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COMMISSION REPORT

on the application in the Member States of the Integrated Administrative
and Control System for certain Community aid schemes

Proposal for a
COUNCIL REGULATION (EC)

amending Regulation (EEC) No 3508/92 establishing an integrated administrative
and control system for certain Community aid schemes ("integrated system")

(presented by the Commission)

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1 INTRODUCTION

The reform of the common agricultural policy (CAP) adopted in June 1992 represents a watershed in agricultural support measures, involving a shift from price support to compensatory aid paid directly to producers.

This aid is related to the land cultivated and the number of livestock reared by the farmer. It entails measures to control production, such as set-aside and support for extensification of stockfarming.

The methods for administering and monitoring the aid must be adapted accordingly, in line with two main concerns:

- facilitating the task of farmers who wish to take advantage of the aid offered,
- administering the huge number of applications with the greatest speed and security.

Experience gained in the past in the administration and monitoring of this type of aid showed that unless a totally new approach was adopted, the difficulties of application would have been considerable for both farmers and the departments in charge of administration and controls. It was also unthinkable to administer and verify each scheme separately. Accordingly it was decided that a single processing system would cover all aid applied for by each agricultural holding.

In view of the large number of applicants, special means were adopted to optimize controls. In order to deal with this large number of applications and make payments to the farmers in time, exhaustive on-site checks could not be contemplated and provision was accordingly made for a maximum number of checks to be carried out at the administrative verification stage.

Sight needed not to be lost of the practical consequences for the farmers themselves of the adoption of new aid schemes. To that end, the administrative procedures were simplified as far as possible while a uniform framework was introduced for the application of several types of aid.

On that basis, the Integrated Administration and Control System for compensatory aid provided for under the reform of the CAP ("Integrated System") was adopted, utilizing in particular modern techniques like data-processing and remote sensing, and perhaps one day soon the electronic identification of animals. The Integrated System provides for a single area aid application, to be submitted by the farmer each year. This is the key component for the administration and monitoring of area-related aid schemes. The Integrated System also entails the setting-up of computerized databases enabling crosschecks to be conducted on holdings, as well as parcels and livestock. To conduct this type of check, provision was made for a system for identifying and registering agricultural parcels and livestock.

Regulation (EEC) No 3508/92, which introduces the Integrated System, provides for Community part-financing of expenditure incurred on its establishment. The Integrated System became applicable from 1 February 1993 as regards aid applications and integrated controls thereof, and as regards the system for identifying and registering cattle. The Member States had until 1 January 1996 to introduce the other components of the system. For the new Member States which acceded to the Community in 1995, the transitional period expires on 1 January 1997.

Coming at the close of the transitional period for the former Member States, this report has three objectives:

- to review the introduction of the Integrated System,
- to draw initial conclusions regarding its introduction,
- to propose solutions to the problems encountered and to outline the possible uses of this instrument for other measures, existing or planned, under the common agricultural policy.

2 SCALE OF EXPENDITURE VERIFIED

In the wake of the reform of the CAP, the breakdown of EAGGF Guarantee Section expenditure has been substantially modified. Payments under the schemes subject to the Integrated System in respect of aid applications submitted by farmers in 1993 and subsequent years are covered from the 1994 budget year. Such payments have increased sharply.

Total EAGGF Guarantee Section expenditure amounted to ECU 33 410 million in 1994, ECU 34 500 million in 1995 and ECU 41 258 million in the 1996 budget. Expenditure on direct aid under the Integrated System schemes amounts to ECU 14 150 million in 1994, ECU 17 760 million in 1995 and ECU 19 170 million in the 1996 budget.

This expenditure therefore represents 42% (1), 51% (1) and 46% (1) of total EAGGF Guarantee Section expenditure for the 1994, 1995 and 1996 budget years.

(1) expenditure executed for 1994 and 1995, budget estimates for 1996.

3 BASIC COMPONENTS OF INTEGRATED SYSTEM

3.1 System for identifying land

The requirement for a system to identify areas can be explained by the need to define a system of communication between the farmer and the administration to allow areas declared to be located so they can be monitored over time, so computerized crosschecks can be organized and on-the-spot checks conducted.

Member States do not apply the same system of identification. The systems for identifying agricultural land applied by the Member States may be distinguished by reference to two main criteria:

- Some systems are based on references (maps and numbering) existing beforehand, like the land register in Spain, Italy, France, Germany, Luxembourg and Austria, and the Ordnance Survey maps which cover most of the United Kingdom.

Other systems have been created from scratch to meet requirements laid down by regulation. This is the case in Ireland, Greece, Portugal, the Netherlands, Belgium, Denmark, Scotland (fodder areas) and probably Finland (1) and Sweden(1).

- Some systems identify agricultural parcels, as in Germany (11 Länder), Belgium, Italy, Spain, France (simplified system), Ireland (arable land), Luxembourg and the United Kingdom. Others identify blocks (or *îlots*) comprising land declared, as in Germany (5 Länder), Austria, Denmark, France (general system), Finland, Sweden, Portugal, Greece, Ireland (fodder areas), Scotland (fodder areas) and the Netherlands. In the latter case, two major variants exist alongside each other, whereby the block is created by the farmer (AT, DE, FR, IE and FI) or defined by the authorities on the basis of maps or aerial photographs (DK, EL, NL, PT and SE).

As a result there are various situations differing in terms of:

- Cost and time required for introduction: where it is feasible, the land-registry approach whether or not involving blocks is the quickest to introduce and, on the face of it, least costly;
- Ease of use for declarants: the approach by blocks makes declaration easier in so far as the references are fewer in number and more stable over time;

(1) which only adhered to in 1995.

- The need to validate the units created by the farmer by comparison with official sources, on-the-spot inspections and recent aerial photographs;
- Effectiveness of computerized crosschecks based on the size of the reference units, their stability, the updating intervals, the proportion of ineligible land, and the number of farmers using the same identifier.

3.2 System for identifying livestock

The fundamental purpose in verifying aid applications is to ascertain the actual existence of the declared livestock as identified by an individual number, and to check compliance with the various eligibility criteria. To achieve those objectives, a single livestock identification and registration system was needed. This was defined and introduced by Directive 92/102/EEC of 27 November 1992, which mainly covers the veterinary health surveillance of livestock. Care has therefore been taken to avoid superimposing two systems.

That Directive stipulates that all animals must be identified by an individual number shortly after birth or introduction into the Community. Marking must involve the use of eartags which cannot be tampered with without sign and are approved by the Member State. The producer is required to register all the livestock he keeps under individual identification numbers and enter details of animals arriving at or leaving the farm with the corresponding dates. It does not make explicit provision for registering livestock in a central database but, in view of the obligation to administer the issuing of numbers and to monitor the health of large herds, all the Member States have developed or are developing a database. The Commission feels that the need for such a database should be taken into account when that Directive is reviewed as planned in the near future.

The livestock must be marked using large-format plastic rings which are easy to read; metal rings, which are not very legible, have gradually been phased out, except in the United Kingdom, where the possibility of using either plastic or metal has been maintained. The marking is affixed by an approved identifier in Belgium, Greece, France, Ireland and Portugal.

Some Member States do not yet have a database for identifying livestock but are currently developing a central computerized system; pending completion of this work, conduct administrative checks using hard-copy documents (AT, EL, ES, IE, IT and SE).

Depending on the type of information recorded and updated in the database, three levels of efficiency may be distinguished:

- Databases containing the numbers issued (as in DE (currently being developed) and UK),

- Databases identical to the above but also containing additional information on the animals identified, such as sex, breed and date of birth (DK, LU and PT),
- Databases in which all movements of livestock are recorded and which thus enable compulsory retention periods, in particular, to be verified (BE, FR, NL and FI (now being prepared)).

This third type of computerized database provides the ideal solution but is also the most costly; Luxembourg and Ireland are developing a project along these lines. The Commission advises the Member States as a minimum to adopt the second approach, which affords adequate control capacity. Naturally, the details used for checks must be selected on the basis of the characteristics of production in the Member States. In Denmark, for example, animals generally remain on the holding of birth until slaughter, whereas in Ireland the animal often passes through several holdings or dealers before slaughter. Methods of verification must obviously take account of such special local factors.

3.3 Area aid applications

The Commission has not imposed a single type of form for the whole Community. Area aid applications comprise four main sections, namely administrative data (name, bank account, etc.), references to parcels (number and official area), areas cultivated (per parcel, group) and any annexes (diagrams, copies of maps and plans, etc.).

The form and complexity of forms and explanatory notes are the result of choices made by the Member States and depend largely on the system of parcel identification selected and any combination with Community aid under other national aid schemes (e.g. environmental aid). The form may even vary within a Member State by region (DE and UK) or scheme (FR).

In 1995, in order to make declarations lighter work and to reduce the percentage of mistakes, most Member States sent farmers preprinted forms containing administrative data and parcel references. In Belgium and Italy, most declarations were received in digital form via professional associations.

Each year many Member States present reasoned requests for postponements of the time limit for submitting declarations, set by regulation at 31 March (8 requests in 1994, 12 in 1995 and 13 in 1996). The arguments put forward generally concern local cropping calendars, the anticipated rate of alterations to cropping schedules, work plans and procedures for the year concerned. The Commission considers that in the future the Member States should be given responsibility for taking this decision on the basis of the effectiveness of control procedures introduced (see point 7 and Annex II to proposal for Regulation), subject, naturally, to verification under clearance of accounts procedures.

3.4 Applications for aid in respect of livestock

Unlike practice in the case of area aid, it was not possible to introduce a single application covering all aid granted in respect of livestock (special premium for male bovine animals, suckler-cow premium, sheep and goat premiums, compensatory allowances for natural handicaps). As structures and cycles vary from one type of production to another, it seemed necessary and logical to take account of this fact by allowing for some flexibility and variation in the dates set for the submission of applications and in the retention periods during which the animals are to be kept. Nevertheless, the Commission encourages the Member States to group them as much as possible. Application forms for the various types of aid are generally set out in a similar way to make them easier to compile and process.

Whatever the premium concerned, aid applications comprise all requisite information to be provided compulsorily, namely the administrative identification of the farmer, data on the holding (maximum individual entitlement, milk quota, reference of application for area aid), particulars relating to the animals covered by the aid application (number, species, place of retention and identification numbers of cattle), an undertaking by the producer to observe the compulsory retention period and a declaration to the effect that he is aware of the conditions governing the grant. All this information is generally included in a form of up to four pages, which poses no practical difficulties for declarants.

Compulsory annexes, comprising farm registers (DE and EL) and a document accompanying or identifying the animals (BE, FR, IE and UK), are appended in certain Member States. It is not general practice for the accompanying document to be presented at the same time since the Regulation covering the sector allows the Member States under certain conditions to use a comprehensive list of livestock instead of individual documents. However, where they exist, accompanying documents are to be presented to the authorities when the aid application is submitted. Some Member States keep such documents at the department concerned during the retention period (BE, FR, IE and UK). The Commission recommends this practice, which provides one of the best safeguards for complying with the compulsory retention period, in cases where the animal cannot move without an accompanying document under the veterinary rules applicable.

Applications are generally submitted to the local offices (at provincial, *nomos* or departmental level), which undertake an initial administrative check of applications in addition to registering them and provide information and advice to producers (along similar lines in all Member States). Submission periods vary according to the type of premium concerned:

- special premium for male bovine animals: continuous submission (AT, BE, DK, DE, ES, FR, SE and UK); two or three periods lasting one or two months (EL, FI, IE, IT, LU, NL and PT). In the case of DK, DE and SE, the special premium for male bovine animals is granted after slaughter on presentation of slaughterhouse certificates, which are subject to special checks;
- suckler-cow premium: one or two periods lasting one or two months;
- sheep premium and compensatory allowance for natural handicaps: generally a single period; all applications are often submitted together on the same form.

3.5 Administrative structures

The cross-sector nature of the Integrated System has induced the Member States to adjust their administrative structures. New units have been established (e.g. in BE, FR and PT), major restructuring has taken place (e.g. in NL and IE) and in general staff has been increased.

Three main types of organization have been adopted, involving:

- centralized payments, checking and submission of applications (DK, IE, IT, LU and PT);
- binding national rules, with regional application subject to verification by a central body (AT, BE, EL, FR, FI, NL and SE);
- national interpretation of regulatory constraints, with responsibility for implementation at regional level (DE, ES and UK).

3.6 Computerized crosschecks

In addition to straight crosschecks on each aid application submitted to ensure that aid is only paid once on each parcel and animal, one of the basic functions of administrative checks is to conduct systematic crosschecking with identification/registration files covering agricultural parcels and livestock. Given the large number of applications for processing in a relatively short time, such verification can only be fully effective if it is computerized.

In accordance with the regulatory obligation to verify the grounds for payment of area aid, the Commission has required the Member States to introduce efficient computerized crosschecks so that any anomaly can be detected systematically and as quickly as possible. In addition to detecting the splitting-up of holdings through registers of farmers, efforts have focused on the validation of parcel references via official sources (land registry). Checks to ensure that references exist, to compare areas cultivated with official figures and to detect duplicate declarations have been developed in particular.

In the stockfarming sector, crosschecks of basic data on animal identification and aid applications mean that one or more criteria governing eligibility for the premium can be verified from the administrative stage, using recorded data like the identification number, date of birth, sex, breed, holder and retention period.

3.7 Summary of statistics of checks

The Commission has prepared questionnaires on checks conducted and results obtained. Although all Member States have not forwarded all the data requested, certain conclusions can nevertheless be drawn, on the basis of replies forwarded, concerning the practical introduction of the Integrated System and checks conducted.

Late submission of aid applications entails a 1% reduction per day in the amounts covered by the application. Where the overrun in the deadline exceeds 20 days, the application is inadmissible and no aid is payable. In 1993 and 1994, the percentage of late applications was generally low. The Community average for area aid applications submitted over 20 days late was 0.1%. The figure for aid applications relating to livestock is slightly higher at 0.2%. Although the number of applications submitted late but within 20 days of the deadline was higher, the Community average was below 1%. It may be concluded that although they wait until the last minute to submit their aid applications, the overwhelming majority of farmers do comply with the time limit.

Obviously, in some Member States, the first year of application of the system did pose some problems. For example, a large number of area aid applications were not completed properly and had to be corrected in 1993 (e.g. for mistakes in identifying parcels, calculating the rate of set-aside, etc.). In the stockfarming sector, where the detailed rules of application governing aid schemes have undergone less change, the number of applications containing anomalies was smaller.

A significant improvement was observed in 1994, the second year of application. The provision of preprinted declarations readily available to farmers and the possibility, in certain Member States, of submitting applications in computerized form through producer organizations should bring a further improvement in the future.

As regards on-the-spot inspections, the minimum percentage of applications subject to checks is set at 5% for area aid and 10% for livestock. The Community average for checks actually conducted is slightly over 7% for areas. Although the figure for livestock aid applications seems fairly high (17% in 1993), some Member States (in particular France and Portugal) have conducted the minimum number only (10%). The percentage of applications for area aid verified by remote sensing has risen. In 1993, 31% of checks covering area aid applications were conducted by this method. The figure rose to 40% in 1994¹.

The percentage of area aid applications where amounts applied for were reduced in 1994 as a consequence of on-the-spot checks amounted to 2.2%; in 0.7% of applications, the amounts were reduced without penalties being applied; penalties were applied in 1% of cases and 0.5% were rejected out of hand. In 1993, penalties were applied or aid applications were rejected in 0.8% of cases relating to areas against 1% of cases relating to livestock. The penalties laid down under the Integrated System have acted as a deterrent and in general the rate of compliance has been acceptable.

4 PART-FINANCING

Article 10 of Regulation (EEC) No 3508/92 introduces Community part-financing of expenditure covering the implementation of the Integrated Administration and Control System as regards temporary staff resources and data-processing and technical equipment. Initially set at three years from 1992, the duration of the part-financing arrangements was extended to the end of 1995 in view of the work still to be completed and the transitional period laid down for the introduction of the system.

On account of the late publication of the Regulation, the Member States could only draw the Community financial contribution from 1993, although five Member States (DK, DE, FR, NL and UK) did take advantage of the possibility offered to include expenditure relating to 1992 in their financing applications for 1993.

Of the ECU 50 million available in the 1993 budget, Member States' expenditure amounted to ECU 44 million, a rate of utilization of 88%.

In 1994, Member States' expenditure accounted for around 76% of the ECU 50 million of Community appropriations available.

¹ A special report on controls by remote sensing will be presented during 1996 in accordance with Article 6 of Regulation (EC) No 165/94.

Under-utilization of appropriations stems from the fact that certain Member States do not use their allocations under Regulation (EEC) No 3508/92. (BE,DK,EL,ES,IT,Lu,PT,UK) Some expenditure incurred by others has been rejected as ineligible (unconnected with the introduction of the Integrated System). A few Member States' requirements substantially exceed the appropriations allocated to them; however, given the delays in setting up the Integrated System, they were not able to qualify for part-financing during the period when provision existed. (DE,FR,IE,NL)

As regards 1995, although the final expenditure will only be known in May 1996, the trend can be worked out on the basis of the Member States' forecasts, which point to an overall rate of utilization of around 92% of the ECU 43 360 million available (including expenditure in the three new Member States).

In total, as an initial investment Community part-financing on the introduction of this entirely new system of controls represents significantly less than 1% of expenditure on the relevant aid schemes for a single year. When set against the proportionately very small cost of the initial investment and the very lengthy period over which the system is expected to function, the greater effectiveness of controls achieved through part-financing is clearly fully worthwhile.

5 SCOPE OF INTEGRATED SYSTEM AND FUTURE OUTLOOK

Product groups covered as from the inception of the Integrated System comprised arable crops (cereals, oilseeds, protein plants and set-aside), beef/veal (special premium, suckler-cow premium), sheepmeat (ewe premium), compensatory allowance for less-favoured areas (solely as regards payments in respect of livestock).

The Integrated System has applied to the ewe premium scheme and the compensatory allowance from 1 January 1994 only.

Since then, its scope has widened, in particular as a result of the inclusion of linseed under the arrangements for arable crops. The reform of the arrangements covering rice makes provision for that product group to be covered by the Integrated System too.

In addition to the abovementioned arrangements, which provide for aid per hectare paid directly to the farmers, other schemes exist which are indirectly linked to the land cultivated. Although the Integrated System should not cover them *in toto*, provision should be made for some components of the System to apply. Under the reform of the arrangements covering dried fodder, for example, agricultural parcels are to be identified using the method applying in the Integrated System, so that crosschecks with other utilizations can be conducted. The same approach is followed for cotton.

The Member States can also extend the systems they introduce to other schemes. By way of an example, some States have decided to include agri-environmental measures.

The progressive introduction of the agricultural parcel identification system will afford further possibilities of introducing aid schemes linked to area. A system for identifying and registering parcels permits uniform monitoring of measures applying to land management. In the future, consideration could be given at Community level to extending the Integrated System to cover agri-environmental and afforestation measures (Council Regulation (EEC) No 2078/92 and No 2080/92), compensatory allowances for land, and other product groups like hemp. The same working methods will need to be followed with regard to the register of olive cultivation and the vineyard register.

6 SITUATION AT 31 DECEMBER 1995

Area aid

As at 31 December 1995 all Member States have taken the requisite steps to introduce the Integrated System, though they have not all made the same progress.

Member States fall into three groups:

- Member States where work of limited scale remains to be done or some improvements made, although if they are not implemented immediately this will not call into question the acceptability of the system in place (DE, DK, ES, IT and NL);
- Member States where programmes for identifying parcels (BE, IE and UK) or defining databases (FR, LU and AT) have been undertaken and a few more months are needed for their completion;
- Member States (EL, PT, FI and SE) where work still to be completed on parcel identification is such that completion during 1996 cannot be confirmed.

Aid in respect of livestock

Implementing legislation for Directive 92/102/EEC has been adopted in all Member States except Ireland and Italy, where infringement procedures are under way. However, a single identification system operates effectively in Ireland. Implementing legislation for the Directive (and rules of application) is being adopted in the new Member States.

Farm registers have been introduced for beef and veal. However, shortcomings have been observed in Spain and Italy, where records are frequently incomplete since they simply repeat the particulars given in aid applications. The introduction of official farm registers has not been fully completed in Greece and Portugal. For sheepmeat, registers will generally be in use in the first half of 1996 only.

Two Member States have completed introduction of the Integrated System, namely Belgium and the Netherlands. Four Member States have a system which, although satisfactory, could be improved in certain aspects. These are Denmark (crosschecks and registers), France, Ireland and Luxembourg (data-processing system for crosschecks).

Four Member States' (and the three new Member States') systems are incomplete and on significant points are still in the developmental phase:

- Germany is introducing a central database in order to conduct crosschecks nationally; the database will permit checks covering livestock movements between Länder;
- Portugal and Greece are introducing computerized crosschecks with the livestock identification database; Greece also needs to complete marking and registering of livestock;
- the United Kingdom needs to improve security in its system for issuing identification numbers.

Two Member States' systems show shortcomings and/or are lagging behind:

- Spain has established a detailed organization plan but its practical introduction as regards both livestock identification/registration and crosschecks is in the early stages only;
- Italy has not adopted implementing legislation for Directive 92/102/EEC, and as a result there are shortcomings in livestock identification and registration and possibilities of verification are consequently very limited.

Overall, work still remains to be done and the corresponding programmes are under way in many Member States, in particular to step up the effectiveness of crosschecks.

7 REMARKS IN CONNECTION WITH CLEARANCE OF ACCOUNTS

The introduction of the Integrated System has gone hand-in-hand with active coordination and advisory work by the Directorate-General for Agriculture. During the transitional period covering the introduction of the Integrated System for the 1 January 1996 deadline, controls under the clearance of accounts were intended to be especially deterrent. Furthermore, even where a system devised by a Member State was appraised favourably by the Commission, the way it actually functioned needed to be checked to see there were no failings.

As checks were conducted almost concurrently with the introduction of the system by the Member State, the main objective was to detect any shortcomings and identify the risks inherent in the way it operated so the Member State could take the necessary measures to remedy problems noted.

Many positive and negative remarks regarding the first and second years of application were made to the Member States, which were all concerned, albeit to various degrees. In cases where a particular Member State did not comply with the regulations or control provisions applicable on the entry into force of the system or did not take the transitional measures agreed with the Commission, the latter will draw the financial consequences resulting from the failings observed in the clearance of accounts.

8 CONCLUSIONS

The adoption of the CAP reform in general and the introduction of the Integrated System in particular have compelled the Member States to reorganize their administration and controls. This necessary adaptation has entailed a substantial effort on their part. The setting-up of the agricultural parcel identification system and the system for identifying livestock together with the introduction of computerized databases has called for considerable work and significant investments.

This work was monitored very closely by the Commission departments. In each Member State, discussions and on-the-spot inspections concerning the introduction of the Integrated System took place at least once every six months. In addition, within the EAGGF Committee, ten meetings lasting one or two days were devoted entirely to discussions on the introduction of the Integrated System. On two occasions during those meetings, on-the-spot inspections of systems introduced by the Member States were organized (Italy and Belgium).

The initial situation varied substantially from one Member State to another depending on the scale of data immediately available. Some Member States were able to base their parcel identification systems on existing land-registry data or reliable, updated topographical maps while others had to set up a system practically from scratch. Technically speaking, the introduction of the livestock identification system presents fewer difficulties. However, problems, which arose in several Member States, involving coordination between departments responsible for verifying aid and veterinarians delayed the introduction of this component of the Integrated System.

In view of the diversity and scale of the technical and administrative problems to be solved, it must be observed that the Member States all experienced difficulties in meeting the deadline for the introduction of the Integrated System as a whole. At the present stage and in order to avoid financial corrections based on Regulation (EEC) n° 729/70, one additional year should suffice to complete work to bring the system fully into operation. **For this reason, it is proposed to delay by one year the date of definitive implementation. A draft Regulation proposing an amendment to Regulation (EEC) No 3508/92 along these lines is attached to this report.**

In the light of that proposal putting back the final date for implementation of the Integrated System, the Commission feels that one further extension of one year is needed for the part-financing arrangements provided for in Article 10(2) of Regulation (EEC) No 3508/92.

The draft Regulation also proposes an amendment to the provisions on the date of submission of area aid applications to allow the Member States to set the date without requesting the Commission's authorization. Such an amendment to the Regulation will simplify administrative procedures. In addition, the Commission has always found it difficult to take a decision on dates to be set each year on the basis of past experience, given the way systems change from one year to the next. **By setting the deadline for the submission of aid applications themselves, the Member States will assume the responsibility of seeing to the proper administrative and financial management of aid and the execution of controls within the time limits laid down.**

Furthermore, the draft Regulation contains no proposal to extend the scope of the Integrated System. Such amendments will be adopted under the relevant regulations covering the product groups concerned.

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At this stage, observations during on-the-spot inspections and via expert groups show that the Integrated System has proved to be an excellent instrument for gathering information on the situation in the field and conducting controls. Many of its components are already operational and the others will come into force within one year. Foreseeably, various functions such as parcel/livestock identification and the aid application database will allow other types of aid to be covered from the technical and administration viewpoints in the near future. This will assist the Member States, in so far as they will reap the benefit of their investments on the introduction of the System and their tasks will be facilitated. The Commission should support the trend towards wider utilization of the Integrated System, which must ultimately reduce the cost of processing and monitoring aid, improve management and provide a better service to the farmer, thanks to greater clarity, speed and security in processing applications.

Annex

Integrated Administration and Control System
 Report to the Council
Situation in the Member States.

België/ Belgique	<p><u>Land</u></p> <p>Parcel identification system: Development of parcel administration software still in progress</p> <p>Data base: Will be centralized under Oracle; development in progress</p> <p>Cross-checks: Will be carried out at the level of farm parcels, effective once system set up</p> <p><u>Livestock</u></p> <p>Identification: Directive* transposed for bovine animals, in progress for ovine animals. Double marking (within thirty days by the farmer, within six months by the identifying agent).</p> <p>Register: Farm register made up of identification files to be accompanied by a summary.</p> <p>Data base: Central identification register, computerized and linked to the "premiums" data base.</p> <p>Cross-checks: effective because of computerized linking of the two data bases.</p>	<p>The parcel identification system will use: the agricultural parcel identified on the individualized orthophoto plan produced for each farmer</p> <p>Completion of work: validation after 1996 declaration. First large-scale operation in 1996.</p> <p>Overall, the system is satisfactory and operational</p> <p>Completion of work: system complete</p>
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<p>Danmark</p>	<p><u>Land</u></p> <p>Parcel identification system: being developed; blocks will contain 5 to 10 agricultural parcels.</p> <p>Data base: Although the system was improved in 1995, there is still a very large number of anomalies.</p> <p>Cross-checks: at present checks are not effective, but should be improved by the new parcel identification system</p> <p><u>Livestock</u></p> <p>Identification: Directive transposed (bovine animals), very clear marking using plastic rings.</p> <p>Register: different types of farm register, official register to be defined.</p> <p>Data bases: Register of marking rings issued, central base for the computerized administration of applications.</p> <p>Cross-checks: effective, but not systematic between the 2 data bases.</p>	<p>The parcel identification system will use: crop blocks defined by the authorities, marked on individualized maps for the farmers.</p> <p>Completion of work: expected end of 1995</p> <p>Satisfactory overall, registers to be improved</p> <p>Completion of work: validation in 1996</p>
<p>Deutschland</p>	<p><u>Land</u></p> <p>Parcel identification system: system complete (except Saxony Anhalt, where development in progress).</p> <p>Data base: Organized by Land, but data not always exchanged. Regional data bases, even at Kreis level (Hessen) in 1995</p> <p>Cross-checks: validation using computerized land register partly in place (e.g. BW, NW, SH, HE...)</p> <p><u>Livestock</u></p> <p>Identification: Directive transposed (bovine, ovine and caprine animals), single identification system in place from October 1995 (plastic tags attached by the farmer).</p> <p>Register: single farm register for veterinary purposes and for premiums.</p> <p>Data bases: regional identification registers not interconnected, creation of central data base in Munich .</p> <p>Cross-checks: will be carried out by Bavaria for all the Länder, first tests in November 1995.</p>	<p>The parcel identification system will use: in the case of 11/16 Länder: the agricultural parcel with direct reference to the land register; in the case of 5/16: the Feldstück (block)</p> <p>Completion of work: With a few exceptions, in place for the end of 1995.</p> <p>System development in progress</p> <p>Completion of work: during 1996</p>

<p>Ellas</p>	<p><u>Land</u></p> <p>Parcel identification system: Phase 1 invitation to tender (creation of digital orthophotos) cancelled (and reissued 1-Sep-95). Phase 2 announced 1-Oct-95.</p> <p>Data base: Centralized, and in 1995 enabled 150 000 declaration papers to be pre-printed - but divided into 52 dBASE files (by Prefecture)</p> <p>Cross-checks: not currently being made on parcel data.</p> <p><u>Livestock</u></p> <p>Identification: Directive transposed (bovine, ovine and caprine animals), marking by veterinarians (plastic rings) in progress for bovine animals, from January 1996 for ovine animals.</p> <p>Register: detailed farm registers under veterinary supervision, copy in local veterinary office.</p> <p>Data bases: development of 2 data bases (identification and applications) with computer link.</p> <p>Cross-checks: document-based checks pending completion of computerized system, cross-checks using copies of the abovementioned farm registers endorsed by veterinary officials.</p>	<p>The parcel identification system will use: crop blocks defined by the authorities, marked on orthophoto plans.</p> <p>Completion of work: the cancellation of Phase 1 delayed completion by a further year - no chance of completion before the end of 1996.</p> <p>System still being developed, making progress thanks to the support of the veterinary service.</p> <p>Completion of work: computerized system to be completed during 1996</p>
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<p>España</p>	<p><u>Land</u></p> <p>Parcel identification system: system complete; however, land register quality varies according to region.</p> <p>Data base: centralized, including parcel data</p> <p>Cross-checks: carried out regionally and centrally, with occasional regional differences</p> <p><u>Livestock</u></p> <p>Identification: Directive transposed for bovine animals, marking inadequate in certain regions.</p> <p>Register: farm register limited to animals for which a premium application is made.</p> <p>Data bases: local identification registers, not interconnected, central data base for applications.</p> <p>Cross-checks: effective where using the application data base, inadequate with regard to identification files.</p>	<p>The parcel identification system will use: the agricultural parcel with direct reference to the land register</p> <p>Completion of work: system complete, in operation during 1995.</p> <p>Development of a coherent system in collaboration with the regions.</p> <p>Completion of work: during 1996</p>
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<p>France</p>	<p><u>Land</u></p> <p>Parcel identification system: reference-based system being developed (planned for first quarter of 1996). Mixed system (simplified scheme:land register parcel; general scheme:the block).</p> <p>Data base: award of Pacage contract planned before the end of 1995; no use planned for 1996 declarations.</p> <p>Cross-checks: at present principally manual; validation of land register in progress; first cross-checks of parcel references in 1996</p> <p><u>Livestock</u></p> <p>Identification: Directive transposed (bovine, ovine and caprine animals), double marking of bovine animals (by the farmer at birth, by the identifying agent within four months).</p> <p>Register: farm register in place for bovine animals, not yet systematically for ovine animals.</p> <p>Data bases: 2 computerized data bases (identification and applications) in each Département.</p> <p>Cross-checks: linkage of the two data bases per Département currently being systematized, cross-checking of data at national level planned from the first quarter of 1996.</p>	<p>The parcel identification system will use: the block or the agricultural parcel, references to the land register.</p> <p>Completion of work: during 1996</p> <p>System providing guarantees, to be supplemented by data cross-checking at national level</p> <p>Completion of work: first quarter of 1996</p>
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<p>Ireland</p>	<p><u>Land</u></p> <p>Parcel identification system: development in progress, aerial photography completed for the whole country. Structural reorganization still in progress.</p> <p>Data base: Centralized under Supra, Oracle: on-line access possible from County offices; development still in progress - but this year 100% of declarations were pre-printed. A few flaws with unambiguous farm identification.</p> <p>Cross-checks: Cannot be carried out until the parcel identification system is in place.</p> <p><u>Livestock</u></p> <p>Identification: Directive not transposed, infringement procedure, marking using rings with poor legibility.</p> <p>Register: new farm registers complying with requirements.</p> <p>Data bases: development project for a new centralized computerized identification/registration system, central data base for applications.</p> <p>Cross-checks: carried out regionally and centrally.</p>	<p>The parcel identification system will use: Forage (90% of declarations) - blocks defined by the farmer; cereals - borders of the agricultural parcels; both on the 1995 orthophoto plans.</p> <p>Completion of work: last validations after 1996 declarations.</p> <p>System improvement planned for 1996 (computerized livestock registration)</p> <p>Completion of work: 1996</p>
<p>Italia</p>	<p><u>Land</u></p> <p>Parcel identification system: operational; reference system clearer every year.</p> <p>Data base: Centralized, Oracle; but decentralized data input presents some quality problems.</p> <p>Cross-checks: detailed, but no very satisfactory way of solving the problems identified has yet been found.</p> <p><u>Livestock</u></p> <p>Identification: Directive not transposed, infringement procedure, marking inconsistent or non-existent.</p> <p>Register: farm registers often incomplete.</p> <p>Data bases: central identification register which only covers animals for which premium applications are made, central data base for applications.</p> <p>Cross-checks: central, but incomplete identification data base.</p>	<p>The parcel identification system will use: direct reference to the land register</p> <p>Completion of work: system complete.</p> <p>Very unsatisfactory, undertaking by the Ministry of Health to regularize situation before summer 1995</p> <p>Completion of work: 1996</p>

<p>Luxembourg</p>	<p><u>Land</u></p> <p>Parcel identification system: reference system operational; land register data base available.</p> <p>Data base: SIGC studies in 1995; 62% of declarations pre-printed in 1995.</p> <p>Cross-checks: carried out after payments in 1995.</p> <p><u>Livestock</u></p> <p>Identification: Directive transposed (bovine, ovine and caprine animals), marking clear and generally applied, within six months or before moving the animal.</p> <p>Register: farm registers well designed and well kept.</p> <p>Data bases: central identification register managed by veterinarians, central data base for applications.</p> <p>Cross-checks: carried out centrally.</p>	<p>The parcel identification system will use: direct reference to the land register.</p> <p>Completion of work: in principle planned for mid-1996.</p> <p>Improvement of the computerized system for the end of 1995</p> <p>Completion of work: validation in 1996</p>
<p>Nederland</p>	<p><u>Land</u></p> <p>Parcel identification system: development in progress, with the topographical department in charge of implementing and administering the project. Project test with 2 000 declarants facilitated planning for 1996.</p> <p>Data base: centralized since Jan. 1995; system being developed.</p> <p>Cross-checks: limited at present - improvements expected in 1996 when the parcel identification system is in place.</p> <p><u>Livestock</u></p> <p>Identification: Directive transposed (bovine and ovine animals), very clear double marking by the producers.</p> <p>Register: farm registers using identification records.</p> <p>Data bases: central identification/registration system with automatic safeguards, central data base for applications.</p> <p>Cross-checks: carried out using the central data bases.</p>	<p>The parcel identification system will use: topographical blocks, defined by the authorities.</p> <p>Completion of work: planned for the end of 1995.</p> <p>System satisfactory overall.</p> <p>Completion of work: system complete</p>

<p>Portugal</p>	<p><u>Land</u></p> <p>Parcel identification system: Award of contracts (creation of parcel identification system) planned in Nov. 1995; work schedule extended to end of 1996.</p> <p>Data base: Centralized - but redevelopment expected for 1997 (SINGA)</p> <p>Cross-checks: detailed, but inefficient because of the current weakness of the parcel identification system</p> <p><u>Livestock</u></p> <p>Identification: Directive transposed (bovine, ovine and caprine animals), metal tags replaced this year by plastic tags, tattooing for ovine animals.</p> <p>Register: farm registers in place, definition of an official register underway.</p> <p>Data bases: local or regional identification files, project for the creation of a central file, central data base for applications.</p> <p>Cross-checks: to be improved using an animal identification file.</p>	<p>The parcel identification system will use: crop blocks and agricultural parcels defined by the authorities, marked on orthophoto plans.</p> <p>Completion of work: 1.1.97 proposed by the INGA.</p> <p>System improvement in progress.</p> <p>Completion of work: during 1996</p>
<p>United Kingdom</p>	<p><u>Land</u></p> <p>Parcel identification system: England and Wales have finally adopted a strategy; Scotland carrying out production tests in 1995; in Northern Ireland strategy and progress are satisfactory overall.</p> <p>Data base: England and Scotland - centralized, development in progress, end of work 1995; Wales - still three separate data bases with manual data exchange; Northern Ireland - generally operational end of 1995.</p> <p>Cross-checks: Need to validate declaration data (especially in England) - except for Northern Ireland, where validation should be completed for end 1995.</p> <p><u>Livestock</u></p> <p>Identification: Directive transposed for bovine animals, marking within thirty days by the farmer, single identification number, various types of approved marking.</p> <p>Register: in place, but no uniform model.</p> <p>Data bases: data base of tags issued, regional data bases for applications.</p> <p>Cross-checks: cross-checks with identification file to be improved.</p>	<p>The parcel identification system will use: England and Wales: topographical maps checked by the authorities; Scotland: blocks validated with Ordnance Survey digital data; Northern Ireland: individual plans of farms, updated by the authorities.</p> <p>Completion of work: England and Wales: 1996; Scotland and Northern Ireland: 1.1.1996.</p> <p>Checks on the use of tags issued and links between data bases to be improved.</p> <p>Completion of work: during 1996</p>

New Member States - Deadline 1997

<p>Österreich</p>	<p><u>Land</u></p> <p>Parcel identification system: Pre-printing of 100 000 declarations (50%) ; compilation of parcels declared (+/- 2 million) on "master cards" in local offices before 1995 declaration.</p> <p>Data base: In July 1995 work schedule insufficiently detailed but satisfactory overall for the first year.</p> <p>Cross-checks: a list of checks for 1995 was submitted, but was limited by the state of development of computerized tools. No direct computerized link with the land register before 1996 - although references are available at the land registry.</p> <p><u>Livestock</u></p> <p>Identification: Transposition of Directive in progress, various marking systems administered by associations, project for single numbering system and double marking.</p> <p>Register: farm register in place, but not yet generally kept effectively.</p> <p>Data bases: local identification files administered by veterinarians and associations; central data base for applications being developed.</p> <p>Cross-checks: not yet operational.</p>	<p>The parcel identification system will use: the Feldstück (block), based on the land register.</p> <p>Completion of work: planned for 1.1 1997</p> <p>System still to be developed, identification data base to be created.</p> <p>Completion of work: planned for 1.1.1997</p>
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Suomi/Finland	<p><u>Land</u></p> <p>Parcel identification system: Reference based on photocopies, plans or photographic plans with sequential numbering in 1995. Validation of data submitted by declarants in digital format planned for 1996. .</p> <p>Data base: Centralized, development in progress. Data input at local level.</p> <p>Cross-checks: A list of checks for 1995 has been submitted to the Commission.</p> <p><u>Livestock</u></p> <p>Identification: Directive transposed, plastic tags attached by the farmer</p> <p>Register: in place .</p> <p>Data bases: computerized administration of identification, data base for applications being developed.</p> <p>Cross-checks: still at project stage.</p>	<p>The parcel identification system will use: crop blocks, possibly validated against orthophotos.</p> <p>Completion of work: planned 1.1.1997, but no work schedule in place at present.</p> <p>System still to be developed: checks on issuing of tags to be stepped up, cross-checks to be put in place</p> <p>Completion of work: planned for 1.1.1997</p>
Sverige	<p><u>Land</u></p> <p>Parcel identification system: Agricultural parcel identified using topographical plans (of varying quality), with numbering system linked to the "fastighet" (farm block in the land register). However, steps to improve the system should be discussed as soon as possible.</p> <p>Data base: proper commencement of implementation, but still being developed.</p> <p>Cross-checks: detection of parcel problems, but manual checks are still required to resolve them.</p> <p><u>Livestock</u></p> <p>Identification: transposition of Directive in progress, multiple identification and marking systems, start-up of a single system in 1995.</p> <p>Register: official farm register in place, its design to be reviewed.</p> <p>Data bases: at planning stage.</p> <p>Cross-checks: detailed project being developed.</p>	<p>The parcel identification system will use: not yet decided.</p> <p>Completion of work: estimated beginning of 1997, more detailed schedule expected.</p> <p>System still to be developed.</p> <p>Completion of work: planned for 1.1.1997</p>

PROPOSAL FOR

COUNCIL REGULATION (EC) No /96

of

amending Regulation (EEC) No 3508/92 establishing an integrated administrative and control system for certain Community aid schemes ("integrated system")

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 43 thereof,

Having regard to the proposal from the Commission¹,

Having regard to the opinion of the European Parliament²,

Whereas Article 6(2) of Council Regulation (EEC) No 3508/92 of 27 November 1992³ provides that area aid applications must be submitted during the first quarter of the year; whereas, however, the Commission may allow a Member State to fix a date for the submission of area aid applications between 1 April and the dates referred to in Articles 10, 11 and 12 of Council Regulation (EEC) No 1765/92 of 30 June 1992 establishing a support system for producers of certain arable crops⁴; whereas, in the light of experience, it should be possible for Member States to set the deadline for the submission of applications on their own responsibility without seeking the authorization of the Commission, taking into account in

¹ OJ No C

² Opinion delivered on

³ OJ No L 355, 5.12.1992, p. 1. Regulation last amended by Regulation (EC) No 3235/94 (OJ No L 338, 28.12.1994, p. 16.).

⁴ OJ No L 181, 1.7.1992, p. 12. Regulation last amended by Regulation (EC) No 1664/95 (OJ No L 158, 8.7.1995, p. 13).

particular the time required for all relevant data to be available for the proper administrative and financial management of the aid and for checks to be carried out;

Whereas Article 13(1) of Regulation (EEC) No 3508/92 provides that all the elements of the integrated system are to apply from 1 January 1996 at the latest; whereas, in view of experience gained, notably in setting up alphanumeric identification systems for agricultural parcels and data bases, this deadline should be postponed for one year;

Whereas, given the considerable investment required to ensure that the integrated system is established definitively, provision should be made to prolong by one year the period for which the Community financial contribution may be granted,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EEC) No 3508/92 is hereby amended as follows:

1. Article 6(2) is replaced by the following:

"2. Area aid applications must be submitted by a date to be set by the Member State which may not be later than the dates referred to in Articles 10, 11 and 12 of Regulation (EEC) No 1765/92.

In all cases, the date shall be set bearing in mind, *inter alia*, the period required for all relevant data to be available for the proper administrative and financial management of the aid and for the checks provided for in Article 8 to be carried out."

2. Article 10(2) is amended as follows:

(a) The first subparagraph is replaced by the following:

"The Community's financial contribution shall be granted for a period of five years from 1992, within the limits of the appropriations allocated for this purpose."

(b) The third subparagraph is replaced by the following:

"The total amount shall be shared among the Member States as follows:

"for 1995:

Belgium	2,2
Denmark	2,3
Germany	9,2
Greece	8,0
Spain	16,5
France	13,3
Ireland	4,2
Italy	18,1
Luxembourg	0,6
Netherlands	2,8
Austria	3,3
Portugal	5,3
Finland	2,7
Sweden	2,4
United Kingdom	9,1

for 1996:

Belgium	1,8
Denmark	1,9
Germany	7,7
Greece	6,7
Spain	13,7
France	11,1

Ireland	3,5
Italy	15,1
Luxembourg	0,5
Netherlands	2,3
Austria	9,3
Portugal	4,4
Finland	7,6
Sweden	6,8
United Kingdom	7,6

for 1997:

Austria	39,3
Finland	32,1
Sweden	28,6 "

3. Article 13(1)(b) is replaced by the following:

"(b) as regards the other elements referred to in Article 2, at the latest from:

- 1 January 1998 in the case of Austria, Finland and Sweden, and
- 1 January 1997 in the case of the other Member States."

Article 2

This Regulation shall enter into force on the day following its publication in the *Official Journal of the European Communities*.

Article 1(2) shall apply from 1 January 1996.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council

The President

Item B1 - 360 : Monitoring and preventative measures concerning the EAGGF Guarantee Section
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1. TITLE OF OPERATION

Council Regulation (EC) amending Regulation (EEC) No 3508/92 establishing an integrated administrative and control system for certain Community aid schemes ('integrated system')

2. BUDGET HEADING INVOLVED

B1 - 360

3. LEGAL BASIS

Article 43 of the Treaty establishing the European Community

4. DESCRIPTION OF OPERATION

- 4.1. To prolong by one year the period of co-financing of expenditure incurred by Member States in implementing the integrated administrative and control system. The system was established to enhance the effectiveness and usefulness of the mechanisms for controlling aid schemes linked to area (principally arable crops and beef, sheepmeat and goatmeat) adopted as part of the reform of the common agricultural policy. The aim of Regulation (EEC) No 3508/92, which introduces the integrated system, is to set up systems for identifying agricultural parcels and animals together with an electronic data base that can be used for cross-checking aid applications. Provision is made for the system to be definitively in place from 1 January 1996 (Austria, Finland, Sweden: from 1 January 1997).

The Regulation provides for Community co-financing of expenditure incurred by the Member States in introducing it.

In view of the difficulties that Member States have had to face, it is proposed postponing the system's definitive introduction by one year (to 1 January 1997, and 1 January 1998 for Austria, Finland and Sweden).

For the same reason it is also proposed prolonging the co-financing arrangements for a year. This operation represents a part only of the control measures in the EAGGF Guarantee Section area covered by item B1-360.

- 4.2. Period covered: one year.

5. CLASSIFICATION OF EXPENDITURE OR REVENUE

- 5.1. Compulsory expenditure
5.2. Non-differentiated appropriations

6. TYPE OF EXPENDITURE

Subsidy for joint financing with other sources in the public or private sector
(see point 9.1 for a detailed description of the type of expenditure).

7. FINANCIAL IMPACT

Method of calculation: Maximum authorized as an EAGGF Guarantee Section contribution

7.2. Itemized breakdown of cost of operation in ECU million:

Commitment appropriations in ECU million
(current prices)

	Budget year n (1996)	n + 1	n + 2	n + 3	n + 4	n + 5 and subs. years	Total
Co-financing of expenditure incurred by Member States	24*						24
Total	24						24

*The breakdown in 1992 and 1993 by type of expenditure (see 9.1) was as follows:

Data-processing structures:36%; Control structures:24%; Staff:40%

7.3. Schedule of commitment/payment appropriations

Commitment appropriations in ECU million

	Budget year n (1996)	n + 1	n + 2	n + 3	n + 4	n + 5 and subs. years	Total
Commitment appropriations	24						24
Payment appropriations							
n n + 1 n + 2 n + 3 n + 4 n + 5 and subsequent years	18 6						
Total	24						24

8. FRAUD PREVENTION MEASURES

- Specific control measures planned:

Verification of eligibility of expenditure incurred by national authorities and of consistency between amounts claimed and accounting documents; on-the-spot inspection visits to examine supporting documents and determine the progress of work or the extent to which operations have been implemented.

9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

9.1. Specific and quantified objectives; target population:

- Specific objectives: links with general objective:

The types of expenditure covered by the operation are the following:

Data-processing structures: host computers, including installation costs; work stations, PCs, network infrastructure (cables, connectors, etc.); software; costs of digitizing topographical maps.

Control structures: printing and preparation of registers and forms; animal identification rings; devices for fitting them; land vehicles (e.g. 4 x 4) and equipment; equipment for measuring parcels; costs of informing farmers.

Staff costs: expenses of temporary staff recruited for work directly linked with the introduction of the system or of officials specifically assigned to this work; systems analysts, engineers, programmers, encoders etc.

The majority of the technical and administrative difficulties encountered by the Member States concern the introduction of systems for identifying parcels and animals.

The initial situation differed appreciably between Member States depending on the extent of the data immediately available: some Member States were able to construct their parcel identification systems on the basis of existing land registry data or reliable and up-to-date topographical maps while others had to establish the system practically from scratch. Technically speaking, the introduction of a system for identifying animals presents fewer difficulties. However, coordination difficulties between the departments controlling the aids and veterinarians, that have come to light in a number of Member States, have delayed implementation of this element of the integrated system.

- Target population:

The beneficiaries of the Community's financial contribution are national authorities responsible for controlling aid in the agricultural field.

9.2 Grounds for the operation:

- Need for Community financial assistance, particularly having regard to the principle of subsidiarity:

The assistance is justified by the need to safeguard the Community's financial interests and to satisfy the requirements of the Member States, for which the work involved in introducing the integrated system represents a substantial additional financial burden.

- Choice of ways and means:

- * advantages over possible alternatives (comparative advantages):

the Community financial aid constitutes support for their operation and an incentive encouraging new initiatives.

- * examination of any similar Community or national operations:

the operation involves the implementation of an entirely new administration and control system. No comparison can be made with other Community or nationally administered operations.

- * spin-off and multiplier effects:

the Community assistance will contribute (for a limited period) to the implementation of the modern administration and control systems introduced by the integrated system. The expenditure on aid schemes (arable crops, livestock premiums) covered by the integrated system represents around 50% of EAGGF Guarantee Section expenditure.

The total Community co-financing required as an initial investment to set up this entirely new control system represents considerably less than 1% of the expenditure on the aid schemes in question for a single year. If the proportionally very low cost of the initial investment and the fact that the system will be required to operate for a very long time are taken into consideration, the co-financing is seen to be entirely cost-effective given the benefits in terms of more effective control.

- Main factors of uncertainty which could affect the specific results of the operation:

The factors of uncertainty include the technical problems faced by the Member States and their political will together with the budgetary problems they encounter in complying with the rules.

9.3 Monitoring and evaluation of the operation:

- Performance indicators:

From the information provided by the Member States on checks carried out and the results achieved, and from inspection visits by Commission staff, a number of conclusions can be drawn on the practical implementation of the integrated system and on the progress of controls.

It is clear that in its first year of implementation the system has presented problems in a few Member States. For example, a large number of area aid applications were incorrectly completed and had to be corrected in 1993 (e.g. because of errors in identifying parcels, in calculating the rate of set-aside, etc.). In the livestock sector, where fewer changes were made to the scheme arrangements, the number of files containing anomalies was smaller.

1994, the second year of implementation of the system, saw a distinct improvement. The availability of preprinted declaration forms for farmers and the possibility, in some Member States, of submitting applications in electronic form through producers' organizations are expected to improve the situation further in the future.

For on-the-spot inspection visits, the minimum percentage of files to be checked is set at 5% for area-linked aid and 10% for livestock aid. The Community average for checks actually carried out is slightly above 7% for area-linked aid. While the equivalent figure for livestock aid (17% in 1993) seems fairly high, some Member States (notably France and Portugal) only carried out the minimum. The number of area aid files checked using remote sensing has risen, with 31% of applications having been checked in this way in 1993. The figure rose to 40% in 1994 .

The percentage of area aid files in which the amount sought was reduced following on-the-spot inspections amounted to 2,2% in 1994: 0,7% of applications were reduced without penalty; 1% had a penalty applied and 0,5% were rejected outright. In 1993, 0,8% of area aid applications had a penalty applied or were rejected as against 1% of livestock aid applications. From this it can be inferred that the penalties introduced under the integrated system have had a deterrent effect and that as a rule the level of compliance has been acceptable.

- Details and frequency of planned evaluation:

The implementation of the integrated system has been monitored very closely by the Commission. Discussions and control visits have taken place in each Member State at least quarterly. Ten one- or two-day meetings of the EAGGF Committee have been given over entirely to discussion of the introduction of the system.

A report has been prepared for the Council giving details of the setting up of the system and setting out findings regarding its implementation.

- Assessment of the results obtained (where an existing operation is to be continued or renewed)

Given the wide range of technical and administrative problems to be resolved and their scale, all Member States are having difficulties in respecting the deadline for bringing all the elements of the integrated system into effect. As matters now stand, there is reason to believe that with an extra year to complete the work the system will be fully operational.

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