



COMMISSION OF THE EUROPEAN COMMUNITIES

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**REPORT FROM THE COMMISSION TO THE COUNCIL
AND THE EUROPEAN PARLIAMENT**

**on the establishment of a database on payments under the Guarantee Section
of the European Agricultural Guidance and Guarantee Fund**

1. INTRODUCTION

This report is established in accordance with Article 11 a of Council Decision 96/411/EC on improving Community agricultural statistics, as amended by Decision 2298/2000/EC¹, which states: *“The Commission shall continue current feasibility studies to determine the technical possibility of setting up a database relating to the payments made by the EAGGF (Guarantee Section) to include in particular, at the level of each beneficiary, data on the level of aid received, the areas and the number of animals concerned, and the most appropriate computer system for processing such data. At the latest on 31 December 2001, the Commission shall submit a report to the European Parliament and to the Council on the results of these feasibility studies, and on the resources (technical, financial and human) which would be required to implement the database and to process the data statistically”*.

2. OVERVIEW OF PROGRESS AND ACTIVITIES CARRIED OUT

As foreseen, during 2000 the Commission continued the feasibility study launched in 1999, on how to establish a comprehensive financial data system for the EAGGF Guarantee fund, using the system for recording Member States' summarised monthly accounts data then available (AGREX) as a starting point. This feasibility study was in response to the Commission's desire to establish a system for the collection, storage and processing of data which would allow for uniformity in processing rules and in financial forecasting, while maintaining the possibility for the pragmatic adaptation of these with regard to developments in the legal framework. This study also addressed the benefits and drawbacks of different technical solutions as well as the budgetary implications.

In addition, the study also elaborated the possibilities on how to proceed in order to establish a complete database, which would contain, on a monthly basis, the detailed data on individual financial transactions between the 86 paying agencies and the individual beneficiaries. The study concluded that the implementation of such a detailed and complex database would require important human and financial resources, not only at Community level but also at national level, and that it would be a long period of time before it could become operational.

While the results of this feasibility study have already assisted the Commission in taking several operational decisions concerning the improvement of the current information technology and the system for data transmission, the Commission has not yet made any final decision as far as the setting up of an entirely new database for detailed monthly EAGGF, Guarantee section payments is concerned. This is due to several reasons:

- first of all, since the development of such a database would require a considerable amount of resources, the Commission considered it worthwhile to have an in-depth reflection on possible alternatives before taking a final decision;
- secondly, as it was expected that in coming years a substantial change of the budgetary nomenclature would enter into force, the Commission preferred to wait until the implications of these changes on any new database appeared more evident. In addition, the scheduled accession of several new Member States by 2004 also requires adequate preparation;

¹ OJ L 263, 18.10.2000, p. 1.

- finally, and above all, given that in 2000 a parallel database of annual EAGGF Guarantee Section payments became operational within the Commission services, for the purpose of audit and control, and in order to avoid duplication and non-optimal allocation of resources, the Commission preferred to explore the possibilities offered by this already existing data base before taking a decision on the follow-up to the above-mentioned feasibility study. This investigation required some additional time, in particular because a pre-condition for using this database for purposes other than the control of payments was the adaptation of its existing legal base to allow for such a possibility.

During 2001 the Commission undertook the necessary actions to seek approval of the required modification to the legal base. In this perspective, and although this could imply a certain delay, the Commission came to the conclusion that a slightly delayed report to the Parliament and to the Council which would be able to report that an operational system able to provide a basis for obtaining the required information was already in place would be of much greater value than a report before the end of 2001 that could not present a definitive response in this regard.

3. FEASIBILITY STUDIES CARRIED OUT BY THE COMMISSION

As already mentioned, in 1999 the European Commission launched a study specifically on how to establish a comprehensive financial database for the EAGGF Guarantee payments, building on the system then in place. The study was carried out by an external contractor and analysed the different possibilities concerning how the data transmission between the paying agencies in the different Member States and the services of the Commission could be organised. The study focussed on the following issues:

- the general legal framework which defines the rights and obligations for the European Commission and Member States and possible conclusions on how to adjust the existing legal base for future development,
- the organisational aspects within the different Member States in particular with regard to the level of centralisation or decentralisation for paying agencies,
- the technical means in relation to modern IT technologies and possibilities for improving communication facilities.

The study was completed in 2000 and provided a wide range of recommendations, *inter alia*, on how to proceed in order to achieve improved financial management. Emphasis was placed on aspects such as accuracy, completeness and speed of data transmission, reporting, and finally the capacity for the Commission services to carry out the necessary controls and checks of monthly payment declarations. All this was conducted with a view to allocating the financial and human resources in an optimal manner.

The Commission services used the studies' conclusions to proceed to improve the information technology then in place, centred on the AGREX system for monthly accounts. In line with the study's recommendations, practically all software and hardware will be replaced by modern equipment in the course of the 2002 budget year. This investment results from the decisions regarding the reform of financial management within the Commission services and the improvements will lead to better use of human resources. In addition, the capacity for speedy and even more up-to-date reporting on budget execution will be improved. All this

will lead to the new version of the system for EAGGF Guarantee accounts (AGREX2), which continues to be based on summarised monthly accounts data supplied by Member States and which is expected to be fully operational for the 2003 budget.

As mentioned previously, the study also elaborated the possibilities on how to proceed in order to establish a complete database, which would contain, on a monthly basis, the detailed data on individual transactions between the paying agencies and the individual beneficiaries. The study concluded that, if such a step would be taken, the necessary investment would require important resources both at national and Community level. In addition, from a technical point of view, a period of about 40 months (i.e. more than three years) would be needed from the launching of the project to the actual implementation of the database, supposing that all the problems concerning data availability and quality checks for the data would have been resolved.

Against this background and given the alternative to such a database presented by the database being developed in the meantime to address the need for the control of agriculture expenditure (the so-called 'Clearance Audit Trail System' or 'CATS' database), the Commission services decided not develop this particular option further for the moment. Efforts were instead concentrated on the core activities for financial data transmission, essentially the improvement of the existing means for communication. This does not necessarily mean that the AGREX system cannot be used in the future for transmission of data on individual payments and the Commission is prepared to analyse the matter further should the individual payments data contained in CATS not turn out to meet the requirements.

4. ADDRESSING THE SPECIFIC NEED FOR A DATABASE COVERING INFORMATION ON PAYMENTS AT THE LEVEL OF EACH BENEFICIARY

On the matter of addressing the specific need for a database covering, at the level of each beneficiary, data on the level of aid received, the areas and the number of animals concerned, efforts have focussed on the use of the 'Clearance Audit Trail System' (CATS) database for this purpose, since it appears capable of responding to the information needs expressed by the European Parliament and the Council.

CATS is a very detailed database of EAGGF Guarantee payments (it includes comprehensive annual data relating to payments, beneficiaries, declarations/applications, products, inspections, export refunds and public storage) and was created to assist the Commission services in carrying out audits of agricultural expenditure, and in particular the clearance of accounts. Based on ORACLE, the computerised database became operational in 2000 and is able to receive and process the standard computerised data-files forwarded by Member States in accordance with Commission Regulation (CE) No 2390/1999 of 25 October 1999. In 2001 use of the STATEL/STADIUM software was made available to enable electronic transfer of the data from Member States.

From a purely technical point of view the system has no major operational problems apart from a certain degree of slowness in processing the data received from Member States, due to the limitations of the current hardware used for this purpose.

In the context of the 'Clearance of Accounts' procedure, the services of the Commission should receive from Member States, on an annual basis, the details of all individual payments made to the beneficiaries of the EAGGF Guarantee section. Since the raw data received contains confidential information, its use in a raw state is restricted to the purpose for which it is provided, in essence the reconciliation of the annual accounts of each paying agency and

the planning of the audit missions of the services of the Commission. The services of the Commission have examined how the existence of such data could be used to respond to the sort of needs expressed by the European Parliament and the Council, bearing in mind that this data is collated by the responsible authorities in Member States primarily for other purposes.

To be able to provide the information requested requires the Commission to be in possession of comprehensive, exhaustive, reliable data from all 15 Member States and their 86 accredited paying agencies. This also requires that all paying agencies receive the necessary data from their local offices and delegated bodies, which are far higher in number. During 2001, the services of the Commission closely examined the quality of the raw data traditionally received from Member States, in order to see whether such accounting data, which relates to the accounting year 16 October - 15 October, could be used as a reliable basis to address the new information needs.

This examination has revealed that while in principle the CATS database can already provide the information required, there are some data quality issues which remain to be resolved and which mean that for the moment data extracted to address the new information needs should be treated with care. In addition, the lack of reporting of data in the required detail by one Member State (which provides aggregated information rather than the very detailed information required) affects the possibility to obtain certain information at the EU-15 level.

Therefore, while in general data quality is adequate for use in the clearance of accounts activity, care must currently be exercised over use of the data for other, analytical purposes. A certain degree of quality control is already applied to CATS data, but currently this addresses only the completeness of the reported data, reconciliation with annual and monthly declarations, compliance with standard table reporting requirements and the respect of code lists. Further improvement is necessary in this area, in particular regarding further harmonisation in reporting, plausibility checks and validation cross-checks with other data sources.

In this regard, the services of the Commission have already distributed to Member States the material necessary to ensure a reliable, homogeneous transmission of data, which is a precondition for ensuring that any aggregates are reliable. However, while, for example, data on the areas and the number of animals concerned at the level of each beneficiary exists in the database, the foreseen lack of alternative data sources for comparison and cross-checking will certainly reduce or, in certain cases, even prevent the possibility to validate the results of any aggregation of individual figures. On the contrary, and as mentioned previously, data on the amount of payments may be checked and reasonably validated at national level, on the basis of alternative reliable sources.

Further, apart from the perennial problem that not all data is received in a fully harmonised format, not all Member States currently employ 'a system for unique identifiers' for all beneficiaries. Therefore, at present, it is not possible to total all the EAGGF Guarantee payments made to each and every individual beneficiary. However, this requirement has been introduced into the new Integrated Administration and Control System (IACS) implementing Regulation² and is coming into effect from 1 January 2003. Nevertheless, it will be possible to produce indicative figures before that date.

Following the above investigation the general indications were that the CATS database could provide a basis for responding to the information needs expressed by the European Parliament

² Commission Regulation (EC) No 2419/2001 of 11 December 2001 (JO L 327, 12.12.2001, p. 11).

and the Council. However, some legal matters needed to be resolved before using the information collected for purposes other than that initially foreseen. In this regard the services of the Commission prepared a first draft of the necessary legal amendment to enable CATS data to be used for ‘monitoring developments and providing forecasts in the agricultural sector’, which is necessary before such a source of data could be used for such a secondary purpose. Discussions on this draft amendment with Member States’ representatives took place during 2001 and early 2002, and the amendment was finally adopted on 6 March 2002 (see Commission Regulation (CE) No 419/2002³).

While awaiting the formal adoption of the amendment, the services of the Commission worked on the essential guidelines required to ensure that the data concerning individuals would remain confidential.

Concerning the matter of the resources (technical, financial and human) which would be required to process the data to meet the new information needs, the main requirement will be on the human resources side. On the technical side, the current slowness in the processing of data from Member States should be addressed during 2002 through the replacement of the existing hardware system on which CATS is installed. More substantial investment may be required should the Commission decide to implement all the conclusions of the feasibility study on setting up a database for EAGGF Guarantee payments, even if the CATS database were to be retained as the central element within this more ambitious approach.

To reliably aggregate individual data centrally within the Commission services in order to meet the new information needs requires well qualified, experienced human resources. Although such resources are partially available, their efforts are currently mainly devoted to the clearance of accounts as well as, where necessary, the development of financial corrections to be applied to the expenditure executed by Member States, and the new processing requirements will create a need for further resources. The amount of extra resources necessary would clearly depend on the level of effort required to cover the new data extractions, analyses and checks involved in such requests, together with the frequency of these requests. However, the need for further resources may be reduced if the extractions from the database could be limited to once per year and if, at least in an initial phase, they would only concern the amount of payments per size-class of aid received, without including physical data on area and on the number of animals.

5. CONCLUSIONS

On the basis of all the considerations and elements described in this report, the Commission draws the following conclusions on the question of setting up a database of EAGGF Guarantee payments at the level of each beneficiary and of processing individual payments data according to the level of aid received, the areas and the number of animals concerned:

- Although some additional improvements may be required, in particular as far as data quality, completeness of reporting and validation of results are concerned, the current “Clearance Audit Trail System” (CATS) database appears capable of providing a basis for responding to the information needs expressed by the European Parliament and the Council;

³ OJ L 64, 7.3.2002, p. 8.

- In order to enable CATS data to be used for “monitoring developments and providing forecasts in the agricultural sector” the necessary legal amendment has been adopted and entered into force in March 2002. Another amendment to the current legislation has also been adopted in order to implement a fully comprehensive system of “unique identifiers” for beneficiaries across all Member States. This requirement is coming into effect from 1 January 2003, although this will not prevent the production of indicative figures before that date;
- Subject to the condition that Member States are able to communicate the required data and in compliance with the constraints set out in the applicable legislation, the Commission will make available a set of tables showing, for each Member State, the distribution of payments per size-class of aid received, once the underlying data concerning the previous financial year will have been validated;
- The accounting and financial management system AGREX will be further improved and refined. This also includes aspects concerning how to record individual financial transactions, if desired, and issues related to a possible integration of information available in CATS and AGREX.