation 1307/2013 (and 1305/2013) in respect of the years 2019 and 2020 (COM(2018)817 final). This act was necessary to provide certainty and continuity in the granting of support to EU farmers in 2019 and 2020.
Continuing follow-up of the implementation of Direct Payments in the different MS (new decisions following Omnibus regulation; update of notifications; regular exchanges with MS, including by the organisation of workshops on policy issues; legal interpretations and guidance)	– Organisation of Expert groups and Committees – Replies to letters to MS – Bilateral meetings with MS – Assessment of notifications	All along the year	Following the Omnibus, MS had the possibilities to modify certain decisions as regards Direct payments. New notifications were received and assessed, in particular as regards Voluntary Coupled Support (9 MS modified their decision), permanent grassland (9 MS applied the ploughing criteria) and Ecological Focus Areas (14 MS introduced at least one of the three new EFA). Adaptation of permanent grassland guidelines following the Omnibus Regulation started in 2018. Expert groups and committees were organised on needs to accompany the process. Replies delivered in due time.
Reporting and communication activities, as regards the different schemes and their implementation	– Finalisation and dissemination of monitoring reports for 2016 – Preparation of the monitoring reports for 2017	Early 2018 for 2016 reports Second semester for 2017 reports	- Report on 2016 implementation published on Europa - Report on 2017 implementation in preparation

Contribution to policy analysis / provision of an expertise on Direct Payments in various exercises in particular upstream of the preparation of new legislative proposals for the CAP post-2020.	- Internal analytical notes - Participation in working groups and various meetings	All along the year	- Participation in the legal drafting of the draft CAP Strategic Plan Regulation (COM(2018)392/2) - Participation in all Working Parties of the Council dealing with the future CAP Plans (and direct payments in particular) - Presentation and explanations to MS/EP/stakeholders in various meetings as regards the reform. - Numerous contributions to briefings (52 in 2018).
Adoption/publication of a legal act facilitating the introduction of New Technologies in IACS and the possibility of monitoring (amending the Implementing Regulation (EU) No 809/2014)	Adoption/publication	2 nd quarter 2018	Commission Implementing Regulation (EU) 2018/746 of 18 May 2018
• Preparation of legal acts and guidelines to review, amend and simplify the IACS legislative framework • Providing interpretation to Member States with regard to the implementation of direct payments, in particular from an IACS perspective • Follow-up and support of the implementation of Direct Payments in particular as regards IACS, including the dissemination of good practices, exchange of experience and development with support of JRC and GROW. • Monitoring the implementation of direct payments and ensuring that action is taken when	Delegated/Implementing acts for IACS and guidelines to be amended (2015/AGRI/090, 2016/AGRI/036)	All along the year	- Reg. (EU) 2018/701 of 08/05/18, postponing the deadline for applications - Decision C(2018) 2838 of 17/05/2018 derogating from GSAA-rules for certain MS - Decision C(2018) 6293 of 01/10/2018 allowing increased advances for certain MS - Issue of a Q&A document on 'checks by monitoring' - Update of 3 guidelines (aid applications; OTSC; LPIS)
	Replies to MS/stakeholders questions in a timely manner	All along the year	52 replies to MS and 18 replies to MEPs and citizens.
	Organisation of workshops / expert groups facilitating MS exchange of experience and of good practices [number undetermined yet]	All along the year	- WS on DIAS with all MS and DIAS providers, March 2018 - EXPG on data sharing, June 2018 - WS on datasharing co-organised under INSPIRE conference, Sep 2018 - Expert WS on data sharing with participation

implementation is lacking/failing. - Initiation and follow up as appropriate of Member State Action Plans according to Art 41.2 of Reg 1306/2013. - Analysing and reporting in cooperation with JRC on MS Quality Assessment of their LPIS (LPIS).			of 4 Member States, Sep 2018 - 2 meetings in sub-group of experts of 10 MS on pilot projects for 'checks by monitoring'
	Organisation of missions / visits to MS and bilateral meetings with MS in Brussels, mostly upon MS request [number undetermined yet]	All along the year	13 mission/visits and bilateral meetings.
	Contribution to DG AGRI Annual Activity Report and assessing whether reservations, and subsequently action plans are necessary Preparation of reduction/suspension decisions whenever necessary.	By 15.04.2018 for the AAR All along the year	The unit contributed to the AAR assessments. No reductions / suspensions initiated.
	Initiate action plans in good time and maintain their momentum according to agreed timetables	All along the year	6 direct payments action plans being monitored and 1 under approval.
	Assessing the MS LPIS QA reports/scoreboards and reporting through the direct payments committee / LPIS workshops. Giving feedback to MS in writing as to potential weaknesses identified in the exercise. Follow up visits to MS according to priority criteria.	By 30 April 2018 for QA reports and scoreboards.	44 LPIS QA reports analysed. Results presented to MS during the IACS workshop, Vilnius, May 2018. 10 letters sent to MS 4 follow-up LPIS QA dedicated missions (PT, CY, CZ, BG).
Other important outputs			
Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
Evaluation of the impact of CAP measures towards the general objective "viable food production"	Finalisation of staff working document	2018	1st quarter 2019

Specific objective: To promote a more market oriented agriculture by ensuring a significant level of decoupled income support⁷⁹

Related to spending programme: EAGF

Result indicator: % of total direct payments which is decoupled

Source of data: Budget

This indicator is also used in the Programme Statements.

Baseline (Calendar year 2013 / Budget year 2014)	Target	Latest known results
93.54%	To maintain <i>Regulation n° 1307/2013</i>	Calendar year 2015/budget year 2016: 88.9% Calendar year 2016/budget year 2017: 88.9%⁸⁰ Calendar year 2017/budget year 2018: 88.5%⁸¹ Calendar year 2018/budget year 2019: 88.4%⁸² As of calendar year 2015 the figures take into account that in accordance with the methodology for implementation of the small farmers scheme, as chosen by the Member States, part of the expenditure under that scheme is "decoupled".

⁷⁹ The wording of this objective was adapted to take into account the provisions of the Regulation (EU) No 1307/2013 of the European Parliament and of the Council of 17 December 2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) No 637/2008 and Council Regulation (EC) No 73/2009, as regards their application as of 2015.

⁸⁰ Execution of the Budget 2016 and 2017

⁸¹ Execution of the Budget 2018 – provisional figures

⁸² Based on the Budget 2019 estimated needs, excl. the crisis reserve.

Specific objective: Enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and sustainable management of forest (Priority 2)

Related to spending programme: EAFRD

Result indicator: % of agricultural holdings with RDP support for investment in restructuring or modernisation (Focus area 2A: improving the economic performance of all farms and facilitating farm restructuring and modernisation notably with a view to increase market participation and orientation, as well as agricultural diversification)

Source: Rural development programmes

This indicator is also used in the Programme Statements.

Baseline ⁸³	Target (2023)	Latest known results ⁸⁴
0	2.7% ⁸⁵	0.68% (which represents 25% of achievements of the target set in the RDPs)

Result indicator: % of agricultural holdings with RDP supported business development plan/investments for young farmers (Focus area 2B: facilitating entry of adequately skilled farmers into the agricultural sector and in particular generational renewal)

Source: Rural development programmes

This indicator is also used in the Programme Statements.

Baseline	Target (2023)	Latest known results ⁸⁶
0	1.5%	0.43% (which represents 29% of achievements of the target set in the RDPs)

Main outputs in 2018:

Other important outputs

Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
Events of the European Network for Rural Development (Number of events)	Number of events	1 EU rural networks' Assembly meeting 2 EU rural networks' Steering Group meetings 2 Thematic work themes completed 10 Workshops 2 Seminars	1 EU rural networks' Assembly meeting 2 EU rural networks' Steering Group meetings 2 Thematic work themes completed 15 Workshops 4 Seminars

⁸³ Baseline is 0 at the start of the programming period and all the targets are cumulated over the period.

⁸⁴ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/18 referring.

⁸⁵ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development. In addition, for all targets expressed in relative terms, DG AGRI has changed the method of aggregation at EU level, in view of providing a more comprehensive overview on expected/achieved results.

⁸⁶ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/18 referring to the calendar year 2017.

Publications and communication of the European Network for Rural Development (Number), in cooperation with other relevant DGs	Number	2 EU Rural Reviews 2 Rural Connections magazines 2 Project Brochures 12 ENRD newsletters ENRD website (page views per month) 120 000 Social media presence: • Twitter followers: 3300 • Facebook page likes: 5500 • LinkedIn Group members: 750	2 EU Rural Reviews 2 Rural Connections magazines 2 Project Brochures 12 ENRD newsletters ENRD website (page views per month) 120 000 Social media presence: • Twitter followers: 3600 • Facebook page likes: 5800 • LinkedIn Group members: 700
Timely assessment of Annual Implementation Reports in close cooperation with ESIF and other relevant DGs	Number of reports assessed	118	118
Timely assessment, in cooperation with other relevant DGs, of proposals for programmes amendments	Number of programme amendments assessed (estimate)	206 (estimate)	207
Meetings with Member States (Monitoring Committees, Annual Review Meetings, etc.)	Number of meetings (estimate)	297	336
To ensure sound and efficient financial management of the European Agricultural Fund for Rural Development (EAFRD) ⁸⁷	Correct and timely quarterly payments	45 days after the reception of the declaration of expenditure	All payments correctly made within the legal deadline Average payment time in 2018 – 31 days ⁸⁸

⁸⁷ This output is applicable to all DG AGRI objectives related to the EAFRD spending programme.

⁸⁸ The average payment time has been calculated on the basis of DG BUDG bank execution date. The final validation by DG AGRI usually takes place some days before such date.

Specific objective: Promoting food chain organisation, including processing and marketing of agricultural products, animal welfare and risk management in agriculture (Priority 3)

Related to spending programme: EAFRD

Result indicator: % of agricultural holdings receiving support for participating in quality schemes, local markets and short supply circuits, and producer groups/organisations (Focus area 3A: improving competitiveness of primary producers by better integrating them into the food chain through quality schemes, promotion in local markets and short supply circuits, producer groups and inter-branch organisations)

Source: Rural development programmes

This indicator is also used in the Programme Statements.

Baseline ⁸⁹	Target (2023)	Latest known results ⁹⁰
0	2.5%	0.39% (which represents 15% of achievements of the target set in the RDPs)

Result indicator: % of agricultural holdings participating in risk management schemes (Focus area 3B: supporting farm risk management)

Source: Rural development programmes

This indicator is also used in the Programme Statements.

Baseline	Target (2023)	Latest known results ⁹¹
0	5.0% ⁹²	1.03% (which represents 21% of achievements of the target set in the RDPs)

Main outputs in 2018:

Important items from work programmes/financing decisions/operational programmes

Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
2016/AGRI/001 and 2016/AGRI/002 Delegated and implementing acts for wine labelling and presentation, traditional terms and geographical indications	Adoption	By mid-2018	Commission Regulations (EU) 2019/33 and 2019/34 adopted and published in OJ L 9 of 11.1.2019

⁸⁹ Baseline is 0 at the start of the programming period and all the targets are cumulated over the period.

⁹⁰ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/18 referring to the calendar year 2017.

⁹¹ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/18 referring to the calendar year 2017.

⁹² Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development. In addition, for all targets expressed in relative terms, DG AGRI has changed the method of aggregation at EU level, in view of providing a more comprehensive overview on expected/achieved results.

Delegated and implementing acts for a new spirit drinks Regulation	Discussions in the committee and the expert group	Second half of 2018	Discussions have not yet started; political agreement on the main Act on 27 November 2018
Other important outputs			
Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
Registration of names as PDO/PGI/TSG/GI following scrutiny of applications from EU Member States and from third countries.	Number of applications examined (dependent on submissions made to the Commission)	Within 6 months for agricultural products and foodstuffs; within 12 months for wine, spirit drinks, aromatised wine	Commission services scrutinised dossiers for 77 agricultural products and foodstuff, 21 wines, 11 spirit drinks and 5 aromatised wines
Management of the Community registers and lists of PDO/PGI/TSG/GI.	Registers kept updated	On-going	Registers updated on regular basis
2011/AGRI/039 Alignment proposal for spirit drinks	Political agreement	By mid-2018	Political agreement on 27 November 2018
In co-operation notably with SANTE, monitor supervision of the control systems put in place by the Member States for registered PDO/PGI/TSG/GI and exchange best practice	Participation in Commission audits performed by SANTE	On-going	Participation in all audits ensured
	Completion of seminars in co-operation with EUIPO	By end 2018	AGRI-EUIPO conference took place on 3-4 October 2018. Control seminar took place on 6 November 2018
	Contribution to trainings in the framework of BTSF (lead service SANTE)	On-going	Three BTSF trainings took place and contribution to training documents provided.
Contribute to negotiations on international agreements as regards geographical indications	Third countries' specifications of geographical indications examined	On-going	All examinations done on time
	Lists and specifications of EU geographical indications provided		All specifications provided on time

See also the outputs of the previous Specific objective.

Common CAP objective 2: To promote a sustainable management of natural resources and climate action

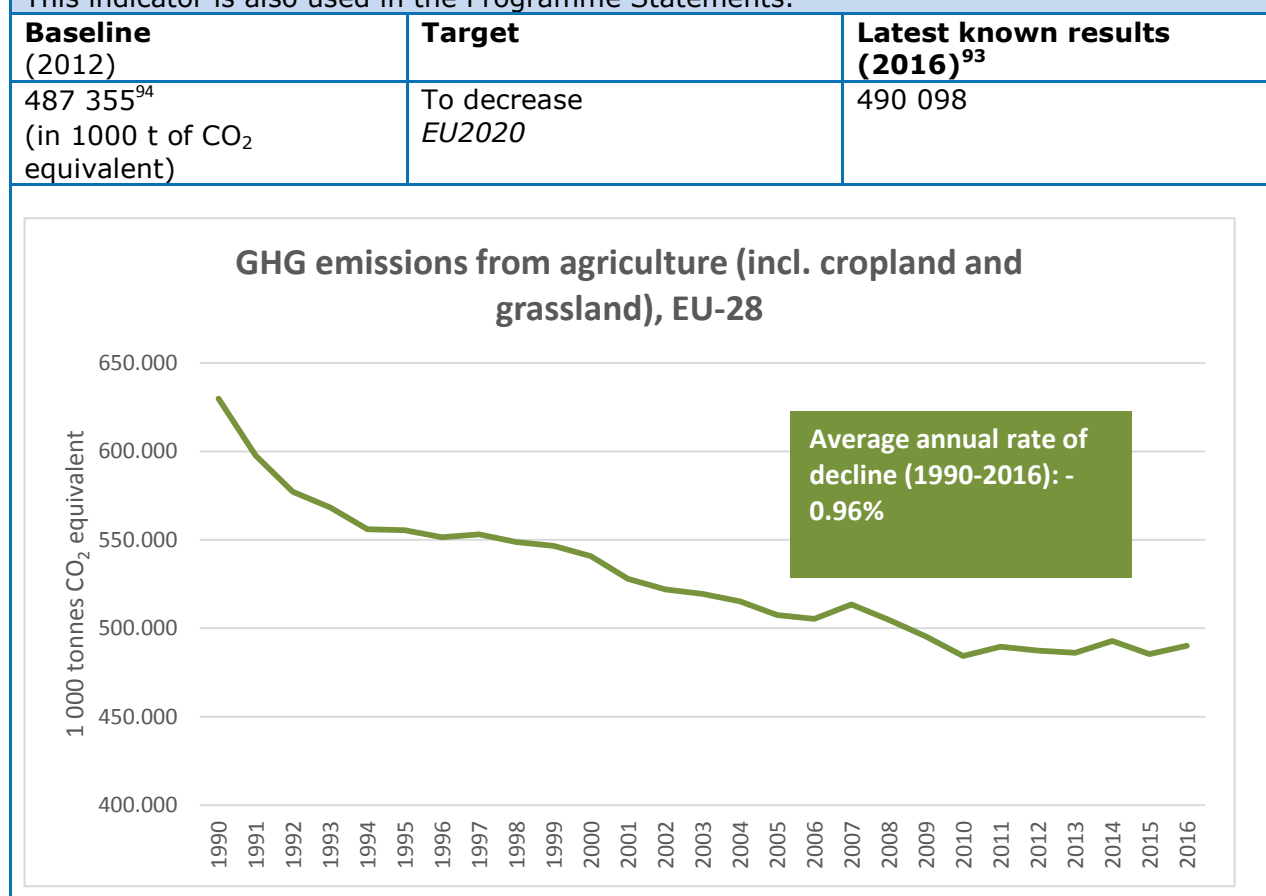
Common CAP objective 2: To promote a sustainable management of natural resources and climate action

CAP Impact indicator: Greenhouse gas emissions from agriculture

Definition: The indicator measures GHG emissions from agriculture including from cropland and grassland.

Source of the data: Annual European Union GHG inventory (sectors 3.a, 3.b, 3.c, 3.d, 4.c and 4.d). The inventory is based on national submissions to the UNFCCC and to the EU Monitoring Mechanism of CO₂ and other GHG emissions. It is compiled and held by the European Environment Agency (EEA) and the European Topic Centre on Air and Climate Change (ETC/ACC) and data are published in the Eurostat database.

This indicator is also used in the Programme Statements.



⁹³ The European Union (EU) as a party to the United Nations Framework Convention on Climate Change (UNFCCC) reports annually its greenhouse gas inventory for the year t-2 and within the area covered by its Member States. The EEA publishes the validated GHG inventory data in June. Eurostat re-publishes the data shortly after.

⁹⁴ Figures are different from previous years due to corrections made in the database.

CAP Impact indicator: Nitrate levels in freshwater

Definition: Nitrates in freshwater (Context indicator.40 – Water quality) consists of:

- 2.a) Groundwater quality: % of monitoring sites in 3 water quality classes (high, moderate and poor);
 2.b) Surface water quality: % of monitoring sites in 3 water quality classes (high, moderate and poor).

The three water quality classes are defined as follows:

- **High quality: concentration close to natural values or within the threshold indicated in the legislation for low-polluted water.**
- **Moderate quality: concentration above natural standard but still below hazardous level.**
- **Poor quality: concentration above hazardous level.**

The actual concentration classes are the following:

Groundwater

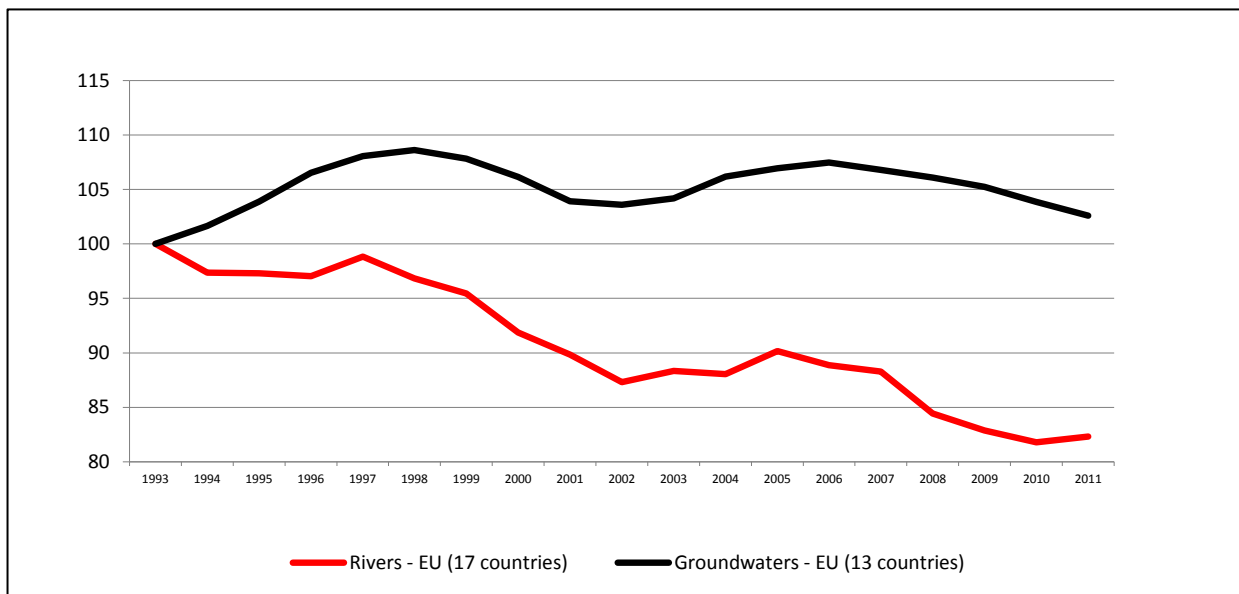
- **High ("<10 mg/l NO₃" + ">=10 mg/l NO₃ and <25 mg/l NO₃") [1]**
- **Moderate (">=25 mg/l NO₃ and <50 mg/l NO₃")**
- **Poor (">=50 mg/l NO₃").**

Surface water

- **High ("<0.8 mg/l N" + ">=0.8 mg/l N and <2.0 mg/l N") [2]**
- **Moderate (">=2.0 mg/l N and <3.6 mg/l N" + ">=3.6 mg/l N and <5.6 mg/l N")**
- **Poor (">=5.6 mg/l N and <11.3 mg/l N" + ">=11.3 mg/l N")**

Source of the data: European Environment Agency (EEA) – Nutrients in freshwater: Data voluntary reported by MSs via the WISE/SOE data flow annually.

Baseline EU-28, 2012	Target	Latest known results
Freshwater: - High: 56.9 % - Moderate: 31.7% - Poor: 11.4% Groundwater: - High: 74.1% - Moderate: 14.2% - Poor: 11.7%	To decrease <i>Regulations n° 1305, 1306 and 1307/2013</i>	No more recent data available ⁹⁵



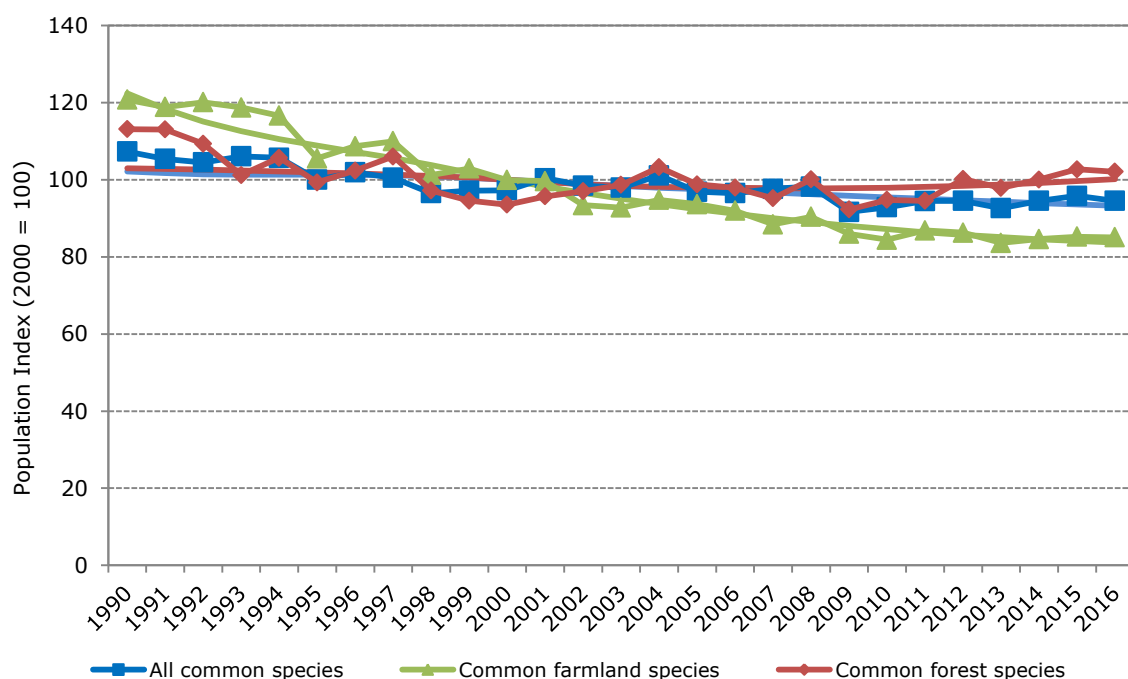
⁹⁵ The report to the European Environment Agency was due by 31.12.2018.

Impact indicator: Farmland bird index

Definition: The indicator is a composite index that measures the rate of change in the relative abundance of common bird species at selected sites: trends of index of population of farmland birds (base year 2000 = 100).

Source: EBCC/RSPB/BirdLife/Statistics Netherlands: the European Bird Census Council (EBCC) and its Pan-European Common Bird Monitoring Scheme (PECBMS); data are published on Eurostat database

Baseline (year & value)	Target	Latest known results ⁹⁶
2012: 85.70 (index 2000=100) ⁹⁷	To increase	2016: 83.70



⁹⁶ New data will become available in Q3/2018.

⁹⁷ The baseline has been updated due to the change in the reference year in the Eurostat database (2000=100 instead of 1980=100).

Specific objective: To better reflect consumer expectations

Related to spending programme: EAGF-EAFRD

Result indicator: Ratio between EU and World agricultural commodity prices

Definition: Weighted average, covering beef, pig meat, poultry, soft wheat, maize, barley, sugar, butter, cheddar, WMP and SMP. World price references are mainly based on US prices for meat and crops and Oceania for dairy products, except for beef (Brazil), Barley (Black Sea) and Sugar (London white sugar 05)⁹⁸.

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

This indicator is also used in the Programme Statements.

Baseline	Target (annual)
In 2013, the EU prices were on average 21% above world prices (ratio 1.21) ⁹⁹	Prices brought closer to the world prices (ratio 1.00) <i>Regulation n° 1308/2013</i>

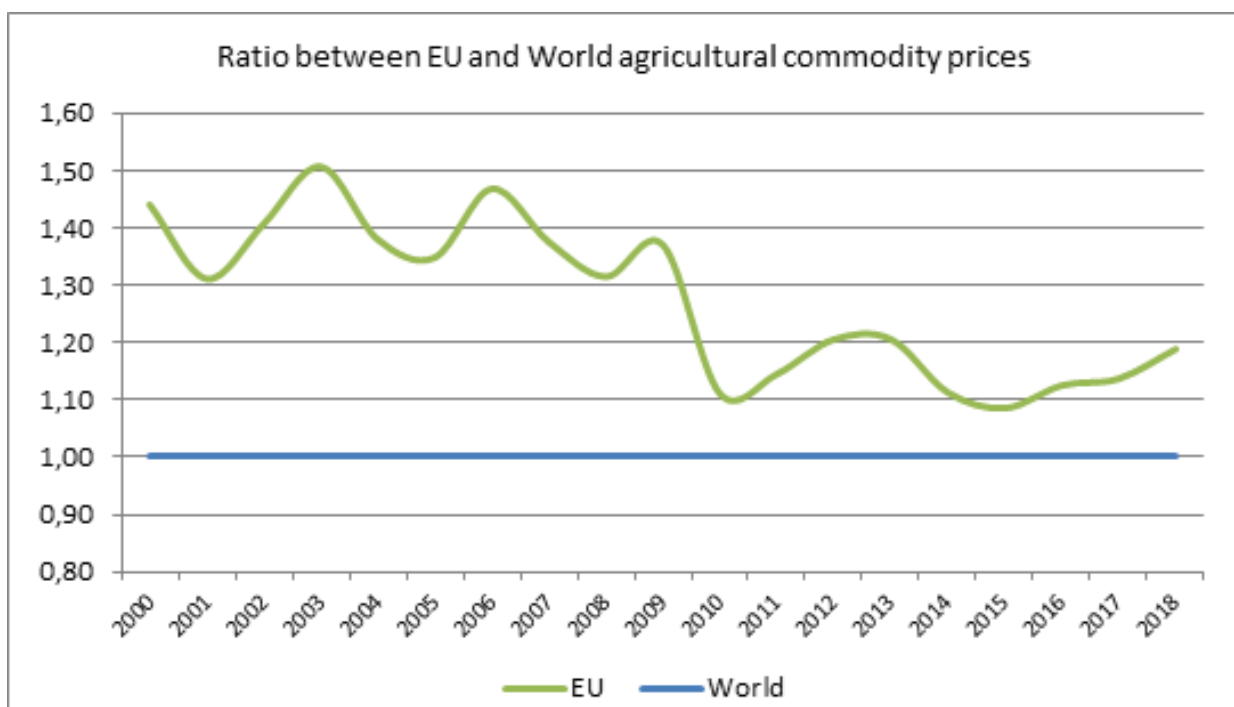
Latest known results:

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Beef (Australia)	1.63	1.24	1.20	1.17	1.23	0.96	0.92	1.00	0.98	1.07
Beef (Brazil)	1.79	1.36	1.33	1.61	1.72	1.46	1.50	1.49	1.56	1.79
Pigmeat (US)	1.64	1.16	1.11	1.21	1.23	0.93	1.06	1.22	1.25	1.29
Pigmeat (Brazil)	1.45	1.00	1.13	1.37	1.25	1.02	1.10	1.24	1.18	1.45
Poultry	1.56	1.29	1.63	1.38	1.23	1.14	1.08	1.11	1.05	1.10
Soft wheat	1.00	0.99	1.07	1.04	1.04	1.02	0.94	0.99	1.04	1.06
Maize	1.10	1.19	1.04	0.98	1.04	1.13	1.03	1.11	1.16	1.20
Barley	1.04	0.97	0.99	1.00	0.98	0.98	0.99	0.95	0.96	0.98
Sugar	1.58	1.04	1.10	1.55	1.90	1.62	1.24	0.99	1.23	1.19
Butter	1.47	1.09	1.17	1.19	1.27	1.23	1.06	1.09	1.07	1.23
Cheddar	1.17	0.95	1.03	1.14	1.10	1.12	1.03	1.02	1.00	1.05
WMP	1.18	1.02	1.07	1.09	0.98	1.11	1.10	1.06	1.07	1.07
SMP	1.10	0.93	0.90	0.95	0.90	0.97	0.96	0.99	0.98	0.88
Weighted average	1.37	1.11	1.15	1.21	1.21	1.11	1.09	1.13	1.14	1.19

Note: World price references are mainly based on US prices for meat and crops and Oceania for dairy products, except for beef (Australia, Brazil), Pigmeat (Brazil), Barley (Black Sea) and Sugar (London white sugar 05). For the weighted average, the beef price in Brazil is used and the pig price in the US. The reference price for Pigmeat (US) has changed from the data of 2017 (previously: USDA prices - US lean hog carcass 167-187 lb Iowa MN; now: USDA national negotiated swine, weighted average price, negotiated carcass).

⁹⁸ Compared to Pacific prices (US and Australia), EU prices were very competitive in 2015 because of the exchange rate effect but also because US demand drove significant price increases. If the comparison would be made with Brazil for meat especially, the increase in EU competitiveness would be less pronounced.

⁹⁹ The baseline for the ratio between EU and World agricultural commodity prices has changed from the data in 2017 AAR due to a change of the reference price for pigmeat (US).



The price relationship EU/world deteriorated in 2018, mainly driven by a lower competitiveness for butter and beef.

In a context of high EU and world demand for dairy fat, the EU butter market was undersupplied due to a downward adjustment of EU milk supply in major EU butter producing countries (notably due to unfavourable weather conditions in the first half of the year), thus a higher increase of EU butter prices compared to Oceania. EU butter exports are expected to decline by 5 % in 2018 compared with 2017. By contrast, due to a high level of stocks, EU SMP prices remained below main competitors and EU exports should reach a new record.

EU beef exports are expected to decline by 4 % compared with 2017. EU beef prices hold firm in the first half of the year despite the increase of supply, supported by internal demand. They started declining in the second half, but not as much as in Brazil (and Argentina) where supply was ample.

For pigmeat, EU prices remained rather low in 2018 although slightly above US and Canadian prices. In Brazil, pigmeat prices were significantly lower as its main market, Russia, was closed for most of the year, thus the lower EU competitiveness. Nevertheless, in 2018 EU pigmeat exports are expected to remain stable or slightly increase thanks to increased shipments to other (than China) Asian countries, where there's no competition from Brazil (mainly due to quality differences and sanitary status). In addition, EU exports to China fall only slightly despite increased Brazilian shipments in a context of lower US exports (after China increased tariffs on US pigmeat due to the US introduction of tariffs on metal from China).

The EU/world price ratio for poultry slightly increased in 2018, because EU prices remained firm despite production increase, in a context of higher exports and lower imports from Brazil (due to sanitary issues).

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

Main outputs in 2018:			
Important items from work programmes/financing decisions/operational programmes			
Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
Delegated Regulation amending Regulation (EU) 29/2012 improving some aspects of labelling rules for olive oil to increase the information offered to consumer	Adoption by COM after scrutiny	1 st quarter 2018	Commission Delegated Regulation (EU) 2018/1096 amending Regulation (EU) 29/2012 was adopted on 22 May 2018
Other important outputs			
Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
Management of running promotion programmes	Number of running, partially running or accepted programmes	Running or partially running: 266 (estimate - 154 under the old scheme, 112 for the new scheme)	Running or partially running: 299 (estimate - 127 under the old scheme, 172 for the new scheme)
Communication on the promotion scheme	Participation in 6-8 Info Days Lively Europa website (updated Q/A section...) Provide legal interpretation on the new regime	First Info Day on 31/01/18. ±15 National Info Days in 2018 ±10 specific Info Days for civil society (on request) in March-April 2018	First Info Day on 31/01/2018 in Brussels. 22 National Info Days in 2018 in Member States 8 specific Info sessions for civil society in April-June 2018
Call for proposals	Publication of 2 annual calls for proposals (1 for Simple + 1 for Multi promotion programmes)	January 2018	Publication on 12 January 2018
Annual Work Programme for 2019	Adoption of an implementing decision	4 th quarter 2018	Adoption on 14/11/2018 (C(2018) 7451 final)
To ensure an appropriate follow-up of simple programmes under shared management with the Member States.	Committee for the Common Organisation of the Agricultural Markets established by Article 229 of Regulation (EU) No 1308/2013	3 meetings tbc	3 meetings: - 20/06/2018 - 24/09/2018 - 29/10/2018
	Commission Adoption of simple programmes	November 2018	Adoption C(2018) 6694 final on 16/10/2018

Organisation of high level promotional events in third countries in 2018. Logistics organised by CHAFEA; political coordination by B1.	High level missions with business delegation.	2 high level missions: - <i>May 2018: China</i> - <i>2nd country TBC</i>	1 high level mission: May 2018: China
	Number of participating stakeholders	- Up to 70 participants	68 business delegates
Statistics	Development of a Common tool to be able to follow simple/multi programmes managed under the promotion regime	Operational by the end of 2018	The common tool (Cifus) is operational but still being improved
	Delivery of statistics	On request	Statistics extracted from DG AGRI Database
Coordination with Agency	Preparation and decisions of the CHAFEA Steering Committee	Continuous task over the course of 2018	4 meetings: - 23/03/2018 - 21/06/2018 - 18/10/2018 - 13/12/2018
Effective supervision of MS handling of irregularities and fraud allegations related to EU organic production	Timely notification of irregularities	Continuous	Ongoing
	Timely reply to notified irregularities	Continuous	Ongoing
	Timely transmission of information on circulation of alleged fraudulent products and on remedial action	Continuous	Ongoing
	Development of the electronic documentary evidence	Ongoing	Ongoing

Specific objective: Contribute to the enhancement of the environmental performance of the CAP through the greening component of the direct payments. Contribute to the development of sustainable agriculture and to making the CAP more compatible with the expectations of the society through the cross-compliance system. Contribute to preventing soil erosion, maintaining soil organic matter and soil structure, ensuring a minimum level of maintenance and avoiding the deterioration of habitats, protecting and managing water through the standards of good agricultural and environmental condition of land

Related to spending programme: EAGF

Result indicator: Share of area under greening practices¹⁰⁰

Source of data: MS annual notifications (ISAMM - Information System for Agricultural Market Management and Monitoring)¹⁰¹

This indicator is also used in the Programme Statements.

Baseline (Calendar year 2015)	Target	Latest known results
75% ¹⁰²	To maintain <i>Regulation n° 1307/2013</i>	80% (Calendar year 2018)

Result indicator: % of CAP payments covered by cross-compliance

Source of data: DG AGRI

This indicator is also used in the Programme Statements.

Baseline (2013)	Target	Latest known results
82.36%	Maintain the ratio <i>Regulation n° 1306/2013</i>	82.7% (Calendar year 2018) ¹⁰³

Result indicator: Opinion expressed by the public on cross-compliance

Definition: Aggregate figures on the opinion by the public on cross-compliance

Source of data: Eurobarometer

This indicator is also used in the Programme Statements.

Baseline (2015)	Target	Latest known results ¹⁰⁴
87% support the reduction of direct payments to farmers not complying with environmental rules 87% support the reduction for non-compliance of animal welfare rules 87% support the reduction for non-compliance of food safety rules	Maintain the positive opinion <i>With the cross-compliance the CAP is more sustainable and more compatible with the society's expectations. Therefore if cross-compliance shows an important support by the public opinion, its impact will be significant.</i>	87% support the reduction of direct payments to farmers not complying with environmental rules 87% support the reduction for non-compliance of animal welfare rules 87% support the reduction for non-compliance of food safety rules

¹⁰⁰ Indicator contributing to the KPI Minimum share of agricultural land with specific environmental practices/commitment.

¹⁰¹ The Strategic Plan 2016-2020 provides an incorrect source.

¹⁰² Year 2015: including notifications from all MS. Year 2018: Including notifications from 21 MS, so the indicated share is provisional. The share is calculated as total agricultural area for farms with at least one greening obligation on total agricultural area from Eurostat statistics revised by DG Agri.

¹⁰³ The percentage decreased in 2018 (compared to 2017: 84.8%) because of the lower proportion of Rural Development measures covered by cross-compliance. Measures that are not falling under cross-compliance (such as investment measures) tend to have an increasing execution over the period and thus the % covered by cross-compliance is expected to decrease over the programming period.

¹⁰⁴ Results of the latest Special Eurobarometer "Europeans, Agriculture and the Common Agricultural Policy" published in 2015; new results are expected in 2019.

Result indicator: Control rate for GAEC (Standards of Good Agricultural and Environmental Condition)

Definition: GAECs form part of the requirements under Cross-Compliance and apply to anyone who receives payments under Single Payment Scheme and certain rural development schemes

Source of data: Control statistics notified annually by MS¹⁰⁵

This indicator is also used in the Programme Statements.

Baseline (2013)	Target	Latest known results (2017)
100% implementation of the minimum regulatory control rate in all Member States	100% implementation of the minimum regulatory control rate <i>Regulation n° 1306/2013</i>	100 % - In 2017, all paying agencies fulfilled the mandatory control rate (France and Sweden still to notify their data)

Result indicator: The ratio of permanent pasture within a Member State in relation to the total agricultural area

Definition: The maintenance of the ratio of permanent pasture means that there should not be, at national or regional level, a decrease by more than 5 % of the current ratio of permanent pasture in relation to the total agricultural area by comparison with a reference ratio reflecting this ratio at a reference period.

Source of data: MS annual notification (ISAMM – Information System for Agricultural Market Management and Monitoring)

This indicator is also used in the Programme Statements.

Baseline (2015)	Target	Latest known results
Ratio has not decreased beyond the limit of 5% in any Member State	Maintain the ratio within the limit of 5 % in relation to a reference ratio <i>Regulation n° 1307/2013</i>	In <u>2015</u> : a UK region communicated a decline in the ratio of permanent grassland above the threshold of 5%, without triggering a reconversion obligation. In <u>2016</u> : 1 MS communicated a decline in the ratio of permanent grassland above the threshold of 5%, triggering a reconversion obligation. In <u>2017</u> : a UK region communicated a decline in the ratio of permanent grassland above the threshold of 5%, without triggering a reconversion obligation. In <u>2018</u> : 2 MS and a UK region communicated a decline in the ratio of permanent grassland above the threshold of 5%. ¹⁰⁶

¹⁰⁵ The Strategic Plan 2016-2020 provides an incorrect source.

¹⁰⁶ Provisional information based on 2015 and 2017 communications from all MS as the notifications are still under assessment. In 2016 one MS did not yet send a notification, in 2018 three MS notifications are still outstanding.

Main outputs in 2018:**Important items from work programmes/financing decisions/operational programmes**

Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
Commission Delegated Regulation amending delegated regulation 639/2014 on rules for direct payments to farmers including greening (follow-up to the Omnibus Regulation)	Adoption	2 nd quarter 2018	Regulation (EU) 2018/1784 adopted

Other important outputs

Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
Follow-up of the implementation of Greening and Cross-compliance: update of notifications, exchanges with MS including expert groups, legal interpretations and guidance	Organisation of experts groups and Committees Assessment notes on the MS notifications	All along the year	Organisation of bilateral meetings with MS in Brussels as appropriate Replies to MS and stakeholders delivered in due time Assessment on MS notifications on cross-compliance: GAEC notifications delivered in due time Assessment on MS notification as regards Greening especially for Permanent grassland ratio and EFA obligations
Evaluation of greening	Finalisation of staff working document	Beginning 2018	Publication of staff working document 04/12/2018
Evaluation of the impact of the CAP on climate change and greenhouse gas emissions	Finalisation of staff working document	2018	1 st quarter 2019

Specific objective: Restoring, preserving and enhancing ecosystems related to agriculture and forestry (Priority 4)

Related to spending programme: EAFRD

Result indicator¹⁰⁷:

a) % of agricultural land under management contracts supporting biodiversity and/or landscapes

b) % of forest area/other wooded land under management contracts supporting biodiversity

(Focus area 4A: Restoring and preserving and enhancing biodiversity, including in Natura 2000 area, areas facing natural constraints and high nature value farming and the state of European landscapes)

Source of data: Rural development programmes

This indicator is also used in the Programme Statements.

Baseline¹⁰⁸	Target (2023)	Latest known results¹⁰⁹
0	a) 17.95% ¹¹⁰ b) 2.1% ⁵⁷	a) 14.83% (which represents 83% of achievements of the target set in the RDPs) b) 0.34% (which represents 16% of achievements of the target set in the RDPs)

Result indicator¹¹¹:

a) % of agricultural land under management contracts to improve water management

b) % of forestry land under management contracts to improve water management

(Focus area 4B: improving water management including fertiliser and pesticide management)

Source of data: Rural development programmes

This indicator is also used in the Programme Statements.

Baseline	Target (2023)	Latest known results¹¹²
0	a) 15.0% ¹¹³ b) 0.8%	a) 11% (which represents 70% of achievements of the target set in the RDPs) b) 0.11% (which represents 14% of achievements of the target set in the RDPs)

¹⁰⁷ Indicator contributing to the KPI Minimum share of agricultural land with specific environmental practices/commitment.

¹⁰⁸ Baseline is 0 at the start of the programming period and all the targets are cumulated over the period.

¹⁰⁹ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/18 referring to the calendar year 2017.

¹¹⁰ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development. In addition, for all targets expressed in relative terms, DG AGRI has changed the method of aggregation at EU level, in view of providing a more comprehensive overview on expected/achieved results.

¹¹¹ Indicator contributing to the KPI Minimum share of agricultural land with specific environmental practices/commitment.

¹¹² The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/18 referring to the calendar year 2017.

¹¹³ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development. In addition, for all targets expressed in relative terms, DG AGRI has changed the method of aggregation at EU level, in view of providing a more comprehensive overview on expected/achieved results.

Result indicator¹¹⁴:**a) % of agricultural land under management contracts to prevent soil erosion and to improve soil management****b) % of forestry land under management contracts to prevent soil erosion and to improve soil management**

(Focus area 4C: preventing soil erosion and improving soil management)

Source of data: Rural development programmes

This indicator is also used in the Programme Statements.

Baseline	Target (2023)	Latest known results¹¹⁵
0	a) 14.9% ¹¹⁶ b) 1.3%	a) 10.47% (which represents 70% of achievements of the target set in the RDPs) b) 0.11% (which represents 9% of achievements of the target set in the RDPs)

¹¹⁴ Indicator contributing to the KPI Minimum share of agricultural land with specific environmental practices/commitment.

¹¹⁵ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/18 referring to the calendar year 2017.

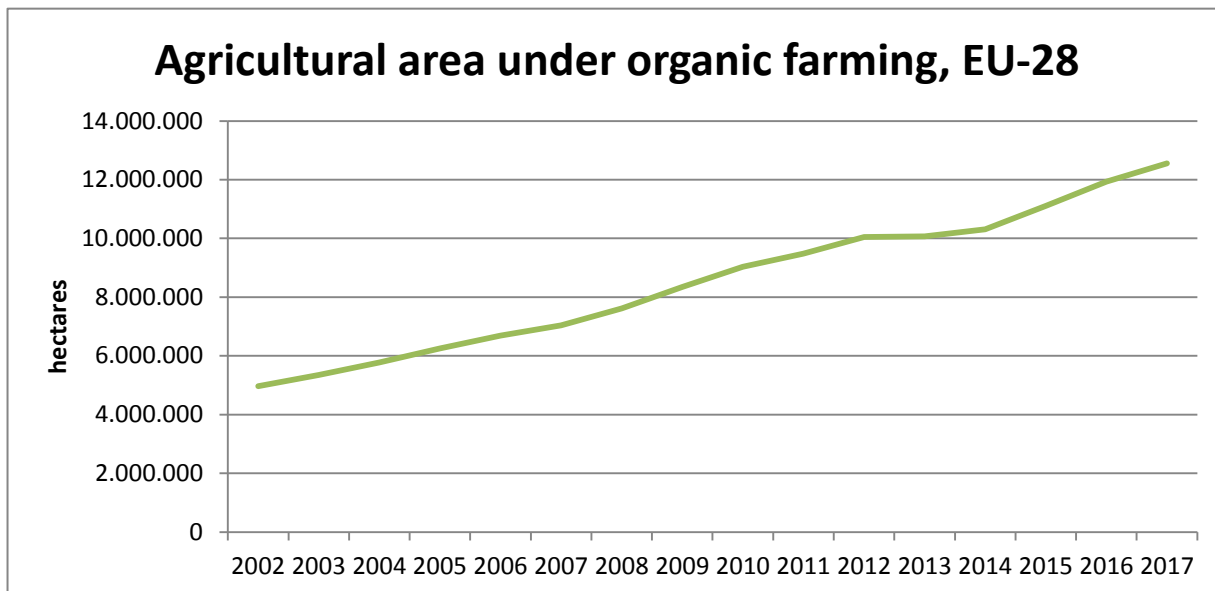
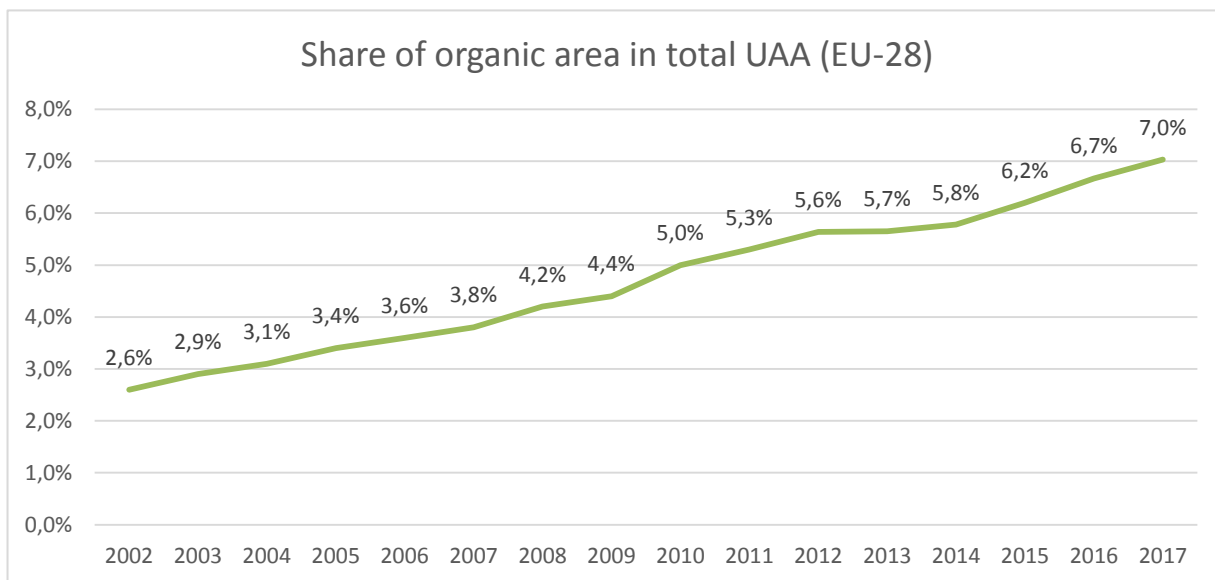
¹¹⁶ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development. In addition, for all targets expressed in relative terms, DG AGRI has changed the method of aggregation at EU level, in view of providing a more comprehensive overview on expected/achieved results.

Result indicator: Share of area under organic farming¹¹⁷

Definition: The number of hectares under organic farming and the share of area under organic farming in the total utilised agricultural area (UAA).
The area under organic farming is the sum of the fully converted area and the area in conversion.

Source of data: Eurostat

Baseline (2012) ¹¹⁸	Target	Latest known results
10 047 896 ha 5.6% of total UAA	To increase	2017: 12 560 191 ha 7% of total UAA

Area under organic cultivation in the EU**Evolution of the share of the organic area in the UAA in the EU**

¹¹⁷ Indicator contributing to the KPI Minimum share of agricultural land with specific environmental practices/commitment.

¹¹⁸ Change in baseline due to corrections made in the Eurostat database

Main outputs in 2018:			
Important items from work programmes/financing decisions/operational programmes			
Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
New legislative and political framework on organic production	Finalisation of the reform on organic production and adoption by the European Parliament and the Council	Basic act to be adopted by first quarter 2018	Basic act adopted: Regulation (EU) 2018/848 of the European Parliament and of the Council of 30 May 2018
	Production of secondary legislation.	2018 onwards to be completed by 2020	Technical discussion on production rules finalised.
Other important outputs			
Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
Implementation of Action Plan for the future of Organic Production in the European Union	Number of completed actions	100% finalised by the end of 2020	All actions completed or ongoing
Effective supervision of the set up and functioning of the control system for organic production in Member States	Contribution to FVO audits in Member States	3 audits in MS per year	3 audits in AT, IT and RO
	Yearly assessment of MS annual reports	Continuous	Ongoing
	Follow-up to irregularities	Continuous	Ongoing
Evaluation of the forestry measures under the rural development policy	Finalisation of the staff working document	2018	1 st quarter 2019

For this specific objective, please see also the policy-related outputs provided under Specific objective: Enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and sustainable management of forest (Priority 2).

Specific objective: Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors (Priority 5)		Related to spending programme: EAFRD
Result indicator: % of irrigated land switching to more efficient irrigation systems (Focus area 5A: increasing efficiency in water use by agriculture) Source of data: Rural development programmes This indicator is also used in the Programme Statements.		
Baseline ¹¹⁹	Target (2023)	Latest known results ¹²⁰
0	13.0%	2.86% (which represents 22% of achievements of the target set in the RDPs)
Result indicator: Total investment for energy efficiency (Focus area 5B: increasing efficiency in energy use in agriculture and food processing) Source of data: Rural development programmes This indicator is also used in the Programme Statements.		
Baseline	Target (2023)	Latest known results ¹²¹
0	2 816 389 026 EUR ¹²²	279 267 594 (which represents 10% of achievements of the target set in the RDPs)
Result indicator: Total investment in renewable energy production (Focus area 5C: Facilitating the supply and use of renewable sources of energy, of by products, wastes, residues and other non food raw material for purposes of the bio-economy) Source of data: Rural development programmes This indicator is also used in the Programme Statements.		
Baseline	Target (2023)	Latest known results ¹²³
0	2 553 204 011 EUR ¹²⁴	255 265 515 (which represents 10% of achievements of the target set in the RDPs)

¹¹⁹ Baseline is 0 at the start of the programming period and all the targets are cumulated over the period.

¹²⁰ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/18 referring to the calendar year 2017.

¹²¹ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/18 referring to the calendar year 2017.

¹²² Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.

¹²³ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/18 referring to the calendar year 2017.

¹²⁴ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.

**Result indicator¹²⁵: a) % of LU concerned by investments in livestock management in view of reducing greenhouse gas and/or ammonia emissions
b) % of agricultural land under management contracts targeting reduction of greenhouse gas and/or ammonia emissions** (Focus area 5D: Reducing greenhouse gas and ammonia emissions from agriculture)

Source of data: Rural development programmes

This indicator is also used in the Programme Statements.

Baseline	Target (2023)	Latest known results ¹²⁶
0	a) 0.8% b) 3.3% ¹²⁷	a) 0.26% (which represents 33% of achievements of the target set in the RDPs) b) 2.03% (which represents 62% of achievements of the target set in the RDPs)

Result indicator: % of agricultural and forest area under management contracts contributing to carbon sequestration and conservation (Focus area 5E: Fostering carbon sequestration in agriculture and forestry)

Source of data: Rural development programmes

This indicator is also used in the Programme Statements.

Baseline	Target (2023)	Latest known results ¹²⁸
0	1.1%	0.81% (which represents 71% of achievements of the target set in the RDPs)

For this specific objective, please see the policy-related outputs provided under Specific objective: Enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and sustainable management of forest (Priority 2).

¹²⁵ Indicator contributing to the KPI Minimum share of agricultural land with specific environmental practices/commitment.

¹²⁶ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/18 referring to the calendar year 2017.

¹²⁷ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development. In addition, for all targets expressed in relative terms, DG AGRI has changed the method of aggregation at EU level, in view of providing a more comprehensive overview on expected/achieved results.

¹²⁸ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/18 referring to the calendar year 2017.

Common CAP objective 3: To promote a balanced territorial development

Common CAP objective 3: To promote a balanced territorial development

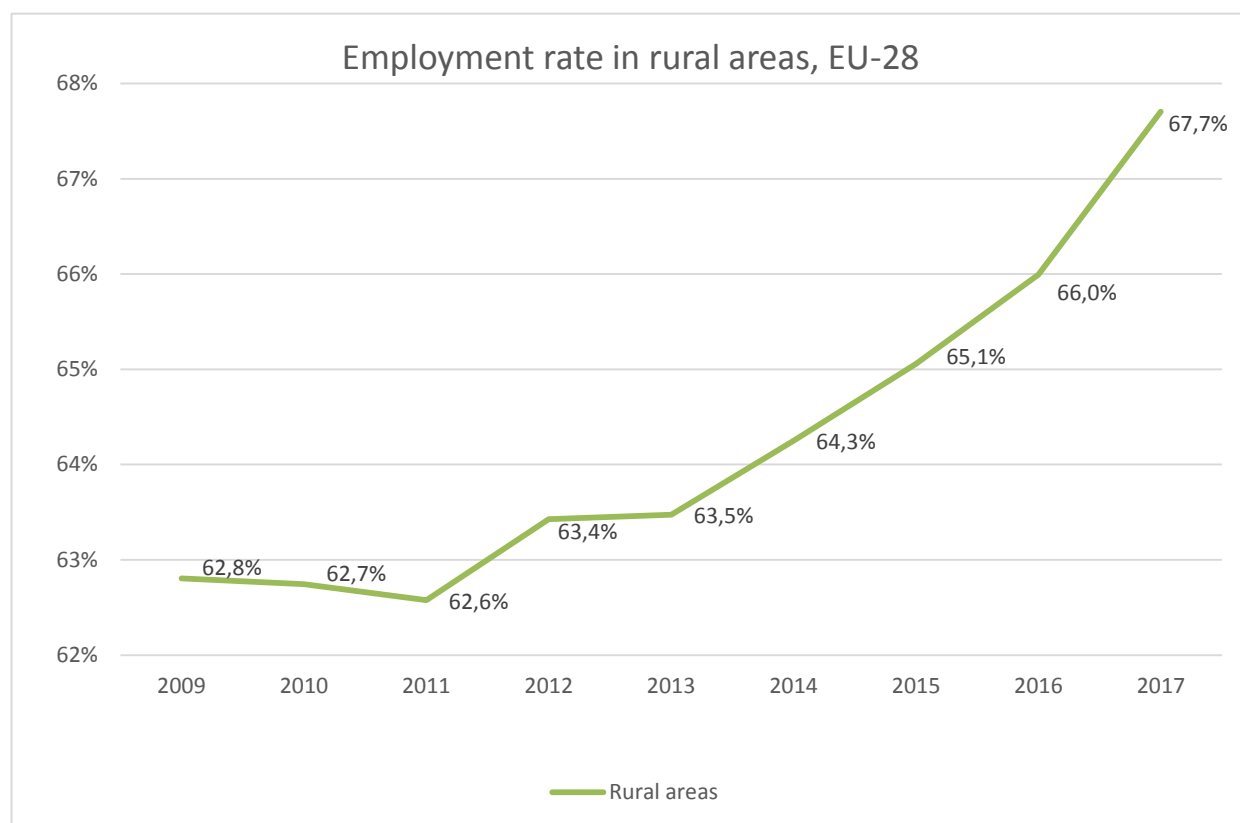
CAP Impact indicator: Rural employment rate

Definition: Employment rate for the population aged 15-64 in rural areas

Source of the data: Eurostat – Labour Force Survey

This indicator is also used in the Programme Statements.

Baseline ¹²⁹ (2012 – EU-28)	Target	Latest known results (2017 – EU-28)
63.4%	To increase <i>Article 110 (2)(c) of Regulation n° 1306/2013</i>	67.7%



¹²⁹ Values have changed in the AAR 2017 compared to figures published in the Strategic Plan 2016-2020 because Eurostat has updated figures.

Specific objective: Promoting social inclusion, poverty reduction and economic development in rural areas (Priority 6)		Related to spending programme: EAFRD
Result indicator: Number of jobs created through supported projects (not LEADER) (Focus area 6A: Facilitating diversification, creation of new small enterprises and job creation) Source of data: Rural development programmes This indicator is also used in the Programme Statements.		
Baseline ¹³⁰	Target (2023)	Latest known results ¹³¹
0	79 989 ¹³²	4 221 (which represents 5% of achievements of the target set in the RDPs)
Result indicator: a) % of rural population covered by local development strategies b) Number of jobs created through supported projects (LEADER) c) % of rural population benefiting from improved services / infrastructures (Focus area 6B: Fostering local development in rural areas) Source of data: Rural development programmes This indicator is also used in the Programme Statements.		
Baseline	Target (2023)	Latest known results ¹³³
0	a) 53.0% ¹³⁴ b) 44 059 ⁸¹ c) 17.0% ⁸¹	a) 59.9% (which represents 113% of achievements of the target set in the RDPs) b) 4 157 (which represents 9% of achievements of the target set in the RDPs) c) 12.56% (which represents 74% of achievements of the target set in the RDPs)

¹³⁰ Baseline is 0 at the start of the programming period and all the targets are cumulated over the period.

¹³¹ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/18 referring to the calendar year 2017.

¹³² Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.

¹³³ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/18 referring to the calendar year 2017.

¹³⁴ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development. In addition, for all targets expressed in relative terms, DG AGRI has changed the method of aggregation at EU level, in view of providing a more comprehensive overview on expected/achieved results.

CAP Indicator: % of rural population benefiting from improved IT**infrastructures/services** (Focus area 6C: Enhancing accessibility to use and quality of information and communication technologies (ICT) in rural areas)**Source of data:** Rural development programmes

This indicator is also used in the Programme Statements.

Baseline	Target (2023)	Latest known results ¹³⁵
0	6.0% ¹³⁶	0.21% (which represents 3% of achievements of the target set in the RDPs)

Main outputs in 2018:**Other important outputs**

Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
Broadband Competence Office (BCO)	Brussels-based Broadband Competence Offices support facility is fully operational	2018	Brussels-based BCOs support facility is fully operational. National BCOs are in place and regional BCOs are further developed
Annual Work Programme (AWP) of the Support Facility for BCOs	Implementation of activities included in the AWP 2018 with the contributions of DGs CNECT, REGIO and COMP	2018	AWP 2018 has been implemented. The 2018 activity report of the Support Facility was approved.
Legislative proposal on the European Solidarity Corps as member of the working group led by EAC and including in particular SG and DGs AGRI, EMPL, REGIO, ENV, DEVCO, SANTE	Adoption of the regulation	Second quarter 2018	Regulation (EU) 2018/1475 on European Solidarity Corps for the period 2018-2020 was adopted in October 2018 ¹³⁷
Synthesis of the RD ex-post evaluations 2007-2013	Finalisation of the Staff Working Document	2018	2 nd quarter 2019

For this specific objective, please see also the policy-related outputs on ENRD provided under Specific objective: Enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and sustainable management of forest (Priority 2).

¹³⁵ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/18 referring to the calendar year 2017.

¹³⁶ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development. In addition, for all targets expressed in relative terms, DG AGRI has changed the method of aggregation at EU level, in view of providing a more comprehensive overview on expected/achieved results.

¹³⁷ OJ L 250, 4.10.2018, p. 1–20

Specific objective: To promote local agricultural production and to ensure a fair level of prices for commodities for direct consumption and for processing by local industries in the Outermost Regions of the EU and in the Aegean Islands

Related to spending programme: EAGF

Result indicator: Support to the Local Production to maintain/develop the agricultural production

Definition: Utilised agricultural area (variation with respect to the previous year)

Source: MS Annual Reports

This indicator is also used in the Programme Statements.

Baseline (Calendar year 2013 / Budget year 2014)¹³⁸	Target	Latest known results¹³⁹
POSEIDOM¹⁴⁰: Mainland France: 26 888 215 ha Guadeloupe: 31 401 ha Martinique: 24 445 ha Guyane: 28 626 ha Réunion: 43 833 ha Mayotte: no data POSEICAN¹⁴¹: Mainland Spain: 23 523 000 Canaries: 84 950 ha POSEIMA¹⁴²: Mainland Portugal: 3 641 592 Madeira: 5 262 ha Azores: 118 589 ha Smaller AEGEAN ISLANDS: 333 107 ha	To at least maintain local agricultural production <i>Objective of Regulation 228/2013, Article 2 (1c)</i>	POSEIDOM: Mainland France: 26 802 374 ha (-0.32%) Guadeloupe: 30 066 ha (-4.25%) Martinique: 22 079 ha (-6.68%) Guyane: 32 624 ha (+13.97%) Réunion: 42 329 ha (-3.43%) Mayotte 20 000 ha POSEICAN: Mainland Spain: 23 432 700 ha (-0.38%) Canaries: 86 039 ha (+1.28%) POSEIMA: Mainland Portugal: 3 641 592 ha (-0.7%) Madeira: 4 893 ha (2016) (-7.02%: with respect to 2013 data) Azores: 123 793 ha (+4.4%:with respect to 2013 data) Smaller AEGEAN ISLANDS: 293 920 ha (-11.76%)

For this specific objective, please see the outputs provided under the following Specific objective: Specific Supply Arrangements (SSA) to ensure the supply of essential products: SSA coverage rate (relation between quantities of products benefiting from SSA support and total quantities of the same products introduced in the respective outermost region).

¹³⁸ Baseline updated from 2012 to 2013 as it provides consolidated data for all outermost regions for that year, given that Portugal data collection is done every five years, 2013 being the latest survey.

¹³⁹ The Annual Implementation Report (AIR) transmitted by Member States in year N provides data corresponding to year N-1. In this sense, the column "latest known result" shows 2017 data from the AIR transmitted in 2018. Yet, Spain's data are gathered late; the latest available data included in the 2017 AIR are from 2016. In addition, Portugal's farm structure data are collected every four or five years (data are available for 2013 and 2016), thus the latest known data refer to year 2013. Nevertheless, the variation is calculated with respect to the previous available data, i.e. 2013.

¹⁴⁰ Programme of options specific to the remote and insular nature of the overseas departments

¹⁴¹ Programme of options specific to the remote and insular nature of the Canary Islands

¹⁴² Programme of options specific to the remote and insular nature of Madeira and the Azores

Specific objective: Specific Supply Arrangements (SSA) to ensure the supply of essential products: SSA coverage rate (relation between quantities of products benefiting from SSA support and total quantities of the same products introduced in the respective outermost region)

Related to spending programme: EAGF

Result indicator: Percentage of SSA products coverage of local needs

Source: MS Annual Reports

This indicator is also used in the Programme Statements.

Baseline (2013 – variations with respect to 2012) ¹⁴³	Target	Latest known results (2017)
POSEIDOM ¹⁴⁴ (all products): 39% (-4%) POSEICAN: (cereals only): 99.64% (+0.6%) POSEIMA: Madeira (cereals only): 98.6% (+3.6%) Azores (cereals only): 85.3% (EU) (-3.3%) Smaller Aegean Islands (animal feed): 100.8% (+1.2%)	100% <i>The objective included in Article 2 (1a) of regulation 228/2013 and 229/2013 is the "guaranteed supply to the outermost regions of products essential for human consumption (...)"</i> . This target contributes to achieving this objective.	POSEIDOM (all products): 33% POSEICAN (cereals only): 70.02% POSEIMA Madeira (cereals only): 99.2% Azores (cereals only): 84% Smaller Aegean Islands (animal feed stuff only): 100.59% (+0.79%)

To be noted: as regards POSEI and SAI programmes, in their annual implementation reports for 2017, the Member States concerned communicated data related to the common performance indicators as requested by Annexes VIII and II of Commission Implementing Regulations (EU) No 180/2014 and 181/2014, respectively. However, the provided data may not be fully in line with the requirements of these annexes and thus not mutually comparable. Therefore, these indicators shall be evaluated with due caution.

Main outputs in 2018:

Important items from work programmes/financing decisions/operational programmes

Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
2016/AGRI/007 Modification of Commission Implementing Regulation (EU) No 180/2014.	Adoption by the College and published in EUOJ	1st semester 2018	Commission Implementing Regulation (EU) 2018/920 ¹⁴⁵ of 28 June 2018 amending Implementing Regulation (EU) No 180/2014 as regards certain provisions on checks, notifications and annual reporting and on amendments to the POSEI programmes

¹⁴³ Baseline is set to 2013 in coherence with baseline of previous indicator.

¹⁴⁴ The French authorities used in their annual reports a different methodology and data source to calculate this indicator (calculation based on value and not quantities, data taken from customs sources and not from SSA operators).

¹⁴⁵ OJ L 164, 29.6.2018, p. 5

2016/AGRI/008 Modification of Commission Implementing Regulation (EU) No 181/2014.	Adoption by the College and published in EUOJ	1st semester 2018	Commission Implementing Regulation (EU) 2018/916 ¹⁴⁶ of 27 June 2018 amending Implementing Regulation (EU) No 181/2014 as regards certain provisions on checks, notifications and annual reporting and on amendments to the programme for the smaller Aegean islands
Other important outputs			
Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
Commission decisions and DG letters for amendments approvals (according to kind of modifications)	Date of notification to the MS	2018	No decisions were needed, notification letters sent in due time

¹⁴⁶ OJ L 163, 28.6.2018, p. 6

The following objectives contribute to all 3 common CAP objectives

Specific objective: Fostering knowledge transfer and innovation in agriculture, forestry and rural areas (Priority 1)		Related to spending programme: EAFRD
Result indicator: % of expenditure for the three measures <i>Knowledge transfer & information action, advisory services and cooperation</i> in relation to the total expenditure for the RDP (Focus area 1A: Fostering innovation and the knowledge base in rural areas) Source of data: Rural development programmes This indicator is also used in the Programme Statements.		
Baseline ¹⁴⁷	Target (2023)	Latest known results ¹⁴⁸
0	3.8% ¹⁴⁹	0.2% (which represents 5% of achievements of the target set in the RDPs)
Result indicator: Number of cooperation operations planned under the cooperation measure (groups, networks/clusters, pilot projects) (Focus area 1B: strengthening the links between agriculture and forestry and research and innovation) Source of data: Rural development programmes This indicator is also used in the Programme Statements.		
Baseline	Target (2023)	Latest known results ¹⁵⁰
0	14 846 ¹⁵¹	1 974 (which represents 13% of achievements of the target set in the RDPs)
Result indicator: Total number of participants trained (across all focus areas) (Focus area 1C: fostering lifelong learning and vocational training in agriculture and forestry sectors) Source of data: Rural development programmes This indicator is also used in the Programme Statements.		
Baseline	Target (2023)	Latest known results ¹⁵²
0	3 790 377 ¹⁵³	1 057 714 (which represents 28% of achievements of the target set in the RDPs)

¹⁴⁷ Baseline is 0 at the start of the programming period and all the targets are cumulated over the period.

¹⁴⁸ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/18 referring to the calendar year 2017.

¹⁴⁹ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.

¹⁵⁰ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/18 referring to the calendar year 2017.

¹⁵¹ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.

¹⁵² The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/18 referring to the calendar year 2017.

¹⁵³ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.

Main outputs in 2018:			
Other important outputs			
Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
EIP-AGRI events	5 New Focus Groups launched 10 Focus Group meetings 4 workshops 1 Seminar 3 meetings of the Innovation Subgroup	2018	5 New Focus Groups launched 10 Focus Group meetings 3 workshops 2 seminars 3 meetings of the Innovation Subgroup
EIP-AGRI publications	1 magazine (Agrinnovation) 10 factsheets 4 brochures 12 newsletters 24 press articles	2018	1 magazine (Agrinnovation) 10 factsheets 4 brochures 12 newsletters 24 press articles

Specific objective: Societal challenges - to secure sufficient supplies of safe and high quality food and other bio-based products, by developing productive and resource-efficient primary production systems, fostering related ecosystem services and the recovery of biological diversity, alongside competitive and low carbon supply, processing and marketing chains			Related to spending programme: Horizon 2020
Result indicator: Publications in peer-reviewed high impact journals in the area of food security			
Definition: This indicator measures the number of publications in peer-reviewed high impact journals in a specific societal challenge per 10M EUR of EC-funding ¹⁵⁴ . High impact journals are defined to be the top 10% (in terms of Scimago Journal Ranking (SJR) index) of all journals within a given scientific category.			
Source of data: Horizon 2020 common IT system, i.e. CORDA (Common Research Datawarehouse) and RESPIR (SESAM Research Performance and Impact Reports)			
Baseline ¹⁵⁵ (2013)	Milestone 2019	Target (2020)	Latest known results
22.7 publications per 10 million EUR funding (baseline FP7, January 2015)	On average, 20	On average, 20 publications per 10 million EUR funding	266 publications (cf footnote in the definition of this indicator)

¹⁵⁴ From the launch of the programme and until a critical mass of finished projects (ca. 10 % of all funded projects) has been reached, information about the two indicators below will be provided in the form of absolute number by the funded projects. On the basis of FP7 data, it is considered that this critical mass of finished projects should be reached by 2019.

¹⁵⁵ The reference for all the targets is the year when the last actions financed under Horizon 2020 will be finished, i.e. several years after the formal end of the programming period.

Result indicator: Patent applications in the area of food security¹⁵⁶

Definition: This indicator measures the number of patent applications in a specific societal challenge per EUR 10 M funding¹⁵⁷.

Source of data: Horizon 2020 common IT system, i.e. CORDA (Common Research Datawarehouse) and RESPIR (SESAM Research Performance and Impact Reports)

Baseline (2013)	Milestone 2019	Target (2020)	Latest known results
<i>For FP7 Cooperation projects finished by January 2015: 1.2 patent applications per 10 million EUR funding</i>	<i>On average, 2</i>	<i>On average, 2 patent applications per 10 million EUR funding</i>	N/A at this stage

Main outputs in 2018:**Important items from work programmes/financing decisions/operational programmes**

Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
Grants	Budget allocated to grants	EUR 250 million	EUR 250 million

Other important outputs

Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
Proposal submission for 2018 calls	Proposals submitted (first deadline)	February 2018	100 (single stage procedure), 70 (two-stage procedure)
Selection of proposals for funding from 2018 calls – implementation by the executive agency REA	Proposals selected for funding	December 2018	23 (single stage procedure), 27 (two-stage procedure)
Publication of 2019 calls	Topics published	July 2018	Work Programme successfully published in June 2018

¹⁵⁶ The result indicator was aligned with the respective indicator provided for in the Management Plan 2014 of DG RTD, i.e. reporting on *patent applications* only but not on *patents awarded* (as stated in the Programme Statement DB2014) since no meaningful information (or none at all) can be expected before 2019-2020.

¹⁵⁷ See footnote in the previous indicator.

Specific objective: To contribute to the sustainable adaptation of the agricultural sector and rural areas in the three countries (Bulgaria, Romania and Croatia) eligible for Sapard support until 2009¹⁵⁸

Related to spending programme: SAPARD

Main outputs in 2018:

Policy-related outputs

Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
SAPARD programmes of BG, RO and HR closed.	Final balance settled for the SAPARD programmes of BG, RO and HR	2017	The SAPARD programme for Croatia is closed. Final balances for BG and RO have been calculated. BG agreed and RO contested.

IPARD

The following 3 objectives also contribute to IPA objective "support candidate countries and potential candidates ('beneficiary countries') in implementing the political, institutional, legal, administrative, social and economic reforms required by those beneficiaries in order to comply with the Union's values and to progressively align to Union rules, standards, policies and practices with a view to Union membership."

Specific objective: To contribute to the sustainable adaptation of the agricultural sector and rural areas and to the new Member State Croatia's and Candidate Countries' preparation for the implementation of the *acquis communautaire* concerning the CAP and related policies under IPARD 2007-2013 (IPARD I) by:

- 1. improving market efficiency and implementation of Union standards,**
- 2. preparatory actions for the implementation of the agri-environmental measures and local rural development strategies,**
- 3. development of the rural economy.**

Related to spending programme: IPARD 2007-2013 (IPARD I)

1. Improving market efficiency and implementation of Union standards (AXIS 1)

Result indicator: Number of applications received

Source: IPARD programmes 2007-2013, annual¹⁵⁹ and bi-monthly¹⁶⁰ reports

Baseline (2014)	Target	Latest known results (2018)
HR: 656 applications MK: 1 557 applications TR: 3 394 applications	833 in HR 2 890 in MK 4 818 in TR	630 2 724 4 763

¹⁵⁸ This objective concerning only the closure of the programme (until 2009) is not present in the DG AGRI Strategic Plan 2016-2020.

¹⁵⁹ Throughout this specific objective: baseline – end of 2014 – based on the respective annual reports.

¹⁶⁰ Throughout this specific objective: current – end of 2015 – based on the bi-monthly reports, data still provisional.

Result indicator: Number of applications approved		
Source: IPARD programmes 2007 – 2013, annual and bi-monthly reports		
Baseline (2014)	Target	Latest known results (2018)
HR: 234 applications MK: 559 applications TR: 2 023 applications	514 in HR 2 330 in MK 3 084 in TR	366 1 331 2 942
Result indicator: Number of farms/enterprises supported (paid by the IPARD Agency)		
Source: IPARD programmes 2007 – 2013, annual and bi-monthly reports		
Baseline (2014)	Target	Latest known results (2018)
177 projects in HR 248 projects in MK 1 479 projects in TR	414 in HR 2 330 in MK n/a in TR	359 1 061 2 664
Result indicator: Total volume of investment (paid)		
Source: IPARD programmes 2007 – 2013, annual and bi-monthly reports		
Baseline (2014)	Target	Latest known results (2018)
EUR 96.8m in HR EUR 3.4m in MK EUR 72.6m in TR	EUR 220m in HR EUR 75.7m in MK Target in TR - n/a	EUR 84,28 million EUR 31,2 million EUR 2,13 billion
Result indicator: Increase on gross value added (GVA) in supported holdings		
Source: IPARD programmes 2007 – 2013 and annual reports		
Baseline (2014)	Target	Latest known results (2018)
Information not available in HR, MK and TR	5% in HR 5-8% in MK Target in TR by 15%	TR: by 28%
Result indicator: Number of farms/enterprises introducing Union standards		
Source: IPARD programs 2007-2013 and annual reports		
Baseline (2014)	Target	Latest known results (2018)
Information not available in HR and MK TR: 1479	290 in HR Target in MK (100%) Target in TR: 2 776	251 1 061 2 631
Result indicator: Economic growth in agriculture – net additional added value in PPS (Purchase Power Standards = purchasing power of the same goods with different currencies)		
Source: IPARD programmes 2007 – 2013 and annual reports		
Baseline (2014)	Target	Latest known results (2018)
Information not available for any of the countries	5% in HR	Information not available

Result indicator: Labour productivity in agriculture – change in gross value added (GVA)		
Source: IPARD programmes 2007 – 2013 and annual reports		
Baseline (2014)	Target	Latest known results (2018)
Information not available for any of the countries	To increase	Information not available
2. Preparatory actions for the implementation of the agri-environmental measures and local rural development strategies (AXIS 2)		
Result indicator: Local rural development strategies		
A) Number of applications received		
B) Number of applications approved		
C) Number of recognised LAGs		
D) Total population of LAGs		
Source: IPARD programmes 2007 – 2013 and annual and bi-monthly reports		
Baseline (2014)	Target	Latest known results (2018)
In HR A) 71 applications received B) 42 LAGs contracted C) 41 LAGs D) 1 321 155 Leader measure has not been accredited in TR and MK under IPARD I.	In HR A) 40 B) 25 C) 25 D) 1 055 000	A) 80 B) 40 C) 40 D) 1 495 541
3. Development of the rural economy (AXIS 3)		
Result indicator: Improvement of rural infrastructure		
A) Number of applications received		
B) Number of applications approved		
C) Number of beneficiaries		
D) Total volume of investment		
Source: IPARD programmes 2007-2013 and annual and bi-monthly reports		
Baseline (2014)	Target	Latest known results (2018)
A) HR: 210 B) HR: 106 C) HR: 33 D) HR: EUR 10m This measure has not been accredited in TR and MK under IPARD I.	A) 205 in HR B) 174 in HR C) 148 in HR D) EUR 59m in HR	A) 210 in HR B) 104 in HR C) 104 in HR D) EUR 36 million in HR

Result indicator: Diversification of rural economy**E) Number of applications received****F) Number of applications approved****G) Number of beneficiaries supported and paid****H) Total volume of investment (data from Monitoring Tables)****Source:** IPARD programmes 2007-2013 and annual and bi-monthly reports

Baseline (2014)	Target	Latest known results (2018)
E) HR: 329 MK: 276 TR: 8 322	E) 380 in HR 229 in MK 5 697 in TR	E) 329 in HR 362 in MK 11 809 in TR
F) HR: 171 MK: 17 TR: 5 991	F) 350 in HR 95 in MK 5 127 in TR	F) 129 in HR 38 in MK 8 319 in TR
G) HR: 41 MK: 1 TR: 5 618	G) 329 in HR 95 in MK n/a in TR	G) 129 in HR 11 in MK 7 992 in TR
H) HR: EUR 5.3 m MK: EUR 0.01 m	H) EUR 39m in HR EUR 7.2m in MK EUR 395m in TR	H) EUR 19 million in HR EUR 4.4 million in MK EUR 372 million in TR

Main outputs in 2018:**Important items from work programmes/financing decisions/operational programmes**

Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
Improving market efficiency and implementation of Union standards (AXIS 1)	Number of applications received	833 in HR 2 890 in MK 4 818 in TR	630 2 724 4 763
Improving market efficiency and implementation of Union standards (AXIS 1)	Number of applications approved	514 in HR 2 330 in MK 3 084 in TR	366 1 331 2 942
Preparatory actions for the implementation of the agri-environmental measures and local rural development strategies (AXIS 2)	Local rural development strategies A) Number of applications received B) Number of applications approved C) Number of recognised LAGs D) Total population of LAGs	In HR A) 40 B) 25 C) 25 D) 1 055 000	A) 80 B) 40 C) 40 D) 1 495 541

Development of the rural economy (AXIS 3)	Diversification of rural economy A) Number of applications received B) Number of applications approved	A) 585 in HR 229 in MK 5 697 in TR B) 524 in HR 95 in MK 5 127 in TR	A) 539 in HR 362 in MK 11 809 in TR B) 233 in HR 38 in MK 8 319 in TR
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Specific objective: Supporting the development of management and control systems which are compliant with good governance standards of a modern public administration and where the relevant country structures apply standards equivalent to those in similar organisations in the Member States of the European Union.

Related to spending programme: IPARD 2014-2020 (IPARD II)

Result indicator: Number of measures for which entrustment of budget implementation tasks granted to the IPA II beneficiaries under rural development programmes

Source: Estimate, based on experience gained under Sapard and IPARD I

Baseline (2014)	Target 2020	Latest known results (2018)
0	32	16

Result indicator¹⁶¹: Financing Agreements (FA) concluded

Source: DG AGRI

Baseline (2014)	Target	Latest known results (2018)
No Financing Agreements (FA) signed.	Financing Agreements are to be concluded once and will be updated in order to reflect new budgetary allocations and entrustments of budget implementation tasks for new measures	5

¹⁶¹ New indicator; new types of Financing Agreements must be prepared and concluded reflecting the new IPA 2014-2020 legal base.

Specific objective: To increase the food-safety of the IPA II beneficiary and the ability of their agri-food sector to cope with competitive pressure as well as to progressively align the sector with Union standards, in particular those concerning hygiene and environment, while pursuing balanced territorial development of rural areas.

Related to spending programme: IPARD 2014-2020 (IPARD II)

Result indicator: Number of economic entities performing modernisation projects in agri-food sector

Source: IPARD programmes 2014-2020 and annual and bi-monthly reports

Baseline (2014)	Target 2023 ¹⁶²	Latest known results (2018) ¹⁶³
0	6 450	453

Result indicator: Number of economic entities developing additional or diversified sources of income in rural areas

Source: IPARD programmes 2014-2020 and annual and bi-monthly reports

Baseline (2014)	Target 2023	Latest known results (2018)
0	3 300	1 076

Result indicator: Overall investment in physical capital in agri-food and rural development (EUR)

Definition: Overall investment in machines, equipment, production facilities made by farmers, food processing and marketing enterprises as well as micro and small enterprises in rural areas

Source: IPARD programmes 2014-2020 and annual and bi-monthly reports

Baseline (2014)	Target 2023	Latest known results (2018)
0	EUR 2.29 billion	EUR 169 million

Result indicator: Number of economic entities progressively upgrading towards EU standards

Definition: Number of farmers and food processing and marketing enterprises progressively upgrading to EU environmental, food safety and hygiene, occupational standards

Source: IPARD programmes 2014-2020 and annual and bi-monthly reports

Baseline (2014)	Target 2023	Latest known results (2018)
0	4 440	372

¹⁶² All targets under this specific objective have been updated. The old targets were based on the extrapolations of the IPARD I programmes. Now, that all programmes have been adopted, more reliable estimates stemming from the programmes can be provided.

¹⁶³ Indicator for paid/completed projects

Main outputs in 2018:**Important items from work programmes/financing decisions/operational programmes**

Description	Indicator	Target date*	Latest known results (situation on 31/12/2018)
Management and control systems implementing IPARD programmes; the framework for the systems has been developed in close cooperation with DGs NEAR, BUDG and LS, based on provisions of the Financial Regulation and Framework Agreement. Each entrustment decision, which is granted per measure is communicated to DG NEAR and is aligned to their overall assessments of the "horizontal bodies" of the management and control systems for IPA.	Entrustment of budget implementation tasks granted on a number of measures under individual country IPARD programmes by concluding Financing Agreements.	Entrustment at least for some measures under all five programmes, continuous entrustments for the new measures. Expected total by 2020 – 32 entrustments.	16 Expected total by 2020 – 25 entrustments.
Start of contracting	Number of economic entities performing modernisation projects in agri-food sector	6 450	1 725
Start of contracting	Number of economic entities developing additional or diversified sources of income in rural areas	3 300	2 601
Start of contracting	Overall investment in physical capital in agri-food and rural development (EUR) (investment in machines, equipment, production facilities made by farmers, food processing and marketing enterprises as well as micro and small enterprises in rural areas)	EUR 2.29 billion	Investments are ongoing

Start of contracting	Number of economic entities progressively upgrading towards EU standards Definition: Number of farmers and food processing and marketing enterprises progressively upgrading to EU environmental, food safety and hygiene, occupational standards	4 440	1 136
Other important outputs			
Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
Start of implementation of IPARD II programmes; the programmes had been adopted in consultation with DGs NEAR, ENV, REGIO, EMPL, SANTE, CLIMA, MARE, BUDG, SG, LS. Implementation is closely coordinated with DG NEAR and EEAS, mainly through EU Delegations.	First calls for applications carried out under all five programmes	2018	AL 1 call ME 2 calls MK 3 calls RS 5 calls TR 7 calls
Progress in implementation of five IPARD II programmes	Percentage of the relevant IPARD II allocation paid**	AL: 13% MK: 32% ME: 22% RS: 17% TR: 27%	AL 15.0% ME 23.5% MK 20.4% RS 25.0% TR 30.8%

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

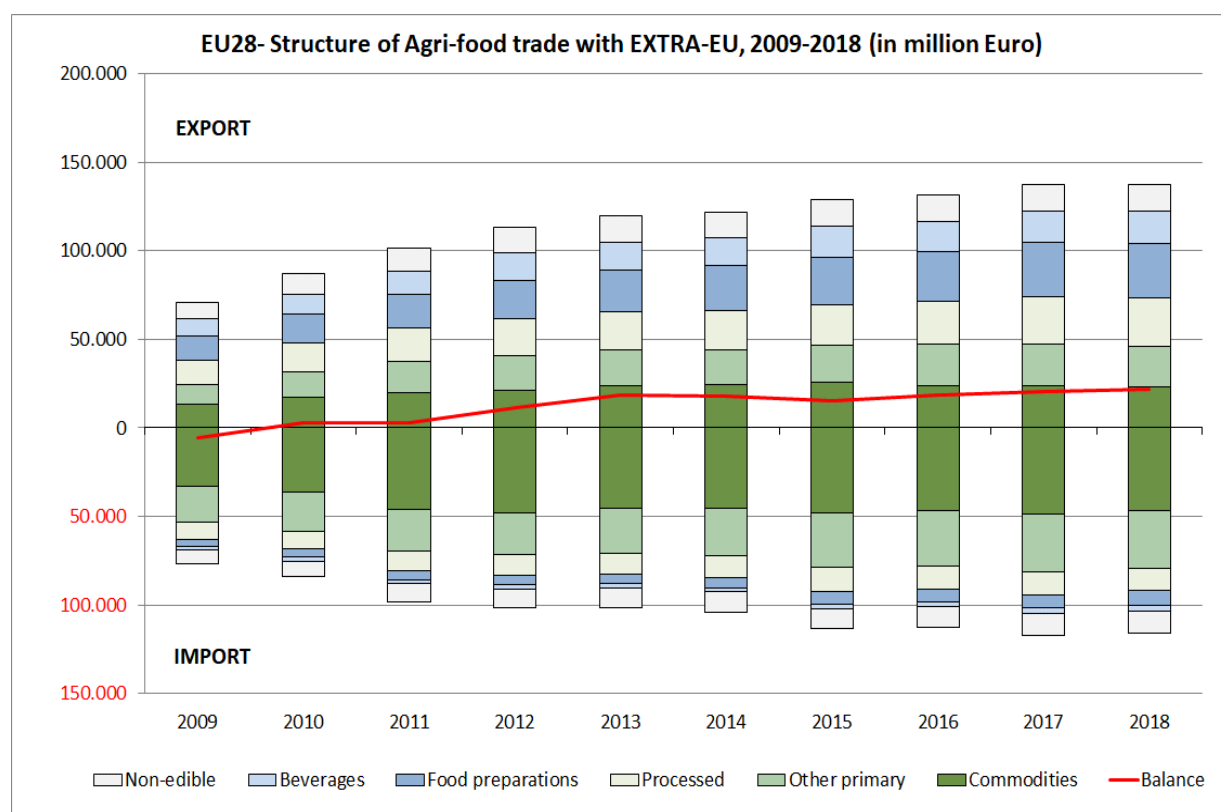
**Considering all outstanding budgetary commitments.

Commission general objective 6: A balanced and progressive trade policy to harness globalisation¹⁶⁴

CAP Impact indicator: Total EU agri-food trade value

Source of the data: Comext, Eurostat

Baseline (2011) ¹⁶⁵	Target (2020)	Latest known results (2018)
EUR 199 billion	Maintain at high level	EUR 253 billion



¹⁶⁴ The title of Priority 6 has been updated and made geographically neutral in view of the slowing down of trade talks with the United States, the new geopolitical context, and the new dynamism in trade talks with other important regions of the world. The Commission has reflected this reality by changing the previous General Objective ("A Reasonable and Balanced Free Trade Agreement with the U.S") and introducing a new impact indicator replacing the old one.

¹⁶⁵ Baseline modified to 2011 instead of 2016 to better take into account the longer-term trend.

Specific objective: To promote the EU agricultural sector by contributing to successful negotiation and cooperation within the World Trade Organisation (WTO) and other multilateral organisations such as the Organisation for Economic Co-operation and Development (OECD) and the Food and Agriculture Organisation (FAO).

Related to spending programme: NA

Result indicator: Timely contribution to negotiations and other ongoing processes in multilateral fora

Source: DG AGRI

Baseline (2015)	Target	Latest known results (2018)
100% of contributions in time. Examples: Provision of negotiating lines to take in the context of WTO DDA negotiations following the 9 th Ministerial Conference (Bali, December 2013). Relevant input to agriculture-related FAO activities.	100% of contributions in time <i>This target was agreed within DG AGRI and is reflected by relevant procedures for conducting negotiations.</i>	100 % of contributions on time

Main outputs in 2018:

Other important outputs

Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
WTO Agricultural negotiations	Contributions to the negotiations on the post-Buenos Aires agenda	Throughout 2018, participation in each meeting of the Special Session of the WTO Committee on Agriculture Positions co-ordinated in constant and extremely close co-ordination with DG TRADE and EU Geneva delegation.	Agricultural negotiations are ongoing

Finalisation and implementation of negotiations under GATT Article XXIV.6 on compensatory adjustments and GATT Article XXVIII negotiations to modify the EU Schedule	Contributions made to negotiations, and their conclusion and implementation	Article XXIV.6 negotiations: conclusion and implementation in 2018 Article XXVIII: ongoing throughout 2018 Negotiations carried out in close co-operation with DG TRADE; implementation with SJ and DG TAXUD.	Article XXIV: 6 negotiations following the enlargement of Croatia were completed. The outcomes are fully in line with WTO rules. Article XXVIII negotiations are ongoing. In particular Article XXVIII negotiations related to the apportionment of TRQs as a result of Brexit were launched in July 2018.
OECD activities related to agriculture, food and rural development	Attend all relevant meetings (minimum, n=8) Review all OECD papers and provide comments according to EU policy objectives	Throughout 2018, notably each session of the OECD Committee for Agriculture and its working parties	All relevant meetings attended and all papers reviewed. 89% of discussion points commented on. All relevant FAO and IFAD ¹⁶⁶ meetings attended. Modern CAP explained and promoted wherever possible.
Influence of agriculture policy in UN (notably FAO), GFFA ¹⁶⁷ , G20 (agriculture) and G7 (agriculture) in close cooperation with DEVCO and other relevant services.	Contributions made to key committee meetings of FAO and IFAD bodies Contributions made to work on SDG implementation and indicators for Agenda 2030 affecting agriculture policy Provide comments to papers and attend all relevant meetings of GFFA, G7 and G20.	AGRI staff participation in all relevant FAO and IFAD meetings Participation in all interservice meetings and contribution to all relevant Commission documents on SDGs Organise High Level event at GFFA Agricultural Ministerial (January 2018) and attend all G7 and G20 agricultural meetings in 2018	All SDG-related contributions provided on time. Ensured active AGRI participation at relevant meetings and events (e.g. World Food Day). High Level Panel organised at January 2018 GFFA, hosted by Commissioner Hogan, on the theme "The future of livestock production". All relevant G7 and G20 sessions attended.

¹⁶⁶ International Fund for Agricultural Development

¹⁶⁷ Global Forum for Food and Agriculture

Proposal to the Council on EU accession to the Lisbon Agreement on Appellations of Origin (2016/AGRI/076)	Adoption of proposal; EU accession.	EU accession during 2018. Ongoing, in close co-ordination with SJ, SG and DG GROW.	Work on EU's accession to the Lisbon Agreement is ongoing. Proposals for EU accession (Council Decision on accession and EP/Council Regulation on the action of the Union) adopted on 27 July 2018 ¹⁶⁸ . Legislative procedure on the proposal was initiated in EP and Council. EP: AGRI attended all relevant meetings of the Committees involved (lead JURI Committee, ENVI and INTA). Council: AGRI participated in the IP Working Party dealing with the initiative.
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Specific objective: To improve market access for agricultural products by contributing to negotiating, revising bilateral agreements, by resolving trade irritants, ensuring protection for EU geographical indications in third countries by negotiating relevant provisions within Free Trade or Associations Agreements or stand-alone agreements, carrying out dialogues in agriculture and cooperation activities and contributing to sustainable economic development in particular in developing countries.

Related to spending programme: N/A

Result indicator: Timely preparation of and contribution to bilateral negotiations leading to the objectives given.

Source: DG AGRI

Baseline (2015)	Target	Latest known results (2018)
100% of timely contributions. Examples: Contributing to negotiations with WTO partners in the framework of Art XXIV.6 GATT; Contributing to negotiations with Mercosur, Mexico and Chile; Contributing to ratification and implementation of Economic Partnership Agreements including	100% of contributions in time <i>This target was agreed within DG AGRI and is reflected by relevant procedures for conducting negotiations.</i>	All contributions prepared in time and to the quality required. Mexico, Japan agreements were concluded in 2018. All other negotiations carried out according to EU negotiating mandates and EU positions and interests safeguarded. GI Agreement negotiations with China reached advanced stage in 2018 and collaborative relations with China ensured via agriculture dialogue and other bilateral

¹⁶⁸ COM(2018) 365 final

built-in agendas on GIs and wines and spirits; Facilitating responsible private sector agri-business investments in ACP; Contributing to negotiations with Viet Nam and Japan on the agricultural aspects of the respective Free Trade Agreements; Negotiating a stand-alone agreement with China on cooperation on, and protection of, geographical indications; Steering the process leading to the protection of EU geographical indications in Central America, in the framework of the agreement with these countries; Carrying out dialogues on agricultural issues with some third countries (China, Brazil, India, EPAs) and cooperation activities in the agricultural field		initiatives. Relations with India saw limited progress.
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Main outputs in 2018:			
Other important outputs			
Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
Monitoring of EU agri-food trade	Monthly analysis and publication of latest developments in EU agri-food trade	Monthly publication	All monthly trade updates published on time.
Provide analysis on agri-food products to support bilateral and multilateral trade negotiations	Timely provision of analytical notes and data	Meet all deadlines agreed with negotiation units	The EU has been active throughout 2018 in the WTO regular Committee on Agriculture.
Implementation of full EPAs in: East African Community; SADC-EPA Group; West Africa; CARIFORUM	Finalisation of CARIFORUM GI protection (2016/AGRI/032).	Adoption in 2018	Negotiations still ongoing (conclusion expected in 2019) CARIFORUM: Postponed to 2019

Implementation of interim EPAs in Eastern and Southern Africa; Central Africa; Pacific	Monitoring of agreements and possible development of informal agricultural dialogues. Number of contributions to events pursuant to agreements	Participate in all relevant meetings; provide examples for agri-food sector	2 meetings in 2018 to agree with ESA on a scoping paper to deepen EPA scope. Trade & Development Committee meeting on the implementation of SADC-EU EPA Trade & Development Committee meeting with Pacific. Samoa joined Pacific EPA in Dec 2018.
Contribute to the implementation of EPAs (TRADE)	Contribution to work coordinated by TRADE and DEVCO	Participation in all coordination meetings	Regular communication and coordination of services regarding EPA implementation
Address root causes of irregular migration by promoting investment in agri-business in Africa	Follow-up to the African Union (AU) - EU Agriculture Ministers Conference and the EU-Africa Summit	During the year 2018	Next conference in 2019 AGRI chaired Interservice Group agricultural cooperation with ACP. Continued ongoing dialogue with AU. Task Force Rural Africa launched in May 2018 part of follow-up.
Building partnerships with International Organisations, AUC, ACP and selected countries	Number of agriculture policy (incl. GI) initiatives & events (including the African Union GI strategy, an agri business platform, a High Level Panel at European Development Days, and participation in the African Green Revolution Forum)	Organise the follow-up to the African Union – EU Agricultural Ministerial Conference in cooperation with DEVCO, TRADE etc.	Task Force Rural Africa organised in 2018, 6 meetings, final report in March 2019. One Task Force meeting organised back-to-back with African Green Revolution Forum, Kigali. A paradigm shift was successfully communicated here, emphasising that solutions in Africa are to be found via private sector investment in agrifood sector.
Tunisia: contribution to DCFTA, in close cooperation with DG TRADE	Resumption and continuation of bilateral negotiations	Planned 2019	Third round of negotiations was held in December 2018.
Morocco: conclusion of a GI agreement	Adoption by Council and Parliament and implementation of the Agreement	2018-2019	Procedure on hold due to legal uncertainty following the Court Ruling of December 2016 on the territorial scope of the Association Agreement.

Georgia, Moldova, Ukraine: Association Agreement including DCFTA, in close cooperation with EEAs and TRADE	Implementation, approximation monitoring (including update of GIs lists for the three countries). Possible start of discussions on review clause with Moldova.	2017-2018	Continuation of discussions on review clause with <u>Moldova</u> in 2018. <u>Ukraine</u> : adoption of Council Decision authorising negotiations for amending tariff rate quota for poultry meat set up in the Association Agreement with Ukraine in December 2018 <u>Georgia</u> : agricultural subcommittee held in March 2018.
Armenia: negotiation of the bilateral Comprehensive and Enhanced Partnership Agreement (including GIs), in close cooperation with TRADE	Negotiations started in 2016 Adoption expected to be finalized before the end of 2017. Monitoring of implementation as from 2018.	2018	Monitoring of the new agreement, in force since June 2018 Cooperation with DG TRADE and NEAR on implementing EU assistance for rebranding of Cognac
Azerbaijan: negotiation of a new Agreement including GIs, in close cooperation with DG TRADE	Negotiations started in 2017.	2018	Second round in December 2018. Continuation, and potential end of negotiations in 2019
Russia, Turkey: resolving trade irritants, in close cooperation with DG TRADE and DG SANTE	Contribute to the resolution of ongoing trade bans and/or safeguard measures	2018	Continuation of talks with Turkey and Russia in 2018; launch of a GI exercise with Turkey and adoption of change to the beef TRQ with Turkey to facilitate EU exports
Kyrgyzstan: negotiation of a new Agreement including IPR/GIs section, in close cooperation with DG TRADE	Launching negotiations	2018	4 th round in October 2018. Continuation and potential end of negotiations in 2019
Uzbekistan: negotiation of a new Agreement including IPR/GIs section, in close cooperation with DG TRADE	Negotiations on a new partnership and cooperation agreement	2018-2019	Launch of negotiations in November 2018 1 st round of meetings to take place in February 2019
Turkey	Prepare possible start to negotiations on agricultural concessions and modernisation of the customs union	2018	Proposal for a draft mandate suspended in Council since December 2016 Possibly 2019, subject to Member States' positions

Belarus: dialogue, in close cooperation with EEAS and TRADE	Participate in discussions of the Trade dialogue led by TRADE and Coordination Group led by EEAS	2018	Last dialogue held in December 2018
Iran: dialogue in close cooperation with EEAS, TRADE and SANTE	Establishment of agriculture cooperation + follow-up to visit of High Level business mission by Commissioner Hogan in November 2017.	2017-2018	Bilateral meetings on agriculture and SPS including a SPS seminar in Tehran on 19-20 November 2018; discussions on harmonised beef/lamb certificate 2018-2019; gradual opening of Iranian market.
Lebanon: dialogue in close cooperation with EEAS and DG TRADE	Participate in discussions of the Trade and Investment working group lead by DG TRADE	2018	Last meeting held in July 2018
GCC¹⁶⁹/United Arab Emirates: promoting agro-food trade	Follow-up of High-Level business mission led by Commissioner Hogan in 2017	2018	EU-GCC Trade and investment dialogue held in June 2018 Preparations of high level business mission in Dubai ('Gulfood') to be held in February 2019.
Israel, Palestine, Egypt, Jordan: dialogue, in close cooperation with EEAS and DG TRADE	Dialogue on agriculture and cooperation (including on GI's, organic farming, etc.) via ENPARD and TAIEX Dealing with trade irritants & working to ensure smooth agritrade relations.	2018	Latest meetings : Egypt: October 2017 Palestine: September 2018 Jordan: December 2017 Israel: May 2018
Implementation of the Stabilisation and Association Agreements with the western Balkans (Albania, Montenegro, Serbia, North Macedonia, Bosnia and Herzegovina, Kosovo)	Monitoring of the agreements and participation to annual agricultural dialogues. Contributions to trade dialogues and other events pursuant to agreements, as necessary.	2018	Latest meetings : Albania: December 2018 Montenegro: September 2018 Serbia: April 2018 North Macedonia: May 2018 Bosnia and Herzegovina: October 2018

¹⁶⁹ Gulf Cooperation Council

Switzerland: reclassification of seasoned meat	Find a solution to the trade irritant of reclassification of seasoned meat from Chapter 16 to Chapter 02, to be implemented by Switzerland	2018	Council Decision authorising the opening of negotiations with Switzerland was obtained in December 2018
Switzerland	Implementation of agriculture agreement (including participation in various committees)	2018	Last meeting of the agricultural committee was held in October 2018
2015/AGRI/037 and 2015/AGRI/038 Proposal for a Council Decision on the conclusion and the signature of an EU- Norway Article 19 agreement on further trade liberalisation	Commission adoption October 2017 Council adoption with EP consent	Planned 2018	Entry into force on 1 October 2018 ¹⁷⁰
2015/AGRI/080 and 2015/AGRI/081 Proposal for a Council Decision on the conclusion and the signature of an agreement between the European Union and Chile on trade in organic products	Implementation, in coordination with EU Delegation in Chile.	2018	Implementation (in coordination with EU Delegation in Chile)
Canada: CETA	Monitoring of the implementation. In coordination with TRADE and the EU Delegation in Canada.	2018	Continuation of monitoring of implementation and participation in / organization of the relevant committees 2018
US: TTIP	Stand ready to continue negotiations <i>Pour mémoire.</i> No development expected	2018	No developments in 2018
Mexico: modernisation of existing agreement; Mercosur	Continuation / finalization of negotiations. In coordination with TRADE, GROW and SANTE.	2018	Negotiations concluded in April 2018. Finalization of texts and preparation for their future adoption started

¹⁷⁰ OJ L 129, 25.5.2018, p.3

Mercosur: negotiations for an association agreement.	Continuation / finalization of the negotiations. In coordination with TRADE, GROW and SANTE.	2018	Negotiations continued all along 2018. EU negotiating mandates respected.
Central America: Free Trade Agreement implementation	Continuation of monitoring of implementation. In coordination with EU Delegations and TRADE.	2018	Continuation of monitoring of implementation.
Peru-Colombia-Ecuador: Free Trade Agreement implementation	Continuation of monitoring of implementation. In coordination with EU Delegations and TRADE.	2018	Continuation of monitoring of implementation.
Chile: modernisation of existing association agreement	Continuation of negotiations. In coordination with TRADE, GROW and SANTE.	2018	Negotiations continued all along 2018
China: agreement on protection of geographical indications (2011/AGRI/008 and 2015/AGRI/058) Monitoring of and addressing trade barriers, in close cooperation with TRADE and SANTE	Conclusion of negotiations and launch process for signature.	Early 2018?	Despite mention in the Joint Statement of the EU-China Summit in July 2018, the conclusion of negotiations in 2018 was not possible. The Commission stays duly committed to finalise the negotiations as soon as the conditions permit
China: cooperation activities in the field of agriculture and rural development	Continuation of cooperation resulting in avoidance of new trade barriers.	2018	On-going
Japan: Economic Partnership Agreement negotiations under TRADE's coordination	Contribution to draft Council decisions for signature and conclusion	2018	Signature took place in July 2018, followed by the conclusion of the EPA in December 2018, allowing for the entry into force of the EPA on 1 February 2019.
Philippines and Indonesia: Free Trade Agreement negotiations under DG TRADE's coordination	Continuation of negotiations	2018	On-going
Australia/New Zealand: Free Trade Agreement negotiations under DG TRADE's coordination	Launch of negotiations	2018	Negotiations launched in June 2018

India, Thailand, Malaysia: Free Trade Agreements under DG TRADE's coordination	Talks towards possible resumption of negotiations with India and Thailand Relaunch of negotiations with Malaysia	2018	Conditions to resume negotiations with India, Thailand and Malaysia were not met in 2018 and should be reassessed in the course of 2019
Korea: Free Trade Agreement implementation, with the support of the EU Delegation to Korea	Monitoring of proper implementation in particular on GIs	2018	On-going
Fostering organics by promoting equivalence with third countries.	Renewal of the Council negotiating directive	First half of 2018	No recent development
	Number of negotiation on mutual recognition under bilateral trade agreement in organics	2 in 2018	0
	Follow-up of equivalence arrangements with recognised third countries	Ongoing	2 bilateral meeting held with US One video conference and one bilateral meeting held with South Korea 2 bilateral meetings with CH 1 bilateral with Tunisia
	Progress in negotiations for an equivalence agreement with Colombia, Ecuador and Mexico	Ongoing	Follow up on the spot visit in Mexico (December 2018)
	Regular contacts with competent authorities of third countries	Continuous	2 bilateral meetings with Thailand One meeting with EFTA countries Several technical barrier to trade (TBT) discussions and videoconference with Taiwan
	Progress in the development of a plurilateral arrangement	Ongoing	One meeting and three conference calls.

Fostering organics by enhancing the supervision of the activities of control bodies for imported products from non-equivalent third countries.	Contribution to the DG SANTE audit in recognised third countries and recognised control bodies for import of organic products	6 audit per year in CB and equivalent third countries. Ongoing	5 audit per year in CB and equivalent third countries. Ongoing
	Control bodies annual report analysed	100% analysed by the end of 2018	60% analysed by the end of 2018
	Supervising the correct implementation of the electronic certification of imported organic products from third countries	2018	Ongoing

Specific objective: To promote the EU interests and positions on agriculture and rural development in the relations with enlargement countries and to assist the enlargement countries in their alignment to the CAP			Related to spending programme: EAGF and EAFRD
Result indicator: Timely contribution to the Commission's work in the area of enlargement			
Source: DG AGRI			
Baseline (2015)	Target	Latest known results (2018)	
100% of timely contributions Example: Preparation of screening report for Montenegro.	100% of contributions in time <i>This target was agreed within DG AGRI and is reflected by relevant procedures for conducting negotiations.</i>	100% of contributions in time	

Main outputs in 2018:			
Other important outputs			
Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
All enlargement countries	Alignment to the Common Agricultural Policy	Accession date (unknown)	Accession date (unknown)
Turkey: revision of Customs Union agricultural aspects	Adoption of negotiation directives by Council, follow-up	2018	Mandate is on hold in the Council since December 2016.

Montenegro: negotiations on agriculture chapter in accession negotiations	Progress in negotiations on the chapter agriculture - fulfilment of closing benchmarks.	Not pre-defined in view of unknown accession date	Opening of agricultural Chapter in December 2016. Montenegro has to meet 2 closing benchmarks.
Serbia: negotiations on agriculture chapter in accession negotiations	Examination of action plan prepared by Serbia and contribution to opening benchmark's assessment preceding opening of negotiations	2018	Examination of action plan prepared by Serbia and contribution to opening benchmark's report preceding opening of negotiations. Opening benchmark report to be presented in the Council in 2019.
Bosnia and Herzegovina: Analysis of application	Review of reply to questionnaire sent by the Commission to the BiH authorities in preparation of the opinion of the country's membership application. Opinion to be submitted to Council.	2016-2018	Analysis of reply to Commission questionnaire submitted by the BiH authorities ongoing

Specific objective: To facilitate decision-making on strategic choices for the CAP and to support other activities of the DG by means of economic and policy analyses and studies

Related to spending programme: N/A

Result indicator: Timely contribution to the decision-making process for the CAP towards 2020

Source: DG AGRI

Baseline (2015)	Target	Latest known results (2018)
100 %	100 % timely deliveries: - supporting policy and economic analysis - publication of key documents on the CAP	100 %

Result indicator: Representativeness of information about the EU farm economic situation collected by the Farm Accountancy Data Network (FADN)

Source: EU FADN

This indicator is also used in the Programme Statements.

Baseline (2015)	Target	Latest known results (2016)
Observed coverage of EU agricultural production in the accounting year 2013: - 96 % coverage of the Standard Output - 94 % coverage of the Utilised Agricultural Area - Farm returns collected: 86 840	Observed coverage of EU agricultural production: - 90 % coverage of the EU agricultural production as expressed in Standard Output - 90 % coverage of the Utilised Agricultural Area	Observed coverage of EU agricultural production for accounting year 2016: - 98% coverage of the Standard Output; - 91% coverage of the Utilised Agricultural Area. - Farm returns collected for accounting year 2016: 83 954

Result indicator: Adequate knowledge of Farm structure

Source: Eurostat – Farm Structure Survey

This indicator is also used in the Programme Statements.

Baseline (2015)	Target	Latest known results (2016)
Data from the 2013 Farm Structure Survey (FSS) are extensively used in internal analyses, publications and indicators of the common monitoring and evaluation framework for the CAP 2014-2020	All relevant indicators and factsheets updated with FSS 2016 data and published on the Europa website. In-depth use of FSS 2016 data for analyses on farm structural change.	The Farm Structure Survey 2016 was carried out by Member States. Eurostat has started to publish data from this survey in 2018 (to be completed in 2019). The new framework regulation for the 2020 agricultural census and farm surveys in 2023 and 2026 entered into force in 2018.

Main outputs in 2018:			
Other important outputs			
Description	Indicator	Target date	Latest known results (situation on 31/12/2018)
AGRICULTURAL POLICY ANALYSIS AND DEVELOPMENT - Contribute to the definition of the long-term strategy for the CAP - Follow-up of the implementation of the CAP 2014-2020; - Follow-up of policy developments in fields relevant for agriculture and rural development (environmental and climate policies, trade negotiations, employment policies, etc.), both at global and EU level	Notes and documents on the CAP post-2020	On request	100%
	Support to other policy initiatives (Commission priorities, sustainable development goals etc.)	On time contributions to other policy initiatives	100%
COUNTRY INTELLIGENCE - Monitoring of agricultural policy developments in Member States and policy positions in the field of agriculture; - Analysis of documents on the evolution of agriculture and rural areas from Member States - Other data collection and analysis	Monitoring of policy development in MS	Ongoing	100%
	Data, analysis, fact sheets and briefings on MS	Ongoing	100%
OUTLOOK To provide short- and medium-term outlook for EU agricultural markets and income, to assess the likely developments in the current policy framework and under alternative scenarios. This activity is carried out in cooperation with DG JRC. Outlook validated also through workshop with external experts and other DGs (ECFIN, TRADE, ENV, CLIMA, JRC, etc.)	Report on medium-term prospects for agricultural commodity markets published paper/electronic versions	Publish new Report before end of the year 2018	100% The report was published on 7 December 2018, covering market outlook but also scenario analysis and an environmental baseline prepared by the JRC.
	Organisation of the EU agricultural outlook conference	First week of December	100% The conference took place on 6 and 7 December 2018 and more than 600 participants attended.
	Timely publication of 3 reports on short-term outlook for agricultural commodity markets	Reports to be published in March, July, October 2018	100% Reports were published in April, July and October 2018.

MODELLING AND ANALYSIS Development, maintenance and use of quantitative analysis tools like partial equilibrium models both at macro- and micro-economic level, biophysical models and other forward looking methods.	Operational platform of economic and biophysical models and related databases (in collaboration with JRC). Main use: trade, environment, biofuels, climate and CAP reform analysis.	Operational tools for timely results Analyses on request.	100% The main achievement of the year is the contribution and the coordination of the analysis for the Impact assessment of the CAP post 2020 legal proposals, which included a full annex of analysis relying on the modelling tools developed in JRC in the last years and other more qualitative approaches like multi-criteria analysis.
DATA INTEGRATION To co-ordinate the statistical needs related to the Monitoring and Evaluation Framework of the CAP. To analyse the food supply chain especially price formation. Analysis of trade statistics	Development, updating and maintenance of CMEF indicators and preparation CMEF report to Council and Parliament	End 2018	100% The first report to the Council and European Parliament on "the implementation of the Common Monitoring and Evaluation Framework and first results on the performance of the Common Agricultural Policy" was published on 5 December 2018. The whole set of indicators was published the same day as well as 9 thematic dashboards based on CMEF indicators (e.g. jobs and growth, competitiveness, organic, etc.) using an interactive visualisation tool.
	Monthly dashboard of EU and world commodity prices, including along the food supply chain	Monthly updates.	100% They were all published timely.
	Regular updates, ad-hoc requests and annual trade statistics report	On demand Publication of trade statistics report in the summer.	Requests of Directorate A were all timely answered. The trade statistics report is being streamlined in view of overlaps with other reports and data available.

MANAGEMENT AND DEVELOPMENT OF FADN LEGISLATION AND INFRASTRUCTURE - Adaptation of systems and reporting tools following implementation of the new Farm Return (Regulations 1217/2009, 1198/2014 and 2015/220) - Amendment of Implementing Regulation (EU) 2015/2020 clarifying compensation rules for under-reporting FADN divisions as well as reporting deadlines for obtaining the increased standard fee. - Further monitoring and development of FADN IT systems. - Introduction of a new analytical/visualisation tool. - Adaptation of the FADN data to the CAP evolution and requirements / demands for the analyses - Improve the efficiency and the performance of the FADN reporting	Maintenance and support of the RICA Information Systems	100 % availability of the system to users (outside maintenance periods)	Done
	Enhancement of RICA2 functionality. Amended Delegated and Implementing Regulations.	All business requirements implemented as scheduled	Done
ECONOMIC ANALYSES High quality economic analyses based in particular on FADN data in line with the needs of DG AGRI for the assessment of policy proposals (ex-ante) and CAP measures (ex-post).	Delivery of relevant and high quality data for specific analyses supporting policy development of CAP after 2020	Ongoing	Ongoing
	Delivery of relevant ad-hoc analysis and special FADN reports	Ongoing	Ongoing
	Finalisation of FADN annual reports	Before the end of 2018	Done for the Farm Economics Overview and EU dairy farms report

STATISTICAL COORDINATION AND ANALYSES Coordinate the information needs of DG AGRI within DG AGRI and with ESTAT and ensure their dissemination Contribute to Commission proposals on legislation for agricultural statistics (e.g. Framework Regulation on integrated Farm Statistics; Framework Regulation on Statistics for Agricultural Inputs and Outputs) Provide updates of statistical factsheets and CAP context indicators Analyse the evolution of farm structures and agricultural income based on statistics	Contribute to the development of Eurostat's framework regulations on integrated farm statistics and statistics on agricultural inputs and outputs	Ongoing	Done
	Contribution to the development and implementation of Eurostat's work programme in agricultural statistics, in line with DG AGRI's data needs	Ongoing	Eurostat work programme 2019 adopted in December 2018
	2018 update of statistical country factsheets	March 2018	Done
	2018 update of CAP context indicators	December 2018	Close to finalisation in December 2018
	2018 update of farm income developments	December 2018	Done
GIS support to statistics and economic/policy analysis	Number of DG AGRI units using the service.	Increase	13 Units
	Number of maps and data analyses produced	Maintain or increase	245 maps

Objective: Minimisation of the risk of fraud through application of effective anti-fraud measures, integrated in all activities of the DG, based on the DG's anti-fraud strategy (AFS) aimed at the prevention, detection and reparation of fraud.
Main outputs in 2018:

Description	Indicator	Target	Latest known results (situation on 31/12/18)
Update of DG AGRI's anti-fraud strategy	Revise DG AGRI Anti-fraud Strategy, action plan and the internal rules in DG AGRI on the handling of allegations of fraud, and of OLAF cases; if a revision proves necessary, present the revised version for adoption	End of 2018	No update in 2018. Awaiting pending revision of the Commission's anti-fraud strategy.
Implementation of action points planned for 2018 in DG AGRI's anti-fraud strategy	Implemented action points planned for 2018	100% until end of 2018	100%
Prevention of fraud	Deploy further training to raise fraud awareness among general staff of DG AGRI.	1 SYSLOG training by the end of 2018	No training delivered as no new trends to be communicated.
	Continue deploying specific fraud detection and prevention training to operational staff of Paying Agencies in the Member States at their request	Cover 100 % of requests as appropriate.	100 % of requests covered.
Investigations conducted by OLAF	Timely referral of denunciations to OLAF for investigation	100%	100 %
	Cooperation with OLAF in establishing financial recommendations and their follow-up.		100 %

ANNEX 13: Interruptions, Reductions and Suspensions

EAGF

Total of financial corrections and Payment Suspensions executed during the financial year 2018

In EUR

MS	EXPENDITURE declared by MS T104 (a)	CORRECTIONS done by EAGF (See Annex I) (b)	EXPENDITURE taken into account for the monthly payments (c) = (a) + (b)	Payment Suspensions (See Annex II) (d)	Amount paid out (e) = (c) - (d)
BE	601 510 011,30	-115 693,15	601 394 318,15		601 394 318,15
BG	807 872 495,63	-198 507,53	807 673 988,10		807 673 988,10
CZ	838 147 041,76		838 147 041,76		838 147 041,76
DK	840 418 974,56	-26 565,01	840 392 409,55		840 392 409,55
DE	4 985 034 668,19		4 985 034 668,19		4 985 034 668,19
EE	125 117 498,73		125 117 498,73		125 117 498,73
IE	1 222 636 090,24	-56 088,09	1 222 580 002,15		1 222 580 002,15
EL	2 011 104 147,71	-3 028 436,21	2 008 075 711,50		2 008 075 711,50
ES	5 469 293 689,73	-2 340 457,67	5 466 953 232,06		5 466 953 232,06
FR	7 658 137 149,53	-2 103 929,28	7 656 033 220,25		7 656 033 220,25
HR	247 212 389,50	-143,08	247 212 246,42		247 212 246,42
IT	4 105 256 457,53	-31 523 003,50	4 073 733 454,03		4 073 733 454,03
CY	56 395 213,07	-7 347,35	56 387 865,72		56 387 865,72
LV	236 722 594,21	-25,73	236 722 568,48		236 722 568,48
LT	486 858 048,79	-14 939,54	486 843 109,25		486 843 109,25
LU	33 238 794,75		33 238 794,75		33 238 794,75
HU	1 295 778 954,53	-6 163 754,07	1 289 615 200,46		1 289 615 200,46
MT	5 242 197,66		5 242 197,66		5 242 197,66
NL	771 779 615,80	-571 878,01	771 207 737,79		771 207 737,79
AT	715 628 113,11	-18 282,75	715 609 830,36		715 609 830,36
PL	3 307 664 761,19	-507 066,20	3 307 157 694,99	526 116,83	3 306 631 578,16
PT	740 073 143,32	-3 047,74	740 070 095,58		740 070 095,58
RO	1 770 943 580,48	-1 986 514,53	1 768 957 065,95		1 768 957 065,95
SI	141 823 320,05		141 823 320,05		141 823 320,05
SK	445 614 609,27	-2 522 382,96	443 092 226,31		443 092 226,31
FI	528 511 043,12	-54 155,68	528 456 887,44		528 456 887,44
SE	697 300 129,50	-337 837,06	696 962 292,44		696 962 292,44
UK	3 138 781 531,74	-6 838 850,54	3 131 942 681,20		3 131 942 681,20
Total MS	43 284 096 265,00	-58 418 905,68	43 225 677 359,32	526 116,83	43 225 151 242,49

Annex I: Financial corrections executed during the financial year 2018

MS	EXPENDITURE declared by MS T104 (a)	CORRECTIONS done by EAGF (b)	EXPENDITURE taken into account for the monthly payments (c) = (a) + (b)	In EUR Corrections Specifications		
				Amounts	Budget line	Explanation
BE	601 510 011,30	-115 693,15	601 394 318,15	-4 285,85	05 03 01 99 0000 387	Ceiling - Reduction Short Proc. - Global ceiling Art.7 (Net) Annex III R.1307-13 - CY 2015
				-104 523,58	05 03 01 99 0000 388	Ceiling - Reduction Short Proc. - Global ceiling Art.7 (Net) Annex III R.1307-13 - CY 2015
				-2 629,55	05 03 02 99 0000 387	Ceiling - Reduction Short Proc. - Global ceiling Art.7 (Net) Annex III R.1307-13 - CY 2015
				-4 254,17	05 03 02 99 0000 388	Ceiling - Reduction Short Proc. - Global ceiling Art.7 (Net) Annex III R.1307-13 - CY 2015
BG	807 872 495,63	-198 507,53	807 673 988,10	-198 507,53	67 01 00 00 0000 030	Payment deadline Agri.r.4.001(2018)5706574 - rev.01
DK	840 418 974,56	-26 565,01	840 392 409,55	-151 314,15	05 03 01 13 0000 014	Ceiling - Reduction Short Proc. - Young Farmer Scheme - Art.51(4) R.1307/13 - CY 2017
				124 749,14	05 03 01 13 0000 014	Ceiling - Payback - Young Farmer Scheme - Art.51(4) R.1307/13 - CY 2017
IE	1 222 636 090,24	-56 088,09	1 222 580 002,15	-56 088,09	67 01 00 00 0000 030	Payment deadline Agri.r.4.001(2018)5706574 - rev.01
EL	2 011 104 147,71	-3 028 436,21	2 008 075 711,50	-30 694,26	67 01 00 00 0000 030	Payment deadline Agri.r.4.001(2018)5706574 - rev.01
				-2 997 741,95	05 03 01 11 0000 006	Ceiling - Reduction Long Proc. - Greening - CY 2017
ES	5 469 293 689,73	-2 340 457,67	5 466 953 232,06	-623 556,09	67 01 00 00 0000 030	Payment deadline Agri.r.4.001(2018)5706574 - rev.01
				-148 733,93	05 03 02 40 0000 049	Ceiling - Reduction Short Proc. - Cotton crop-specific payment - CY 2016
				-8 305,13	05 03 02 40 0000 049	Ceiling - Reduction Short Proc. - Cotton crop-specific payment - CY 2016
				-564,22	05 03 02 40 0000 049	Ceiling - Reduction Short Proc. - Cotton crop-specific payment - CY 2016
				-4 143,70	05 03 02 60 0000 001	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-44,04	05 03 02 60 0000 001	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-19 203,94	05 03 02 60 0000 001	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-6 053,73	05 03 02 60 0000 001	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-6 701,51	05 03 02 60 0000 001	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-6 940,63	05 03 02 60 0000 001	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-953,15	05 03 02 60 0000 001	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-1 366,00	05 03 02 60 0000 001	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-5 977,31	05 03 02 60 0000 001	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-848,95	05 03 02 60 0000 001	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				1 698,98	05 03 02 60 0000 001	Ceiling - Payback - Voluntary Coupled Support scheme - CY 2015
				-37 137,37	05 03 02 60 0000 002	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-8 034,27	05 03 02 60 0000 002	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-183 520,77	05 03 02 60 0000 002	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-66 857,41	05 03 02 60 0000 002	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-57 106,20	05 03 02 60 0000 002	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-81 458,00	05 03 02 60 0000 002	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-1 711,05	05 03 02 60 0000 002	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-6 244,93	05 03 02 60 0000 002	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-14 057,96	05 03 02 60 0000 002	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-315,50	05 03 02 60 0000 002	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-263,45	05 03 02 60 0000 002	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-980,98	05 03 02 60 0000 002	Ceiling - Payback - Voluntary Coupled Support scheme - CY 2015

Annex I: Financial corrections executed during the financial year 2018

In EUR

MS	EXPENDITURE declared by MS T104 (a)	CORRECTIONS done by EAGF (b)	EXPENDITURE taken into account for the monthly payments (c) = (a) + (b)	Corrections Specifications		
				Amounts	Budget line	Explanation
ES	5 469 293 689,73	-2 340 457,67	5 466 953 232,06	-29,60	05 03 02 61 0000 013	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-1 622,30	05 03 02 61 0000 013	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-276,16	05 03 02 61 0000 013	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-4 075,87	05 03 02 61 0000 013	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-416,32	05 03 02 61 0000 013	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-2 150,72	05 03 02 61 0000 013	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-680,36	05 03 02 61 0000 013	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-187,95	05 03 02 61 0000 013	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-100,37	05 03 02 61 0000 013	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				386,66	05 03 02 61 0000 013	Ceiling - Payback - Voluntary Coupled Support scheme - CY 2015
				-1 041 923,44	05 03 09 00 0000 004	Ceiling - Reduction Short Proc. - Reimbursement of appropriations from FY 2017
				-2 103 929,28	67 01 00 00 0000 030	Payment deadline Agri.r.4.001(2018)5706574 - rev.01
				-120,86	05 03 01 07 0000 003	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2015
FR	7 658 137 149,53	-2 103 929,28	7 656 033 220,25	-22,22	05 03 02 61 0000 004	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2015
HR	247 212 389,50	-143,08	247 212 246,42	-31 523 003,50	67 01 00 00 0000 030	Payment deadline Agri.r.4.001(2018)5706574 - rev.01
IT	4 105 256 457,53	-31 523 003,50	4 073 733 454,03	-36,09	05 03 01 13 0000 008	Ceiling - Reduction Short Proc. - Young Farmer Scheme - Art.51(4) R.1307/13 - CY 2016
CY	56 395 213,07	-7 347,35	56 387 865,72	-501,23	05 03 01 13 0000 008	Ceiling - Reduction Short Proc. - Young Farmer Scheme - Art.51(4) R.1307/13 - CY 2016
				-1,05	05 03 01 13 0000 008	Ceiling - Reduction Short Proc. - Young Farmer Scheme - Art.51(4) R.1307/13 - CY 2016
				-5 620,36	05 03 09 00 0000 004	Ceiling - Reduction Short Proc. - Reimbursement of appropriations from FY 2017
				-800,28	05 03 09 00 0000 004	Ceiling - Reduction Short Proc. - Reimbursement of appropriations from FY 2017
				-123,70	05 03 09 00 0000 004	Ceiling - Reduction Short Proc. - Reimbursement of appropriations from FY 2017
				-264,64	05 03 09 00 0000 004	Ceiling - Reduction Short Proc. - Reimbursement of appropriations from FY 2017
				-25,73	05 02 18 00 0000 001	Ceiling - Reduction Short Proc. - School Fruit & Veg - 2017/2018 - definitive allocation
LV	236 722 594,21	-25,73	236 722 568,48	-14 939,54	67 01 00 00 0000 030	Payment deadline Agri.r.4.001(2018)5706574 - rev.01
LT	486 858 048,79	-14 939,54	486 843 109,25	-3 583 152,04	67 01 00 00 0000 030	Payment deadline Agri.r.4.001(2018)5706574 - rev.01
HU	1 295 778 954,53	-6 163 754,07	1 289 615 200,46	-2 437 079,31	67 01 00 00 0000 031	Ceiling - Reduction Short Proc. - Global ceiling Art 5.3(b) R.907/14 - FY 2018
				-8 242,03	05 03 01 02 0000 015	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2014
				-22 258,54	05 03 01 02 0000 015	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2014
				-6 493,27	05 03 01 02 0000 015	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2014
				-11 192,12	05 03 01 02 0000 015	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2014
				-3 130,01	05 03 01 02 0000 015	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2014
				-32 603,48	05 03 01 02 0000 015	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2014
				-1 266,46	05 03 01 02 0000 015	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2014
				-50 552,12	05 03 01 02 0000 015	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2014
				-7 784,69	05 03 01 02 0000 015	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2014
				-571 878,01	67 01 00 00 0000 030	Payment deadline Agri.r.4.001(2018)5706574 - rev.01
				-18 282,75	67 01 00 00 0000 030	Payment deadline Agri.r.4.001(2018)5706574 - rev.01
NL	771 779 615,80	-571 878,01	771 207 737,79			
AT	715 628 113,11	-18 282,75	715 609 830,36			

Annex I: Financial corrections executed during the financial year 2018

In EUR

MS	EXPENDITURE declared by MS T104 (a)	CORRECTIONS done by EAGF (b)	EXPENDITURE taken into account for the monthly payments (c) = (a) + (b)	Corrections Specifications		
				Amounts	Budget line	Explanation
PL	3 307 664 761,19	-507 066,20	3 307 157 694,99	-507 066,20	67 01 00 00 0000 030	Payment deadline Agri.r.4.001(2018)5706574 - rev.01
PT	740 073 143,32	-3 047,74	740 070 095,58	-73,47	05 03 01 99 0000 385	Ceiling - Reduction Short Proc. - Global ceiling (Art 40.3 Annex VIII-a R.73/09) CY 2014
				-1 691,25	05 03 02 99 0000 385	Ceiling - Reduction Short Proc. - Global ceiling (Art 40.3 Annex VIII-a R.73/09) CY 2014
				-511,92	05 03 02 99 0000 386	Ceiling - Reduction Short Proc. - Global ceiling (Art 40.3 Annex VIII-a R.73/09) CY 2014
				-882,08	05 03 02 99 2221 125	Ceiling - Reduction Short Proc. - Sheep & goat supplementary premium - CY 2014
				110,98	05 03 02 99 2221 125	Ceiling - Payback - Sheep & goat supplementary premium - CY 2014
				-70,22	05 03 02 99 2221 129	Ceiling - Reduction Short Proc. - Sheep & goat supplementary premium - CY 2014
				70,22	05 03 02 99 2221 129	Ceiling - Payback - Sheep & goat supplementary premium - CY 2014
RO	1 770 943 580,48	-1 986 514,53	1 768 957 065,95	-1 986 514,53	67 01 00 00 0000 030	Payment deadline Agri.r.4.001(2018)5706574 - rev.01
SK	445 614 609,27	-2 522 382,96	443 092 226,31	-2 522 382,96	67 01 00 00 0000 030	Payment deadline Agri.r.4.001(2018)5706574 - rev.01
FI	528 511 043,12	-54 155,68	528 456 887,44	-54 155,68	67 01 00 00 0000 031	Ceiling - Reduction Short Proc. - Global ceiling Art 5.3(b) R.907/14 - FY 2018
SE	697 300 129,50	-337 837,06	696 962 292,44	-337 837,06	67 01 00 00 0000 030	Payment deadline Agri.r.4.001(2018)5706574 - rev.01
UK	3 138 781 531,74	-6 838 850,54	3 131 942 681,20	-6 838 850,54	67 01 00 00 0000 030	Payment deadline Agri.r.4.001(2018)5706574 - rev.01

Annex II: Payment Suspensions executed during the financial year 2018

In EUR

MS	EXPENDITURE taken into account for the monthly payments (c)	Payment Suspensions (d)	Amounts paid out (e) = (c) - (d)	Payment Suspensions Specifications		
				Amounts	Budget line	Explanation
PL	3 307 157 694,99	526 116,83	3 306 631 578,16	585 360,04	05 02 08 11	Payment suspension - Control system - C(2017)2104
				-126 682,53	05 02 08 11	Payment suspension reimbursement - Control system - Negative suspension - C(2017)2104
				34 887,73	05 02 08 11	Payment suspension - Control system - C(2017)2104
				32 635,61	05 02 08 11	Payment suspension - Control system - C(2017)2104
				-84,02	05 02 08 11	Payment suspension reimbursement - Control system - Negative suspension - C(2017)2104

ANNEX 14:Abbreviations

Abbreviation	Full text
A	
AAR	Annual Activity Report
ABB	Activity-Based Budgeting
ACP	African, Caribbean, and Pacific Group of States
DG AGRI	Directorate-General Agriculture and Rural Development
AEC	Agri-environment-climate
AIR	Annual Implementation Report
AMIS	Agricultural Market Information System
ANC	Areas facing natural and other specific constraints
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
BTSF	Better Training for Safer Food
DG BUDG	DG Budget
C	
CAP	Common Agricultural Policy
CAS	Common Audit Service
CB	Certification Body
CETA	EU-Canada Free Trade Agreement (Comprehensive Economic and Free Trade Agreement)
CHAFEA	Consumers, Health, Agriculture and Food Executive Agency
CLAR	Client in Audit Research
DG CLIMA	Directorate-General Climate Action
CMO	Common Market Organisation
COMAGRI	Committee on Agriculture and Rural Development in the European Parliament
DG CNECT	Directorate-General Communication Networks, Content and Technology
DG COMP	Directorate-General Competition
COP	Cereal, Oilseed and Protein crops
CSF	Common Strategic Framework
CWP	Commission Work Programme
CY	Cyprus
CZ	Czech Republic
D	
DCFTA	Deep and Comprehensive Free Trade Areas
DDA	Doha Development Agenda
DE	Germany
DG	Directorate-General
DG DEVCO	Directorate-General International Cooperation and Development
DG DIGIT	DG Informatics
DIH	Digital Innovation Hubs
DK	Denmark
DSM	Digital Single Market

Abbreviation	Full text
E	
DG EAC	Directorate-General Education and Culture
EAFRD	European Agricultural Fund for Rural Development
EAGF	European Agricultural Guarantee Fund
EAGGF	European Agricultural Guarantee and Guidance Fund
EBCC	European Bird Census Council
ECA	European Court of Auditors
EE	Estonia
EEA	European Environment Agency
EFA	Environmental Focus Area
EFSI	European Fund for Strategic Investments
EIB	European Investment Bank
EIF	European Investment Fund
EIP	European Innovation Partnership
EL (GR)	Greece
DG EMPL	Directorate-General Employment, Social Affairs and Inclusion
DG ENER	Directorate-General Energy
ENPARD	European neighbourhood programme for agriculture and rural development
ENRD	European Network for Rural Development
DG ENV	Directorate-General Environment
EP	European Parliament
EPA	Economic Partnership Agreement
ERR	Error rate
ES	Spain
ESIF	European Structural and Investment Funds
ESPG	Environmentally sensitive permanent grassland
DG ESTAT	Eurostat
ETC/ACC	European Topic Centre on Air and Climate Change
EU	European Union
EU-15	AT, BE, DE, DK, EL, ES, FI, FR, IE, IT, LU, NL, PT, SE, UK
EU-28	All EU Member States
EU-N10	Members States that joined the EU in 2004: Czech Republic (CZ), Estonia (EE), Cyprus (CY), Latvia (LV), Lithuania (LT), Hungary (HU), Malta (MT), Poland (PL), Slovenia (SI) and Slovakia (SK)
EU-N13	EU-N10 plus Member States that joined the EU in 2007 (Bulgaria (BG), Romania (RO) and 2013 (Croatia (HR)) respectively
EUIPO	European Union Intellectual Property Office
EUR (€)	Euro
F	
FADN	Farm Accountancy Data Network
FAO	Food and Agriculture Organization of the United Nations
FEAD	Fund for European Aid to the Most Deprived
FI	Financial instruments
FI	Finland
FP7	7th Framework Programme
FR	France
FTA	Free Trade Agreement
FVO	Food and Veterinary Office
FWG	Forecast working group
FY	Financial Year

Abbreviation	Full text
G	
G7	Group of Seven (leading industrialised nations: Canada, France, Germany, Italy, Japan, UK, USA)
G20	Group of Twenty (governments and central bank governors from Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, the Republic of Korea, the Russian Federation, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States, and the EU)
GAEC	Good Agricultural and Environmental Conditions
GCC	Gulf Cooperation Council
GFFA	Global Forum for Food and Agriculture
GHG	Greenhouse gases
GI	Geographical Indications
GR	Greece
DG GROW	Directorate-General Internal Market, Industry, Entrepreneurship and SMEs
GVA	Gross Value Added
H	
HR	Croatia
HR	Human Resources
HU	Hungary
I	
IA	Impact Assessment
IAC	Internal Audit Capability
IACS	Integrated Administration and Control System
IAS	Internal Audit Service
ICM	Internal Control Monitoring
ICT	Information and Communication Technology
IE	Ireland
IEPA	Interim Economic Partnership Agreement
IFAD	International Fund for Agricultural Development
IoF	Internet of Food and Farm
IoT	Internet of Things
IPA	Instrument for Pre-accession Assistance
IPARD	Instrument for Pre-Accession Assistance Rural Development
IRR	Incompliance rate
IT	Information Technology
IT	Italy
J	
JRC	Joint Research Centre
DG JUST	Directorate-General Justice and Consumers
L	
LAG	Local Action Group
LAU2	Local Administrative Units
LEADER	Liaison Entre Actions de Développement de l'Économie Rurale
LPIS	Land Parcel Identification System
LT	Lithuania
LU	Luxembourg
LV	Latvia
M	
MAFA	Multi Annual Financing Agreement (SAPARD)
DG MARE	Directorate-General Maritime Affairs and Fisheries
MEP	Member of the European Parliament
MFA	Multi Annual Financing Agreement (IPARD)
MFF	Multi-annual Financial Framework

Abbreviation	Full text
MK	North Macedonia
MoU	Memorandum of Understanding
DG MOVE	Directorate-General Mobility and Transport
MS	Member State
MT	Malta
N	
NAO	National Authorizing Officer
NIPAC	National 'Instrument for Pre-accession Assistance' Coordinator
NL	Netherlands
NPI	Non-productive investment
NRN	National Rural Networks
O	
OECD	Organisation for Economic Co-operation and Development
OIB	Office for Infrastructures and Logistics in Brussels
OJ	Official Journal
OLAF	Office de Lutte Antifraude
OTSC	On-the-spot checks
P	
PA	Paying Agency
PECBMS	Pan-European Common Bird Monitoring Scheme
PDO	Protected Designations of Origin
PGI	Protected Geographical Indications
PL	Poland
PMEF	Performance and Monitoring 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
PT	Portugal
R	
RAD	DG BUDG database ("Recommendations/Actions/Discharge")
RBN	Research Budget Network
RD	Rural Development
RDP	Rural Development Programme
REA	Research Executive Agency
DG REGIO	Directorate-General Regional and Urban Policy
RO	Romania
RoO	Rules of Origin
DG RTD	Directorate-General Research and Innovation
S	
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
SC	Societal Challenge (Horizon 2020)
SDGs	Sustainable Development Goals
SE	Sweden

Abbreviation	Full text
SF	Support Facility
SG	Secretariat-General of the European Commission
SI	Slovenia
SJ	Legal Service of the European Commission
SK	Slovakia
SMP	Skimmed milk powder
SPS	Single Payment Scheme
SPS	Sanitary and Phytosanitary
SR	Special Report
T	
TAIEX	Technical Assistance and Information Exchange instrument
DG TAXUD	Directorate-General Taxation and Customs Union
TFEU	Treaty on the Functioning of the European Union
TFP	Total Factor Productivity
TFRA	Task Force for Rural Africa
ToR	Terms of Reference
TR	Turkey
DG TRADE	Directorate-General for Trade
TRDI	Transitional Rural Development Instrument
TRIPs	Agreement on Trade-Related Aspects of Intellectual Property Rights
TRQ	Tariff-Rate Quota
TSG	Traditional Specialities Guaranteed
TTG	Time to grant
TTIP	Transatlantic Trade and Investment Partnership
TTP	Time to pay
U	
UAA	Utilised agricultural area
UK (GB)	United Kingdom
UN	United Nations
UNFCCC	UN Framework Convention on Climate Change
US	United States of America
V	
VCS	Voluntary Coupled Support
W	
WMP	Whole milk powder
WTO	World Trade Organization