



Council of the  
European Union

156455/EU XXV. GP  
Eingelangt am 03/10/17

Brussels, 3 October 2017  
(OR. en)

12621/17

AGRI 501  
AGRIFIN 95  
FIN 576

#### NOTE

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| From:    | General Secretariat of the Council  |
| To:      | Council   |
| Subject: | Conclusions of the 41st Conference of Directors of EU Paying Agencies and Informal memorandum signed of EU Paying Agencies and Coordinating bodies on the use of new technologies for future IACS simplification (Malta, 18–19 May 2017)<br><i>- information from Malta</i> |

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Delegations will find attached two documents provided by Malta on the above mentioned subjects, which will be presented at the "Agriculture and Fisheries" Council of 9 October 2017.

## **Conclusions of the 41st Conference of Directors of EU Paying Agencies**

The 41<sup>st</sup> Conference of Directors of EU Paying Agencies took place in San Lawrenz, Gozo (Malta) from the 18<sup>th</sup> to the 19<sup>th</sup> of May 2017.

The Maltese Agriculture and Rural Payments Agency (ARPA) hosted the participants from the Paying Agencies of 28 Member States (MS), Former Yugoslav Republic of Macedonia, Turkey, Serbia and Kosovo\*. Also in attendance were representatives of the European Commission (DG AGRI) (EC) and the European Court of Auditors (ECA), together with delegates from CEJA, and COPA-COGECA.

The Conference's underlying themes in line with the priorities of the Maltese Presidency were Simplification and the Future of the CAP, in the context of topics of importance to the work of the Paying Agencies including the current state of play of implementation of the CAP 2014-2020, the future of the CAP beyond 2020, reliance on the work of Certification Bodies (CBs) and the proposed single audit approach, simplification actions to be considered presently and in future, as well as matters concerning the prevention of the error rate, the reduction of the control rate, and challenges in implementing the Voluntary Coupled Support (VCS) schemes.

During the two-day Conference, a total of 10 presentations were delivered:

- Report of the 40<sup>th</sup> Conference of Directors of EU Paying Agencies held in Slovakia, delivered by the Director General of the Slovakian Agricultural Paying Agency
- Report of the 51<sup>st</sup> Panta Rhei Conference, delivered by FEGA President
- Report from the Learning Network, delivered by the Chairman of the Learning Network
- Presentation by the European Court of Auditors (ECA)
- Presentation “First Year of Implementation of the CAP Reform 2014-2020”, delivered by the European Commission
- Presentation “Future of the CAP”, delivered by the European Commission

- Reporting of Outcomes of Workshops, delivered by individual workshop leaders/facilitators
- Best practice presentation “Route 99”, delivered by the Director of the Lithuanian Paying Agency
- Best practice presentation “Challenges of the checks carried out within crisis market measures under the CAP”, delivered by the President of the Polish Agricultural Market Agency
- Presentation of the 42<sup>nd</sup> Conference of Directors of EU Paying Agencies, delivered by the Deputy Director of the Estonian Agricultural Registers and Information Board

Work was also conducted in detail through 3 workshops, which the Maltese Presidency invited Paying Agency experts from various member states (DK, BE, PL, MT, IT and LT) through the Learning Network of Paying Agencies to prepare the discussions on the basis of pre-circulated questionnaires, and to facilitate the discussion, outcomes and follow-up work. The outcomes of each were also presented and discussed in the plenary, as summarised below:

### **Workshop 1 – Reducing the control rate**

Participants of the workshop proposed possible solutions to provide for reduction of the control rate:

1. Evaluation of pilot projects
  1. Business cases that show the added value
2. Make it possible to design new efficient concepts of controls
3. Demonstration of best practices

Challenges/barriers:

4. Limited budgets for investments in developing new methods
5. Fear and lack of trust among farmers

6. Reorientation of inspectors
7. New competences and availability of skilled employees
8. Availability of cloud free images (Sentinel 2)
9. Time to change the IACS?
10. Stick to the LPIS as a basis which has become essential for all control activities
11. Move in the direction of having a claimless system
12. The 5% control rate (random and risk) could be replaced by targeted risk-based controls, under a plan for controls to be designed by the PAs
13. Legal Framework requires modification
14. Is it time to accept limited errors?
15. 100% monitoring needs to be combined with a claimless system and it is important that there is also a legal acceptance of a minimum of errors (not the same concept as a constant level of error rates)
16. It is not possible to follow up on all minor errors with 100% monitoring
17. Essential to maintain the level of assurance

## **Workshop 2 - Implementation challenges of the Voluntary Coupled Support (VCS) scheme**

Workshop participants discussed the challenges which were faced by Member States which began implementing VCS schemes in the current CAP, the lessons learned and how these could be overcome or reduced in future. Participants focused discussion around three main issues – (1) ideas and proposals to simplify the VCS in the new CAP programme; (2) ways to reduce administrative burden in VCS implementation; (3) possibility of use of new technologies.

1. Ideas and proposals to simplify the VCS in the new CAP programme
  1. Main concern is to ensure better clarity of legislations, and issues are solved prior to finalisation/agreement of scheme as uncertainties during implementation may lead to financial corrections
  2. Proper guidance should be developed and provided by the European Commission
  3. Clearer objectives required, which would allow for simpler eligibility conditions and controls
  4. Have a menu with different options to choose from – the menu should help simplify the discussion between Member States (policy makers and sectoral stakeholders) and the European Commission, while ensuring legal certainty
  5. Menu should also facilitate policy development given that all involved stakeholders have clear options from which to choose
  6. Allow subsidiarity
  7. Possibility to reduce requirements for OTS like for other Direct Payments schemes
2. Ways to reduce administrative burden
3. Main burden concerns applications and controls – the possibility to share databases used by other Competent Authorities (CAs) has proven to ease a major burden of the application, and reduced to zero errors at claim stage. This is a common process of claimless applications used mainly for livestock applications (data obtained from the National Livestock Database)
4. Important to have simple eligibility conditions
5. Overlapping administrative burden and controls should be reduced for similar schemes (EAGF, EAFRD) on similar crops/crop groups

6. Possibility to reduce control sample should also be applicable under VCS if the error rate is reduced
7. Possibility of use of new technologies
8. Sentinel data which may help in the reduction of controls or to better target the OTS control sample

### **Workshop 3 – Preventing the error rate: new techniques and processes**

Participants discussed possibilities to prevent the error rate through new techniques and processes.

The main outcome resulted in a Declaration confirmed unanimously by Paying Agencies and Co-ordinating Bodies from the EU Member States on the use of new technologies for future Integrated Administration and Control System simplification, which is being attached to this report as Annex A. This declaration/memo was also presented and discussed during the Joint Meeting of the Committee for Direct Payments and Rural Development Committee, held in Brussels on the 27th of June 2017.

### **Future work**

The conference outcomes require further work to continue making progress towards the concrete realization of some of the approaches and solutions proposed. The conference noted that this work can continue in particular through the work of the Learning Network of Paying Agencies, whose next meeting will take place in September 2017 in Lithuania. In this respect there is scope for continuing to increase co-operation and a synergistic approach on specific topics between the Conference of Directors, the Learning Network and the Panta Rhei.

**41st Conference of EU PA (Paying Agencies) and CB (Coordinating bodies) Directors –  
Malta, 17-19 May 2017**

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**INFORMAL MEMORANDUM SIGNED OF EU PAYING AGENCIES AND  
COORDINATING BODIES ON THE USE OF NEW TECHNOLOGIES FOR FUTURE  
IACS SIMPLIFICATION**

We, the Directors of the European Union Paying Agencies and Coordinating Bodies, acknowledge, that the rapid technological development and increasing availability of frequent satellite pictures and of new IT technologies have potential to significantly reshape the implementation of the "Common Agricultural Policy (CAP)" in near future. We believe, that these new tools should be used for reduction of control costs by making the CAP more effective and will ensure real simplification of support management and control processes by moving from control to "prevention and monitoring activities" where farmer becomes a trusted partner.

Based on the above, we would like to encourage the European Commission (EC) with the new 2021-2027 CAP to shift as far as possible from Integrated Administration and Control System (IACS) to Integrated Preventing monitoring control system on voluntary basis by redesigning the basic principles of support management and control processes where there would be a new effective control system and reduction of sanctions, more possibilities to use new technologies in administration of the CAP agricultural subsidies and more trust the data, that farmer is providing by different means. That is, a constant e-monitoring of agricultural activity (with open data access to the farmers) through the year with the payments in the end of the year (as from 16th October) only for parcels, which met the requirements under the confirmation by the farmer. The general principle that it is always the applicants responsibility to submit a correct aid application, and not the paying agencies, remains intact.

We are ready to work together with EC and provide all necessary data, knowledge and help in redesigning the support management and control processes for more effective CAP implementation, encourage the benefits and to assess the risk (e.g. parcels that cannot be photo-interpreted on the Sentinel images because of their small size and parcels photo-interpreted as doubt cases).

*All MSs Paying Agencies and Coordinating Bodies have agreed.*