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**NOTE**

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| from:    | Danish delegation  |
| to:      | Council  |
| Subject: | Communication on the 31st conference of Directors of EU Paying Agencies<br>19 to 21 June 2012, Horsens, Denmark<br><i>- Information from the Danish delegation</i> |

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Delegations will find attached a note from the Danish delegation to be dealt with under "Any other business" at the Council (Agriculture and Fisheries) on 16 July 2012.

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**COMMUNICATION ON THE 31ST CONFERENCE OF DIRECTORS OF EU PAYING AGENCIES**

The 31st conference of Directors of EU Paying Agencies was held in Horsens, Denmark, from 19 to 21 June 2012. All the Member States were represented together with representatives of the Commission services, the European Parliament's Secretariat, the Secretariat of the Court of Auditors and the Conciliation Body. Representatives from Croatia, Serbia, Turkey and Iceland were also present.

The conference was organised by the Danish payment agency, the Danish AgriFish Agency (NaturErhvervstyrelsen). The main theme of the conference was the practical implementation of the present proposal for reform of the common agricultural policy. Working groups carried out a detailed analysis of the difficulties of implementation in three specific areas:

- Greening
- The future Land Parcel Identification System (LPIS)
- The paying agencies' role in the assessment of error rates.

**Greening**

The paying agencies determined that greening will entail the development of a particularly costly administrative apparatus. In addition, clear information for farmers is crucial if the new rules are to be complied with. It will be difficult for both farmers and the paying agencies to comply with the rules, even when information is clear.

The proposal on ecological focus areas is not clearly defined in the present proposal. There will, for instance, be a need to include areas that currently do not receive support. At present, many Member States do not have the data needed to designate areas. Accordingly, the initial designation of areas will be costly, and it will subsequently entail considerable overheads in database maintenance. Prima facie, it appears that the simplest approach would be to identify the areas as points or lines in the Land Parcel Identification System. Subsequently, monitoring can be carried out alongside on-the-spot checks.

As regards the proposal on the establishment of permanent grassland areas, identification of these areas at farm level would be regarded as a significant reinforcement of the provisions. Retaining the current provisions would allow the continuation of this aspect of the policy without there being major changes. However, the designation of areas at agricultural parcel level would make it impossible to vary the crops on such land.

Enlargement of areas that, *prima facie*, meet greening requirements will make administration more cumbersome and unsure. A regulatory framework is needed that makes it easy for both farmers and paying agencies to determine whether the areas meet the requirements.

### **The Land Parcel Identification System**

The reform proposal evidently entails a number of new demands on the Land Parcel Identification System (LPIS). Field maps will therefore need to record, for example, the position of land, wetland areas and landscape elements. This means that a comprehensive review of the Land Parcel Identification System will be necessary. As this will be complex, very costly and time-consuming, the review can only be carried out over a longer period. This will result in a heavier administrative burden for both farmers and paying agencies.

In addition, the conference also established that there was a significant need for prompt clarification of a wide range of issues, mainly on the issue of greening. Such clarification should be through timely implementation rules, clear guidance, resolution of uncertainties, and help and advice from the Directorate-General for Agriculture and the Joint Research Centre (JRC). Increased complexity, in particular, will mean the JRC's active participation will be greatly needed.

## **Increased monitoring by certification bodies**

The proposed increase in checks by certification bodies will entail additional payments to those bodies. A number of Member States also expressed the view that certification bodies do not have the requisite expertise to carry out definitive checks. It was pointed out that the error rate calculated by the certification body should be based on the payment made, once the administrative check is completed. The paying agencies are in favour of the decision by the Directorate-General for Agriculture that there should be sampling which comprises the auditing of the accounts and scrutiny of the underlying transactions. The paying agencies agreed that the Commission should prioritise the finding of sampling models that involve as few repeat checks as possible – in the interests of both beneficiaries and tight national budgets.

As regards the reduction in on-the-spot checks, the present proposal contains a number of unclear definitions which should be clarified. In addition, the paying agencies are concerned that the criteria set out can only be met at a substantial cost, and that there will be no simplification and reduction of the administrative burden.

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The paying agencies agree that implementation of the proposed reforms will entail increased administrative costs for farmers and paying agencies alike. Paying agencies are already under considerable pressure because of the financial crisis and, as a result, all of them have had cuts in their budgets. There is therefore a need for simplification so as to cut costs resulting from implementation of the reforms and consequent administrative costs.

The paying agencies also agree that once the implementing measures have been established, these must remain in place for the entire period 2014-20. If changes are made, there would be additional administrative costs and increased risk of financial corrections.

It is essential to allow the time needed for the implementation of the changes resulting from the reform. In its report on the reform, the European Court of Auditors has stated that a time frame of 12 to 24 months for reform implementation will be necessary. Accordingly, the paying agencies expect that EU implementing measures and national implementing decisions will be in place by the end of 2012 with a view to implementation of the reform on 1 January 2014.