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3rd FINANCIAL REPORT FROM THE COMMISSION
TO THE EUROPEAN PARLIAMENT AND THE COUNCIL
on the
EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT (EAFRD)

2009 FINANCIAL YEAR

COM(2010) 497 final

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1. BUDGET PROCEDURE

1.1. Financial framework

CAP expenditure is funded within the current financial framework as agreed in Inter-institutional Agreement between the European Parliament and the Council in May 2006, amended to take into account the Galileo-programme in 2007, the reprogramming of rural development in 2008 and the European Economic Recovery Package (EERP) in 2009. CAP expenditure is part of Heading 2: Preservation and management of natural resources. A specific sub-ceiling has been decided for market related expenditure and direct aids within this heading.

To take account of the transfer of amounts to rural development due to compulsory modulation (including the increase from the CAP Health Check) increase, to the reform of the cotton, tobacco and wine sectors as well as to the voluntary modulation decided for the UK, the expenditure ceiling for market measures and direct aids had to be reduced accordingly.

The CAP amounts included in heading 2 of the financial framework (2007-2013) are:

(In EUR million current prices)

| HEADING 2. Preservation and Management of Natural resources | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| TOTAL ^{a), b)} | 55 143 | 59 193 | 57 639 | 60 113 | 60 338 | 60 810 | 61 289 |
| of which : | | | | | | | |
| - Rural development ^{a), c), d)} | 10 902 | 13 303 | 14 002 | 14 364 | 14 436 | 14 617 | 14 817 |
| - Market related expenditure and direct aids, ^{c)} | 44 753 | 44 592 | 44 887 | 44 276 | 44 467 | 44 710 | 44 939 |
| | | | | | | | |

a) After reprogramming of rural development (1 469 Mio €).

b) After transfer of EUR 1 600 million to Galileo in 2007 and of EUR 2 000 million to the European Economic Recovery Package in 2009.

c) After transfer into Rural Development of the lower expected expenditure resulting from the reforms of the tobacco, cotton and wine CMOs and from the compulsory and voluntary modulation (UK), art 136 of regulation 73/2009 and reduction due to financing of the EERP (D 273/2010 EU).

d) Including the reinforcement of Rural Development by EUR 1 020 million included in the European Economic Recovery Package, of which EUR 600 million is financed in 2009 within heading 2 while, for 2010, EUR 420 million has been allocated to Rural Development on the basis of Commission Decision N° 636/2006.

1.2. Preliminary Draft Budget (PDB) 2009

The 2009 Preliminary Draft Budget (PDB) was adopted by the Commission and proposed to the Budgetary Authority on 6 May 2008. The proposal for the European Agricultural Fund for Rural Development (EAFRD) under heading 2 of the Financial Framework 2007-2013 totalled EUR 13 395 millions in commitment appropriations and 9 842 in payment appropriations.

| Budget Item | Commitment appropriations (in €) | Payment appropriations (in €) |
|-----------------------------------|-------------------------------------|----------------------------------|
| 05.040501 (Rural dev. programmes) | 13 373 504 584 | 9 832 000 000 |
| 05.040502 (Technical assistance) | 21 913 625 | 9 900 000 |

1.3. Draft Budget (DB) 2009

The Council adopted the 2009 Draft Budget in July 2008. The payments appropriations for EAFRD programmes were reduced by EUR 115.0 million as compared to the PDB.

1.4. Amending Letter (AL) 2009

In October 2008 the Commission adopted Amending Letter No 2 to the 2009 PDB. Even though the Amending Letter exercise mainly concerns the EAGF, the appropriations for EAFRD programmes were increased to reflect an additional transfer from the first pillar of EUR 0.16 million relating to the wine reform. The increase concerned both commitment and payment appropriations.

1.5. Council second reading

The Council second reading, adopted on 12.11.2008, did not involve any modification of the EAFRD appropriations proposed in the Amending Letter.

1.6. The adoption of the 2009 Budget

The European Parliament adopted the 2009 budget in its plenary session of December 2008, by increasing the amounts for EAFRD programmes proposed in the second reading of the Council by EUR 249.8 million for commitment appropriation and decreasing the amounts by EUR 696.8 million for payment appropriation.

| Budget Item | Commitment appropriations (in €) | Payment appropriations (in €) |
|-----------------------------------|-------------------------------------|----------------------------------|
| 05.040501 (Rural dev. programmes) | 13 623 504 584 | 9 135 331 205 |
| 05.040502 (Technical assistance) | 21 913 625 | 9 900 000 |

2. MANAGEMENT OF APPROPRIATIONS

2.1. Management of Commitment appropriations

2.1.1. EAFRD operational programmes

In 2009 the commitment appropriations of the initial budget amounted to EUR 13.62 billion. This amount was increased (Amending Budget No 4) by EUR 0.6 billion corresponding to the first part of the Recovery Package whilst it was reduced (Amending Budget No 10) by EUR 0.25 billion in appropriations entered through and amendment by the Budget Authority and that could not be implemented due to insufficient legal basis. Hence, the total amount finally available for the budget year 2009 was EUR 13.97 billion.

The total amount committed for EAFRD programmes in 2009 was EUR 13.72 billion. An amount of EUR 252 million was carried over to 2010.

| Management of commitment appropriations in 2009 - EAFRD | Budget Item 05.040501 (amounts in €) |
|---|---|
| Appropriations at the beginning of 2009 | 13 623 504 584 |
| Amending Budget No 4 – Additional allocation under the European Economic Recovery Program | 600 000 000 |
| Amending Budget No 10 – Cancellation of non-executable appropriations | -249 840 000 |
| Appropriations available in 2009 | 13 973 664 584 |
| Appropriations used in 2009 | 13 721 634 827 |
| Unused amounts at the end of 2009 – Carry over to 2010 | 252 029 757 |

2.1.2. Technical assistance

Article 69, 2nd paragraph of the Council regulation 1698/2005 stipulates that 0.25% of the resources for Community support to rural development shall be devoted to technical assistance for the Commission. In the 2009 budget, the amount available for this purpose was EUR 21.9 million. At the end of 2009, the total amount committed was EUR 5.1 million.

2.2. Management of payment appropriations

2.2.1. EAFRD operational programmes

In 2009 the initial payment appropriations amounted to EUR 9.91 billion, of which EUR 9.1 billion corresponded to the voted budget and EUR 775 million to appropriations carried forward from 2008. In December the Amending Budget No 10 reduced the amount by EUR 1.65 billion to take account of the revised payment forecast submitted by the Member States in September. Consequently, the payment appropriations available for the budget year 2009 amounted to EUR 8.26 billion.

The total amount paid to Member States for EAFRD programmes in 2009 reached EUR 8.21 billion.

| Management of payment appropriations in 2009 – EAFRD | Budget Item 05.040501 (amounts in €) |
|---|---|
| Appropriations at the beginning of 2009 | 9 135 331 205 |
| Appropriations carried over from 2008 | 774 864 326 |
| Amending Budget No 10 – Reduction of payment appropriations following revised forecasts from MS | -1 650 000 000 |
| Appropriations available in 2009 | 8 260 195 531 |
| Appropriations used in 2009 | 8 209 373 256 |
| Unused amounts at the end of 2009 | 50 822 275 |

2.2.2. *Technical assistance*

In the 2009 budget, the amount for payment appropriations was EUR 9.9 million. At the end of the year, the total amount of payments was EUR 3.7 million.

3. THE IMPLEMENTATION OF THE 2009 EAFRD BUDGET

3.1. Introduction

Financial year 2009 mostly represented a transition between the initial phase of approval and initiation of rural development programmes (including payment of advances) and a phase where most programmes attain their cruising speed. However, this transition slowed down to some extent because of the economic crisis which had an effect on the Member States ability to provide the national co-financing but also might have caused beneficiaries to hesitate to enter into any commitments, the late approval of certain programmes as well as a lack of sufficient previous experience of some Member States in the implementation of Rural Development programmes.

Another important element that characterizes the financial year 2009 is the reprogramming process subsequent to the approval of the Health Check and the European Economic Recovery Package.

3.2. Modification of EAFRD programmes

In 2009, a total of 132 modifications of rural development programmes (RDPs) for the 2007-2013 programming period were made: 76 by notification procedure and 56 by Commission Decision after a positive opinion of the Rural Development Committee (RDC). Of these 56 modifications, 49 were approved in the context of the Health Check and the European Economic Recovery Package. The number of programmes to modify (88 in total) and the complexity of the preparatory work and negotiations did not permit the approval of all HC and EERP modifications in 2009. The Commission Decisions regarding the 39

programmes outstanding were adopted early in 2010, which explains the carry-over of EUR 252 million in commitment appropriations from 2009 to 2010.

3.3. Implementation of commitment appropriations

3.3.1. EAFRD operational programmes

The table below shows the amounts committed per Member State in 2009 and the allocation established by Commission decision 636/2006 (modification of October 2009 still in force at the end of the year).

In 2009, the commitment appropriations available for EAFRD programmes amounted to EUR 13.97 billion and the amount committed to EUR 13.72 billion. The remaining EUR 252 million correspond to programmes for which the modifications in relation to the Health Check and the Recovery Package were not approved before the year end. These appropriations were carried-over to 2010 and committed entirely within the deadline of 31 March 2010. Hence, no amount was lost for rural development programmes.

Commission Decision 636 / 2006 (last version in force end of 2009) vs. the amounts committed end of 2009 (in €):

| MS | Commission Decision 636 / 2006 – EU funds in 2009 | Amounts committed in the budget year 2009 | Amounts carried over for commitment in 2010 |
|--------------|---|---|---|
| | (a) | (b) | (c = a - b) |
| AT | 580,732,057 | 580,732,057 | 0 |
| BE | 62,458,083 | 61,348,083 | 1,110,000 |
| BG | 456,843,751 | 437,343,751 | 19,500,000 |
| CY | 23,949,762 | 23,949,762 | 0 |
| CZ | 409,036,387 | 388,036,387 | 21,000,000 |
| DE | 1,202,865,574 | 1,188,636,470 | 14,229,104 |
| DK | 67,411,254 | 67,411,254 | 0 |
| EE | 101,036,594 | 101,036,594 | 0 |
| ES | 1,320,830,901 | 1,270,959,694 | 49,871,207 |
| FI | 308,265,407 | 308,138,561 | 126,846 |
| FR | 947,341,939 | 947,176,739 | 165,200 |
| GR | 482,113,090 | 453,393,090 | 28,720,000 |
| HU | 527,075,432 | 498,635,432 | 28,440,000 |
| IE | 346,851,422 | 329,171,422 | 17,680,000 |
| IT | 1,183,870,921 | 1,145,274,921 | 38,596,000 |
| LT | 249,948,998 | 249,948,998 | 0 |
| LU | 13,255,487 | 13,255,487 | 0 |
| LV | 150,342,483 | 150,342,483 | 0 |
| MT | 11,256,597 | 11,256,597 | 0 |
| NL | 73,671,337 | 73,671,337 | 0 |
| PL | 1,971,439,817 | 1,971,439,817 | 0 |
| PT | 584,180,154 | 584,180,154 | 0 |
| RO | 1,502,691,530 | 1,502,691,530 | 0 |
| SE | 270,816,031 | 256,996,031 | 13,820,000 |
| SI | 136,508,049 | 136,508,049 | 0 |
| SK | 282,749,256 | 268,049,256 | 14,700,000 |
| UK | 706,122,271 | 702,050,871 | 4,071,400 |
| Total | 13,973,664,584 | 13,721,634,827 | 252,029,757 |

3.3.2. *Technical assistance*

The table below shows the commitment appropriations for technical assistance consumed in 2009. The most important part is related to European Network for Rural Development.

| Budget line | Amounts committed in budget year 2009 (in €) | Comment / description |
|---|---|---|
| 05.040502 | 200 000 | Seminar on the implementation of DR programs organized in Brussels |
| 05.040502 | 4 208 909 | Contact point of the European network for RD (2nd year); semi-subsistence seminar organized in Sibiu (RO) |
| Subtotal management by DG AGRI | 4 408 909 | |
| 05.040502 | 428 290 | European Network for RD (Leader+ subcommittee, coordination committee, thematic working groups) etc. |
| 05.040502 | 200 000 | Expert committee on the evaluation of RD programmes |
| 05.040502 | 101 250 | Magazine for European Network for RD |
| Subtotal management by PMO and OPOCE | 729 540 | |
| Total | 5 138 449 | |

3.4. **Implementation of payment appropriations**

3.4.1. *EAFRD operational programmes*

In the 2009 budget the amount for payment appropriations, including the carry-over from 2008, was EUR 9.91 billion. Amending Budget No 10 reduced this amount in December by EUR 1.65 billion so that the appropriations of the year finally amounted to EUR 8.26 billion.

At the end of 2009, the total amount paid for EAFRD programmes was EUR 8.21 billion. The difference between the appropriations of the year (EUR 8.26 billion) and the total amount paid is EUR 51.2 million, which represents an under-execution of 0.6%.

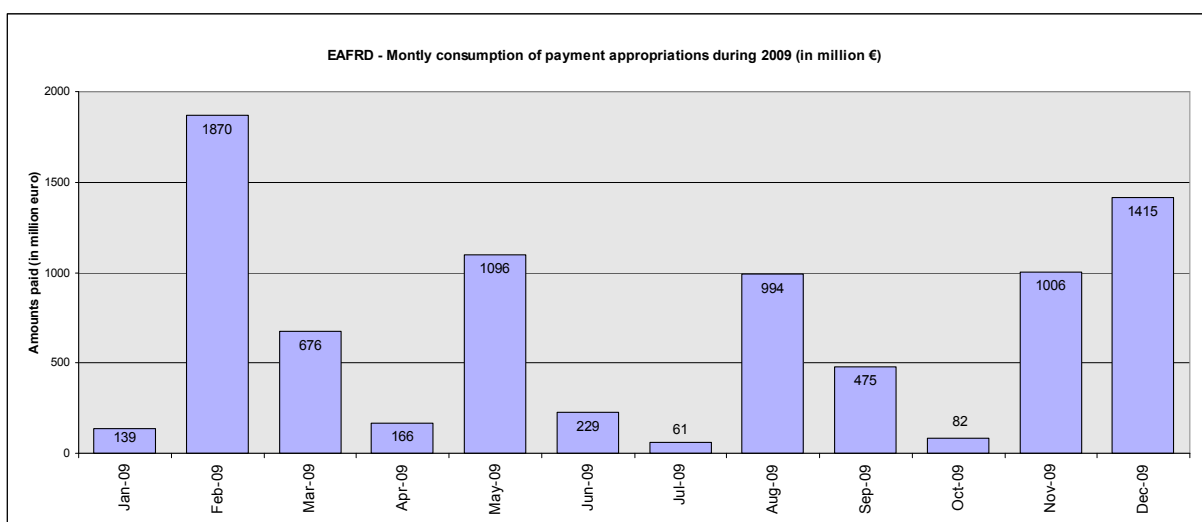
The table below shows the breakdown of this amount by declaration period:

| | (in million €) |
|---|----------------|
| Reimbursement of payment claims Q2 2008 | 12.3 |
| Reimbursement of payment claims Q3 2008 | 126.6 |
| Reimbursement of payment claims Q4 2008 | 2 546.8 |
| Reimbursement of payment claims Q1 2009 | 1 490.4 |
| Reimbursement of payment claims Q2 2009 | 1 612.0 |
| Reimbursement of payment claims Q3 2009 | 2 421.2 |
| Total 2009 | 8 209.4 |

The reimbursement of 3rd quarter 2009 for 6 EAFRD programmes was totally or partially on hold at the end of the year because the commitment appropriations for these programmes were fully exhausted by the payment of previous claims. The table below shows the 6 EAFRD programmes and the corresponding amounts. The payment had to wait until the new commitment appropriations for 2010 were made available.

| Programme FEADER - N° CCI | Q3 2009 (in €) |
|--------------------------------------|-----------------------|
| Vlaanderen (2007BE06RPO001) | 6,425,513.33 |
| Nordrhein-Westfalen (2007DE06RPO015) | 2,100,736.79 |
| Aragon (2007ES06RPO002) | 2,506,309.72 |
| Ireland National (2007IE06RPO001) | 107,643,642.54 |
| Bayern (2007DE06RPO004) | 8,534,106.68 |
| Åland (Finland) 2007FI06RPO002 | 98,742.99 |
| Total | 127,309,052.05 |

The monthly consumption of payment appropriations during the year (January to December 2009) is represented in the graph below. The rhythm of consumption is linked to the calendar for sending the four payment declarations (31 January, 30 April, 31 July and 10 November for the payment claims corresponding respectively to Q4 2008, Q1 2009, Q2 2009 and Q3 2009).



The breakdown per Member State and per declaration period of the amounts paid by the Commission in the budget year 2009 is shown in the following table. The declaration periods concerned are from 16 October to 31 December 2008 (Q4 2008), from 1 January 2009 to 31 March 2009 (Q1 2009), from 1 April

2009 to 30 June 2009 (Q2 2009) and from 1 July 2009 to 15 October 2009 (Q3 2009).

In the table below, the amounts from columns Q2 2008 and Q3 2008 relate to the EAFRD programmes that exhausted their commitment appropriations for 2007 and 2008 and had to wait until 2009 to have their amounts reimbursed with new 2009 appropriations.

Payments effectively made in the budget year 2009 (in €)

| MS | Q2 2008 | Q3 2008 | Q4 2008 | Q1 2009 | Q2 2009 | Q3 2009 | Total |
|--------------|----------------------|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| AT | | | 427,949,468.51 | 37,906,840.60 | 43,897,590.17 | 40,598,431.18 | 550,352,330.46 |
| BE | | 2,634,830.50 | 10,376,897.04 | 7,212,858.83 | 20,897,215.45 | 16,787,346.17 | 57,909,147.99 |
| BG | | | 24,190,671.12 | 39,168,066.16 | 37,693,842.23 | 26,000,411.44 | 127,052,990.95 |
| CY | | | 5,307,184.60 | 3,793,620.57 | 3,497,159.91 | 3,563,803.38 | 16,161,768.46 |
| CZ | | | 110,128,510.90 | 110,974,831.07 | 82,178,640.52 | 36,893,946.50 | 340,175,928.99 |
| DE | | 10,345,809.87 | 374,933,155.25 | 103,131,605.84 | 85,070,469.75 | 356,705,369.28 | 930,186,409.99 |
| DK | | | 12,150,036.33 | 20,697,171.26 | 9,535,500.93 | 11,478,786.58 | 53,861,495.10 |
| EE | | | 23,940,802.93 | 41,941,283.76 | 13,754,824.08 | 15,484,239.63 | 95,121,150.40 |
| ES | 12,299,213.27 | 18,438,179.63 | 156,895,320.71 | 99,545,639.20 | 156,002,080.45 | 175,412,539.46 | 618,592,972.72 |
| FI | | | 13,131,174.24 | 6,206,336.97 | 8,153,331.43 | 163,635,234.21 | 191,126,076.85 |
| FR | | | 258,731,262.94 | 107,383,212.58 | 90,156,048.85 | 323,536,247.95 | 779,806,772.32 |
| GR | | | 20,238,236.94 | 29,988,515.32 | 71,138,490.87 | 52,767,205.17 | 174,132,448.30 |
| HU | | | 156,246,669.69 | 96,671,967.12 | 155,032,080.49 | 89,233,671.16 | 497,184,388.46 |
| IE | | 95,219,252.45 | 75,404,378.64 | 55,761,624.35 | 50,432,026.42 | 52,354,140.14 | 329,171,422.00 |
| IT | | | 79,913,810.69 | 35,813,253.22 | 73,086,720.11 | 167,878,512.18 | 356,692,296.20 |
| LT | | | 34,134,107.24 | 48,651,779.76 | 87,349,750.54 | 77,358,004.23 | 247,493,641.77 |
| LU | | | 2,861,814.18 | 4,649,597.17 | 2,085,587.64 | 3,313,511.57 | 12,910,510.56 |
| LV | | | 20,445,383.75 | 28,086,479.38 | 42,060,538.99 | 13,870,990.90 | 104,463,393.02 |
| MT | | | | | | 3,357,533.82 | 3,357,533.82 |
| NL | | | 5,533,019.26 | 15,647,058.76 | 5,793,324.73 | 9,098,570.81 | 36,071,973.56 |
| PL | | | 215,398,260.57 | 351,623,965.99 | 255,735,375.64 | 221,068,079.69 | 1,043,825,681.89 |
| PT | | | 96,528,233.12 | 12,286,838.03 | 858,574.75 | 125,890,304.17 | 235,563,950.07 |
| RO | | | 109,676,461.84 | 61,535,621.24 | 144,008,337.72 | 250,707,458.23 | 565,927,879.03 |
| SE | | | 55,808,494.29 | 21,367,421.73 | 12,240,963.73 | 16,451,526.90 | 105,868,406.65 |
| SI | | | 27,883,610.46 | 19,190,587.19 | 38,596,260.58 | 15,062,003.97 | 100,732,462.20 |
| SK | | | 116,095,838.58 | 32,555,030.65 | 66,181,492.98 | 74,453,967.21 | 289,286,329.42 |
| UK | | | 112,884,460.14 | 98,592,173.12 | 56,593,186.87 | 78,274,074.46 | 346,343,894.59 |
| Total | 12,299,213.27 | 126,638,072.45 | 2,546,787,263.96 | 1,490,383,379.87 | 1,612,029,415.83 | 2,421,235,910.39 | 8,209,373,255.77 |

The amount paid in 2009, EUR 8.21 billion, relate to reimbursements only as all prefinancing foreseen was paid in 2007 and 2008.

The table in the next page compares, for each Member State, the EAFRD payments made in 2009 to the payments in 2008. While interim payments in 2009 increased by 35.4% compared to 2008 (EUR 8.21 billion vs. 6.06 billion), the total amount decreased by -3.9% (EUR 8.21 billion vs. 8.54 billion) as the last part of pre-financing was already paid in 2008.

Payments made to Member States - Comparison 2008-2009 (in €)

| MS | 2008 | | | 2009 | | | Difference 2009 vs. 2008 | |
|--------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------|-------------------------|--------------------------|--------------|
| | Interim payments | Prefinancing | Total | Interim payments | Prefinancing | Total | (in €) | (in %) |
| AT | 462,608,745.20 | | 462,608,745.20 | 550,352,330.46 | | 550,352,330.46 | 87,743,585.26 | 19.0% |
| BE | 48,530,648.29 | 12,866,719.12 | 61,397,367.41 | 57,909,147.99 | | 57,909,147.99 | -3,488,219.42 | -5.7% |
| BG | 58,185,829.70 | 182,636,901.72 | 240,822,731.42 | 127,052,990.95 | | 127,052,990.95 | -113,769,740.47 | -47.2% |
| CY | 10,456,613.17 | | 10,456,613.17 | 16,161,768.46 | | 16,161,768.46 | 5,705,155.29 | 54.6% |
| CZ | 212,624,547.33 | | 212,624,547.33 | 340,175,928.99 | | 340,175,928.99 | 127,551,381.66 | 60.0% |
| DE | 669,504,888.17 | 131,421,515.15 | 800,926,403.32 | 930,186,409.99 | | 930,186,409.99 | 129,260,006.67 | 16.1% |
| DK | 77,174,319.94 | 31,126,255.72 | 108,300,575.66 | 53,861,495.10 | | 53,861,495.10 | -54,439,080.56 | -50.3% |
| EE | 23,926,805.54 | 25,013,059.92 | 48,939,865.46 | 95,121,150.40 | | 95,121,150.40 | 46,181,284.94 | 94.4% |
| ES | 476,135,002.53 | 501,043,604.54 | 977,178,607.07 | 618,592,972.72 | | 618,592,972.72 | -358,585,634.35 | -36.7% |
| FI | 219,979,453.44 | 29,631,449.29 | 249,610,902.73 | 191,126,076.85 | | 191,126,076.85 | -58,484,825.88 | -23.4% |
| FR | 780,526,000.66 | 91,330,692.29 | 871,856,692.95 | 779,806,772.32 | | 779,806,772.32 | -92,049,920.63 | -10.6% |
| GR | 223,673,306.91 | 129,755,654.84 | 353,428,961.75 | 174,132,448.30 | | 174,132,448.30 | -179,296,513.45 | -50.7% |
| HU | 148,885,197.46 | | 148,885,197.46 | 497,184,388.46 | | 497,184,388.46 | 348,299,191.00 | 233.9% |
| IE | 273,117,209.35 | 81,897,010.65 | 355,014,220.00 | 329,171,422.00 | | 329,171,422.00 | -25,842,798.00 | -7.3% |
| IT | 375,009,858.38 | 304,567,250.20 | 679,577,108.58 | 356,692,296.20 | | 356,692,296.20 | -322,884,812.38 | -47.5% |
| LT | 60,813,560.24 | | 60,813,560.24 | 247,493,641.77 | | 247,493,641.77 | 186,680,081.53 | 307.0% |
| LU | 8,934,674.20 | 2,961,487.62 | 11,896,161.82 | 12,910,510.56 | | 12,910,510.56 | 1,014,348.74 | 8.5% |
| LV | 50,651,800.03 | 72,877,945.28 | 123,529,745.31 | 104,463,393.02 | | 104,463,393.02 | -19,066,352.29 | -15.4% |
| MT | | 5,364,334.84 | 5,364,334.84 | 3,357,533.82 | | 3,357,533.82 | -2,006,801.02 | -37.4% |
| NL | 23,141,066.23 | | 23,141,066.23 | 36,071,973.56 | | 36,071,973.56 | 12,930,907.33 | 55.9% |
| PL | 846,530,426.94 | | 846,530,426.94 | 1,043,825,681.89 | | 1,043,825,681.89 | 197,295,254.95 | 23.3% |
| PT | 254,613,654.63 | 144,063,955.11 | 398,677,609.74 | 235,563,950.07 | | 235,563,950.07 | -163,113,659.67 | -40.9% |
| RO | | 561,575,332.14 | 561,575,332.14 | 565,927,879.03 | | 565,927,879.03 | 4,352,546.89 | 0.8% |
| SE | 174,434,794.46 | 15,181,392.86 | 189,616,187.32 | 105,868,406.65 | | 105,868,406.65 | -83,747,780.67 | -44.2% |
| SI | 85,257,958.43 | | 85,257,958.43 | 100,732,462.20 | | 100,732,462.20 | 15,474,503.77 | 18.2% |
| SK | 97,790,092.73 | 68,929,632.73 | 166,719,725.46 | 289,286,329.42 | | 289,286,329.42 | 122,566,603.96 | 73.5% |
| UK | 400,627,305.52 | 83,462,720.48 | 484,090,026.00 | 346,343,894.59 | | 346,343,894.59 | -137,746,131.41 | -28.5% |
| Total | 6,063,133,759.48 | 2,475,706,914.50 | 8,538,840,673.98 | 8,209,373,255.77 | 0.00 | 8,209,373,255.77 | -329,467,418.21 | -3.9% |

3.4.2. Technical assistance

In the 2009 budget the amount for payment appropriations is € 9.9 million. The table hereafter presents the payments for technical assistance with a total amount of € 3.7 million. The most important part is related to European Network for Rural Development.

| Budget lines | Amounts paid in budget year 2009 (in €) | Comment / description |
|--|---|---|
| 05.040502-C1-AGRI AGRI-G3 | 3 441 139 | European Network for Rural Development contact point, Leader+ seminar in Portugal, Leader+ magazines and best practices, etc. |
| Subtotal management by DG AGRI | 3 441 138 | |
| 05.040502-C1-AGRI/EMPL | 176 392 | IT maintenance and development (SFC 2007) |
| 05.040502-C1-AGRI/PMO | 116 278 | European Network for Rural Development – reimbursement of charges for participating experts |
| Subtotal management by DG EMPL et PMO | 292 670 | |
| Total | 3 733 809 | |

3.5. Analysis of expenditure declared by axis and by measure

The table below shows the payment claims declared by Member state and by axis/measure for rural development in 2009 (Q4 2008 to Q3 2009), from 2007 to 2009 (Q4 2006 to Q3 2009) and also the financial plans of EAFRD programmes (2007-2013; EU27).

In year 2009, the expenditure continues to be concentrated in axis 2 (57.8%), followed by axis 1 with 32%, axis 3 with 4.4% and axis 4 with 1.1%. This repartition of expenditure still significantly diverges with the repartition in the financial plans for the 2007-2013 programming period (33.6%, 44.4%, 13.3% and 5.9% for respectively axis 1 to 4).

Axis 2 measures mainly involve annual payments (e.g. agro-environmental measures) whilst Axis 1 and 3 mainly relate to multiannual measures that require longer proceedings for their approval and implementation (e.g. investment projects).

Compared with the average for the first 3 years (2007-2009), in the year 2009 the expenditure is more balanced between the axis and the level of each axis tends to be closer compared to the levels of the axis in the financial plans. For instance, Axis 2 decreases from 75.0% in 2008 to 57.8% in 2009 while Axis 1 increases from 21.3% in 2008 to 32.0% in 2009.

EAFRD payment claims, by axis and by measure – year 2009 (Q4 2008 to Q3 2009),
EAFRD Payment claims, by axis and by measure - 2007 to 2009 (Q4 2006 to Q3 2009) and,
EAFRD financial plans in force (at 17 March 2010; including HC & RP; year 2007 to year 2013)

| Axis / Measure EAFRD | 2009 (Q4 2008 to Q3 2009, in €) | 2009 (Q4 2008 to Q3 2009, in %) | 2007 to 2009 (Q4 2006 to Q3 2009, in €) | 2007 to 2009 (Q4 2006 to Q3 2009, in %) | Financial plans 2007-2013 (in €) * | Financial plans 2007-2013 (in %) * |
|--|---------------------------------|---------------------------------|---|---|------------------------------------|------------------------------------|
| 111 Vocational training and information actions | 39,485,635.1 | 0.5% | 77,586,899.1 | 0.5% | 1,085,976,060.0 | 1.1% |
| 112 Setting up of young farmers | 264,366,482.5 | 3.2% | 492,257,964.4 | 2.9% | 2,893,743,758.0 | 3.0% |
| 113 Early retirement | 317,043,487.5 | 3.9% | 688,392,789.8 | 4.1% | 2,854,573,418.0 | 3.0% |
| 114 Use of advisory services | 5,155,491.4 | 0.1% | 8,713,361.3 | 0.1% | 534,516,203.0 | 0.6% |
| 115 Setting up of management, relief and advisory .. | 702,632.61 | 0.0% | 1,509,979.37 | 0.0% | 102,271,298.0 | 0.1% |
| 121 Modernisation of agricultural holdings | 1,262,721,280.2 | 15.4% | 1,809,687,532.5 | 10.8% | 10,619,144,021.0 | 11.0% |
| 122 Improvement of the economic value of forests | 20,423,294.6 | 0.2% | 47,624,163.6 | 0.3% | 648,923,205.0 | 0.7% |
| 123 Adding value to agricultural and forestry .. | 289,834,725.9 | 3.5% | 430,726,372.1 | 2.6% | 5,656,327,873.0 | 5.9% |
| 124 Cooperation for development of new products | 4,832,912.0 | 0.1% | 5,557,508.8 | 0.0% | 349,603,378.0 | 0.4% |
| 125 Infrastructure related to the development ... | 220,118,596.1 | 2.7% | 347,562,878.3 | 2.1% | 5,105,283,661.0 | 5.3% |
| 126 Restoring agricultural production potential | 31,995,899.1 | 0.4% | 55,868,555.7 | 0.3% | 402,531,731.0 | 0.4% |
| 131 Meeting standards based on Community .. | 9,995,318.6 | 0.1% | 42,043,963.8 | 0.3% | 101,759,328.0 | 0.1% |
| 132 Participation of farmers in food quality ... | 5,223,301.9 | 0.1% | 7,046,405.5 | 0.0% | 298,624,104.0 | 0.3% |
| 133 Information and promotion activities | 3,922,769.5 | 0.0% | 4,956,742.8 | 0.0% | 207,671,669.0 | 0.2% |
| 141 Semi-subsistence farming | 123,576,845.2 | 1.5% | 260,100,123.3 | 1.5% | 994,955,894.0 | 1.0% |
| 142 Producer groups | 25,766,437.9 | 0.3% | 33,096,650.9 | 0.2% | 327,899,573.0 | 0.3% |
| 143 Direct Payment (BG + RO) | 624,803.6 | 0.0% | 624,803.6 | 0.0% | 131,773,438.0 | 0.1% |
| 144 Holdings undergoing restructuring due to a reform of a CMO | - | 0.0% | - | 0.0% | 15,903,594.0 | 0.0% |
| Axe 1 | 2,625,789,913.6 | 32.0% | 4,313,356,694.7 | 25.7% | 32,331,482,206.0 | 33.6% |
| 211 Natural handicap payments to farmers in mountain... | 899,008,563.2 | 11.0% | 2,160,134,402.6 | 12.9% | 6,218,167,879.0 | 6.5% |
| 212 Payments to farmers in areas with handicaps, other .. | 907,935,875.8 | 11.1% | 2,242,591,187.5 | 13.4% | 7,236,375,252.0 | 7.5% |
| 213 Natura 2000 payments and payments linked ... | 20,494,456.5 | 0.2% | 32,684,124.2 | 0.2% | 487,654,824.0 | 0.5% |
| 214 Agri-environment payments | 2,547,549,479.5 | 31.1% | 6,062,907,817.8 | 36.1% | 22,224,144,629.0 | 23.1% |
| 215 Animal welfare payments | 30,159,911.1 | 0.4% | 80,721,824.0 | 0.5% | 540,790,341.0 | 0.6% |
| 216 Non-productive investments | 15,236,510.8 | 0.2% | 20,144,766.8 | 0.1% | 588,202,389.0 | 0.6% |
| 221 First afforestation of agricultural land | 182,078,744.1 | 2.2% | 456,665,272.4 | 2.7% | 2,300,268,371.0 | 2.4% |
| 222 First establishment of agroforestry systems on ... | - | 0.0% | - | 0.0% | 16,117,104.0 | 0.0% |
| 223 First afforestation of non-agricultural land | 11,547,811.2 | 0.1% | 18,337,533.5 | 0.1% | 354,672,609.0 | 0.4% |
| 224 Natura 2000 payments | 3,037,675.5 | 0.0% | 3,214,475.7 | 0.0% | 101,989,396.0 | 0.1% |
| 225 Forest-environment payments | 2,883,836.4 | 0.0% | 8,129,772.8 | 0.0% | 267,929,870.0 | 0.3% |
| 226 Restoring forestry potential and ... | 90,310,052.8 | 1.1% | 191,198,573.0 | 1.1% | 1,606,222,818.0 | 1.7% |
| 227 Non-productive investments | 30,460,131.7 | 0.4% | 64,089,359.8 | 0.4% | 811,188,979.0 | 0.8% |
| Axe 2 | 4,740,703,048.5 | 57.8% | 11,340,819,110.3 | 67.6% | 42,753,724,461.0 | 44.4% |
| 311 Diversification into non-agricultural activities | 44,332,453.8 | 0.5% | 65,142,225.9 | 0.4% | 1,495,305,179.0 | 1.6% |
| 312 Business creation and development | 36,443,851.7 | 0.4% | 42,624,639.5 | 0.3% | 2,215,288,801.0 | 2.3% |
| 313 Encouragement of tourism activities | 29,523,291.0 | 0.4% | 48,967,924.7 | 0.3% | 1,296,872,839.0 | 1.3% |
| 321 Basic services for the economy and rural ... | 68,080,913.0 | 0.8% | 100,520,579.4 | 0.6% | 3,181,670,749.0 | 3.3% |
| 322 Village renewal and development | 110,164,321.2 | 1.3% | 157,302,587.0 | 0.9% | 3,009,100,433.0 | 3.1% |
| 323 Conservation and upgrading of the rural heritage | 59,328,212.0 | 0.7% | 90,150,345.6 | 0.5% | 1,347,143,457.0 | 1.4% |
| 331 Training and information | 5,239,242.9 | 0.1% | 7,286,202.7 | 0.0% | 146,171,526.0 | 0.2% |
| 341 Skills acquisition, animation and implementation of ... | 11,281,176.6 | 0.1% | 17,796,792.2 | 0.1% | 149,985,663.0 | 0.2% |
| Axe 3 | 364,393,462.3 | 4.4% | 529,791,296.9 | 3.2% | 12,841,538,647.0 | 13.3% |
| 411 Implementing local development strategies. Compet.. | 8,813,604.9 | 0.1% | 9,539,364.5 | 0.1% | 449,103,916.0 | 0.5% |
| 412 Implementing local development strategies. Envir.. | 749,828.7 | 0.0% | 778,622.3 | 0.0% | 166,935,719.0 | 0.2% |
| 413 Implementing local development strategies. Quality .. | 51,756,757.3 | 0.6% | 57,003,658.0 | 0.3% | 3,883,169,004.0 | 4.0% |
| 421 Implementing cooperation projects | 420,154.4 | 0.0% | 643,455.4 | 0.0% | 278,656,455.0 | 0.3% |
| 431 Running the local action group, acquiring skills and ... | 25,760,154.2 | 0.3% | 28,208,895.3 | 0.2% | 941,057,710.0 | 1.0% |
| Axe 4 | 87,500,499.6 | 1.1% | 96,173,995.4 | 0.6% | 5,718,922,804.0 | 5.9% |
| 511 Technical Assistance | 91,352,175.9 | 1.1% | 163,339,575.5 | 1.0% | 1,952,924,872.0 | 2.0% |
| 611 BG RO Direct Payments | 294,536,277.5 | 3.6% | 339,455,102.4 | 2.0% | 645,581,697.0 | 0.7% |
| Grand total | 8,204,275,377.3 | 100.0% | 16,782,935,775.0 | 100.0% | 96,244,174,687.0 | 100.0% |

* Financial plans including Health Check (HC) and Recovery Package (RP) amounts (at 17 March 2010)

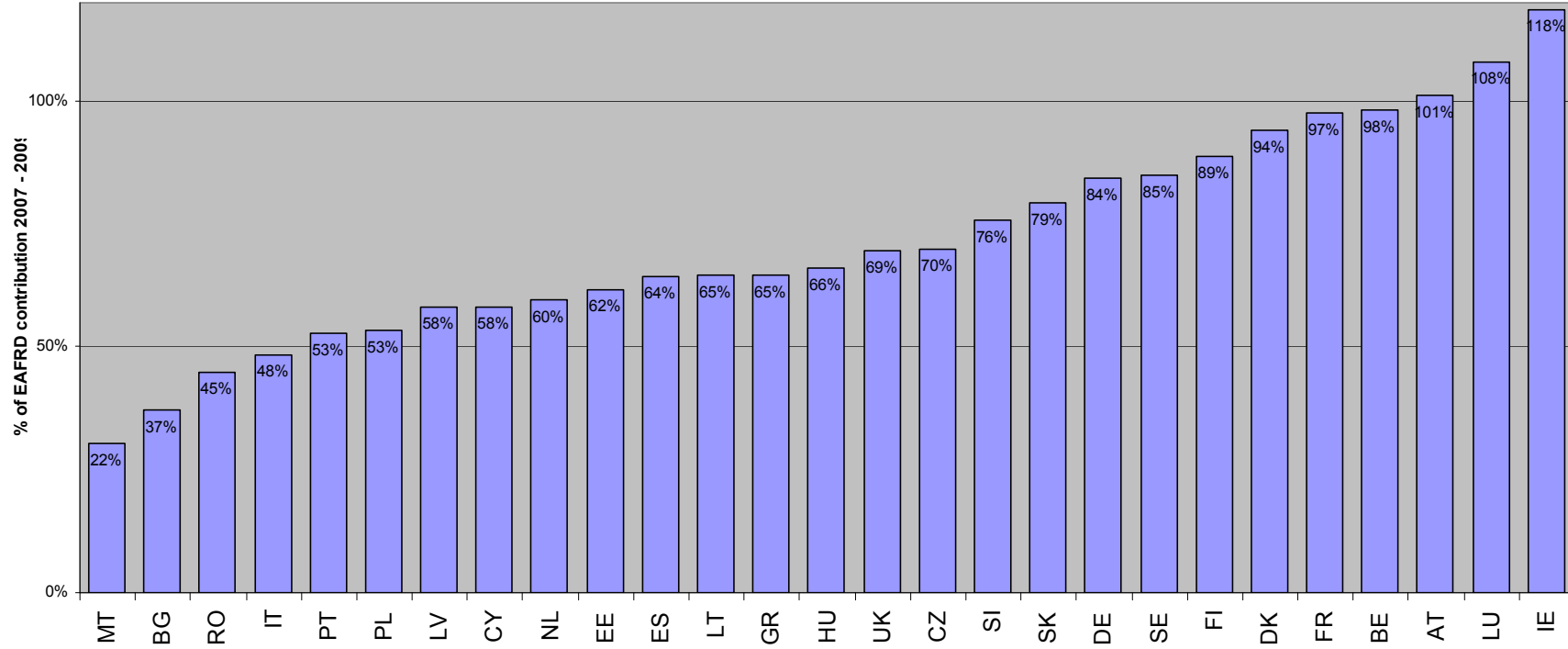
3.6. Implementation rate of EAFRD programmes

The graph on the next page presents the financial implementation rate of rural development programmes (from the beginning to 2009, including Q4 2009) compared with the 2007-2009 appropriations. The average EAFRD financial implementation rate for all EAFRD programmes is 68.4%.

The graph shows that most Member States have absorbed more than 50% of the 2007-2009 appropriations.

Furthermore, 3 Member states have a level of declared expenditure which is higher than the 2007-2009 commitments and the difference had to be paid with fresh commitments from 2010.

Financial implementation rate of RD programmes (% of the EAFRD 2007 – 2009 appropriations paid or to be paid, including payment claims Q4 2009 to be paid in 2010) by Member state *



4. CONTROL MEASURES

4.1. Introduction

The EU legislation provides for a comprehensive system of management and controls which relies on four levels:

- (a) compulsory administrative structure at the level of Member States, centred around the establishment of paying agencies and an accreditation authority at high level which is competent for issuing and withdrawing the agency's accreditation. The decision for issuing the accreditation is based on a detailed review by an external audit body;
- (b) detailed systems for controls and dissuasive sanctions to be applied by those paying agencies, with common basic features and special rules tailored to the specificities of each aid regime;
- (c) ex-post controls by independent audit bodies on the paying agencies' annual accounts and the functioning of their internal control procedures (under Regulation (EC) No 885/2006¹) and by special departments on aid measures other than direct payments covered by the IACS (checks based on Regulation (EC) No 485/2008²);
- (d) clearance of accounts through the Commission (both annual financial clearance and multi-annual conformity clearance).

These four levels establish a comprehensive system for the management and control of agricultural expenditure. It includes, on the one hand, all the necessary building blocks to guarantee a sound administration of the expenditure at Member States' level and, on the other hand, allows the Commission to counter the risk of financial losses as a result of any deficiencies in the set-up and operation of those building blocks through the clearance of accounts procedure.

Article 9(1) of Regulation (EC) No 1290/2005³ provides for the general obligation of Member States to ensure that transactions financed by the EAGF and the EAFRD are carried out and executed correctly, to prevent and deal with irregularities and to recover amounts unduly paid.

In complement to this general obligation, there is a system of controls and dissuasive sanctions of final beneficiaries which reflects the specific features of the regime and the risk involved in its administration.

The controls are carried out by the paying agencies or by delegated bodies operating under their supervision and effective, dissuasive and proportionate sanctions are imposed if the controls reveal non-compliance with EU rules. The system generally provides for exhaustive administrative controls of 100% of the aid applications,

¹ OJ L 171, 23.6.2006, p. 90–110.

² OJ L 143, 3.6.2008, p. 1–9.

³ OJ L 209, 11.08.2005, p. 1.

cross-checks with other databases where this is considered appropriate as well as pre-payment on-the-spot controls of a sample of transactions ranging between 1% and 100%, depending on the risk associated with the regime in question. For example, the control rate in the framework of the Integrated Administration and Control System (IACS) is normally 5%. If the on-the-spot controls reveal a high number of irregularities, additional controls must be carried out. The sample of transactions is determined on a risk and/or random basis.

4.2. Integrated Administration and Control System (IACS)

EAFRD : Axis II - Council Regulations (EC) No. 1782/2003⁴ and (EC) No. 73/2009⁵ and Commission Regulations (EC) No. 796/2004⁶ and (EC) No. 1122/2009⁷ which contain the rules on the IACS are also applicable to Rural development support under Axis 2 as far as area and animal-related measures are concerned.

A fully operational IACS consists of: a computerised database, an identification system for agricultural parcels and farmers claiming aid, a system for identification and registration payment entitlements, aid applications and integrated controls system (claim processing, on-the-spot checks and sanctioning mechanisms) and a system for identifying and registering animals where applicable. The IACS is fully automated and provides highly efficient controls by maximising the use of computerised and remote controls.

This system foresees a 100% administrative control covering the eligibility of the claim, complemented by administrative cross-controls with standing databases ensuring that only areas or animals that fulfil all eligible requirements are paid premium and by a minimum 5% of on-the-spot checks to check the existence and eligibility of the area or the animals claimed.

The use of standing databases, which are appropriately updated, is well adapted to the schemes whereby aids are directly paid to the farmers and based on the surfaces or on the number of animals, in that the risk can be reduced to the lowest levels. Moreover, the result of the European Court of Auditors' work shows that, when accurate and reliable data is introduced and the system is properly implemented, the IACS is an effective control system to limit the risk of irregular expenditure.

For the financial year 2009, IACS covers some 59.7% of payments made under the EAFRD (89% for EAGF-expenditure). The relevant components of the IACS are applicable to the rural development measures, which are based on area or number of animals. Such measures include, inter alia, agri-environment and animal welfare measures, less-favoured areas and areas with environmental restrictions and afforestation of agricultural land.

The Commission services verify the effectiveness of Member States' IACS and homogenous implementation by means of both on-the-spot auditing and general supervision based on annually supplied financial and statistical data. It has been

⁴ OJ L 270, 21.10.2003, p. 1.

⁵ OJ L 30, 31.1.2009, p. 16

⁶ OJ L 141, 30.4.2004, p. 18.

⁷ OJ L 316, 2.12.2009, p.65

established already for some years now that the IACS provides an excellent and cost effective means of ensuring the proper use of EU funds.

Council Regulation (EC) No 1698/2005⁸, as amended, contains the rules on support for rural development by EAFRD; Commission Regulations (EC) No 1974/2006⁹ and 1975/2006¹⁰, as amended, lay down the rules for the application and control of rural development support measures.

The control rules provided by Regulation 1975/2006 take into account the characteristics of the measures under Axis 2 i.e. timing for the submission of the payment claims aligned with the deadline set for the first pillar, payments made after the finalization of the controls, cross-compliance respect, and a detailed sanction system.

5. CLEARANCE OF ACCOUNTS

5.1. Conformity clearance - Introduction

It is primarily the Member States' responsibility to satisfy themselves that transactions are carried out and executed correctly via a system of control and dissuasive sanctions. Where Member States fail to meet this requirement, the Commission applies financial corrections to protect the financial interests of the EU.

The conformity clearance relates to the legality and regularity of transactions. It is designed to exclude expenditure from EU financing which has not been effected in compliance with EU rules, thus shielding the EU budget from expenditure that should not be charged to it (financial corrections). In contrast, it is not a mechanism by which irregular payments to beneficiaries are recovered, which according to the principle of shared management is the sole responsibility of Member States although such responsibility should be executed in accordance with the principles of effectiveness and equivalence.

Financial corrections are determined on the basis of the nature and gravity of the infringement and the financial damage caused to the EU. Where possible, the amount is calculated on the basis of the loss actually caused or on the basis of an extrapolation. Where this is not possible, flat-rates are used which take account of the severity of the deficiencies in the national control systems in order to reflect the financial risk for the EU.

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

⁸ OJ L277, 21.10.2005, p 1

⁹ OJ L368, 23.12.2006, p.15

¹⁰ OJ L 368, 23.12.2006 p.74

and regularity of the expenditure both at the level of the financial beneficiaries and of the national paying agencies.

5.2. Conformity clearance – audits and decisions adopted in 2009

Audits

In 2009, 29 conformity missions were carried out in respect of the EAFRD of which all enquiries for Axis 2 included the agri-environment measures.

Conformity decisions

During the financial year 2009, two conformity decisions were adopted which had a financial impact in the year. Neither decision resulted in the exclusion from EU financing of EAFRD expenditure:

- Decision 2008/960/EC of 8 December 2008 – 29th Decision.
- Decision No 2009/253/EC of 19 March 2009 – 30th Decision.

Regulation (EC) No 1290/2005 introduced an automatic clearing mechanism for non recovered irregular payments after 4 years or, in case the recovery is challenged in national courts, 8 years after the establishment of the irregularity. The financial consequences of non recovery are shared by the Member State concerned and the EU on a 50 %-50 % basis. Under EAFRD, these provisions are applicable only after the closure of the rural development programme. The validity of this 50%-50% rule has been confirmed by the General Court (judgement of 22 April 2010, joined cases T-274/08 and T-275/08.

Regarding financial year 2009, Member States reported the information about recovery cases by 1 February 2010. The Member States recovered EUR 27 million during financial year 2009 in relation to rural development programmes, and the outstanding amount still to be recovered from beneficiaries at the end of that financial year was EUR 12 million. The amounts recovered can be reused by the Member States under the same rural development programme. As none of the rural development programmes has been closed yet the automatic clearance mechanism set out above did not apply on the cases reported by the Member States for financial year 2009.

5.3. Financial clearance

5.3.1. Introduction

The financial clearance covers the accounts and control systems set up by the paying agencies. Within this framework, DG AGRI pays particular attention to the certifying bodies' conclusions and recommendations (where weaknesses are found), following their reviews of the paying agencies' management and control systems. As part of this review, the DG AGRI departments also cover aspects relating to the accreditation criteria for the paying agencies and protecting the financial interests of the EU as regards the advances paid, securities obtained and intervention stocks.

The Commission adopts an annual clearance of accounts decision clearing the paying agencies' annual accounts on the basis of the certificates and reports from the certifying bodies, but without prejudice to any subsequent decisions to recover expenditure which proves not to have been in accordance with the EU rules. The Commission must clear the accounts and adopt its clearance decision by 30 April of the year following the financial year in question.

5.3.2. *Decisions*

5.3.2.1. Financial clearance for financial year 2007

In respect of financial year 2007, three clearance decisions were adopted in January 2009, clearing the EAGF-accounts of Dienst Regelingen (Netherlands), PRIA (Estonia) and INGA (Portugal); the EAFRD-accounts of AMA (Austria), ALV and Région Wallonne (Belgium), Baden-Württemberg and Bayern (Germany) and also the TRDI-expenditure of PRIA (Estonia). At the end of 2009, three further decisions were launched clearing the annual accounts of an additional 5 paying agencies in respect of their expenditure funded by the EAGF, the EAFRD and the TRDI. Only the accounts of ARBEA (Italy) remain disjoined. The total amount still to be cleared is EUR 101 million, representing 0.2 % of total expenditure in financial year 2007.

5.3.2.2. Financial clearance decision for the financial year 2008

On 29 April 2009 the Commission adopted three decisions clearing the annual accounts of 68 paying agencies in respect of their expenditure funded by the EAGF, the EAFRD and the TRDI. By means of these decisions it cleared an amount of EUR 34 297 million for the EAGF, an amount of EUR 5 119 million for the EAFRD and an amount of EUR 452 million for the TRDI.

At the end of 2009 DG AGRI launched the procedures for adopting three further decisions clearing the annual accounts of 10 paying agencies in respect of their expenditure funded by the EAGF, the EAFRD and the TRDI. By means of these decisions an additional amount of EUR 1 879 million for the EAGF, an amount of EUR 566 million for the EAFRD and an amount of EUR 2 million for the TRDI were cleared in January 2010.

The accounts of ARBEA, Bayern StMLF, ODARC and OPEKEPE are still to be cleared. In total, EUR 2 563 million is still to be cleared for the EAGF, and EUR 376 million for the EAFRD i.e. around 5 % of expenditure. All TRDI expenditure has been cleared.

5.4. **Appeals brought before the European Courts against clearance decisions**

Judgments handed down

In the financial year 2009 no judgements have been handed down by the Court in appeals brought by the Member States against clearance decisions.

Appeals pending

In the 2009 financial year no appeals were brought by the Member States against clearance decisions

6. RELATIONS WITH PARLIAMENT AND THE EUROPEAN COURT OF AUDITORS

The relevant information about the relations with the Parliament and the European Court of Auditors is available in section 11 of the Commission staff working document accompanying the 2009 financial report on the EAGF.

7. BASIC RULES GOVERNING THE EAFRD AND AMENDMENTS MADE IN 2009

7.1. General

Basic legislation

- Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277, 21.10.2005, p.1.); *as last amended by Regulation (EC) No 473/2009 of 25 May 2009 (OJ L 144, 9.6.2009, p.3.).*
- Commission Regulation (EC) No 1974/2006 of 15 December 2006 laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 368, 23.12.2009, p.15); *as last amended by Regulation 482/2009 of 8 June 2009 (OJ L 145, 10.6.2009, p.17.).*
- Commission Regulation (EC) No 1975/2006 of 7 December 2006 laying down detailed rules for the implementation of Council Regulation (EC) No 1698/2005, as regards the implementation of control procedures as well as cross-compliance in respect of rural development support measures (OJ L 368, 23.12.2006, p.74); *as last amended by Regulation (EC) No 484/2009 of 9 June 2009 (OJ L 145, 10.6.2009, p.25.).*

Recent modifications

In order to establish the legal framework for the Health Check and the European Economic Recovery Plan (EERP), legislation was updated during 2009. Council Regulation (EC) No 1698/2005 was first amended by Regulation (EC) No 74/2009 to introduce the Health Check amendments, including possibility to apply higher amounts and rates of support and co-financing rates for the operations addressing the four new challenges (climate change, water management, biodiversity, renewable energy) and the priority "dairy restructuring".

Additionally, the Council regulation on direct support schemes for farmers was amended by Regulation (EC) No 73/2009 which made available the additional EUR 3.4 billion of funds "modulated" from pillar 1 to pillar 2.

As a consequence of the EERP Council Regulation 1698/2005 was amended another time with Council Regulation 473/2009. This modification allows Member States to make use of additional funds of 1.02 billion in their rural development programmes in the years 2009 and 2010. Furthermore, this amendment specified "support for broadband infrastructure as a sixth priority on which the additional funds from EERP could be spend.

As a consequence of the amendments to the Council regulation the implementing regulation, Regulation (EC) No 1974/2006 had to be amended twice as well. Regulation (EC) No 363/2009 defined the requirement that the National Strategy Plans have to be revised as a consequence of the additional funds being made available, defined that demarcation criteria between rural development and common market organisations should fall under notification procedure, raised temporarily the maximum amount of advances payable for investment operations, and defined output indicators and related targets by type of operation. Regulation (EC) No 482/2009 defined procedures under which Member States could use higher co-financing rate in 2009, provided the possibility to grant advances for the running costs of Local Action Groups, and made standard costs approach available for operations in natural heritage or high nature value sites.

The control regulation for rural development, Regulation (EC) No 1975/2006 was amended by Regulation (EC) No 484/2009 which streamlined control rules of certain area- and animal-related measures with Pillar 1 and clarified certain other provisions.

7.2. Declarations

- Commission Regulation (EC) No 883/2006 of 21 June 2006 laying down detailed rules for the application of Council Regulation (EC) No 1290/2005 as regards the keeping of accounts by the paying agencies, declarations of expenditure and revenue and the conditions for reimbursing expenditure under EAGF and EAFRD (OJ L 171, 23.6.2006, p. 1); *as last amended by Commission Regulation (EC) No 482/2009 of 8 June (OJ L145, 10.6.2009, p. 17).*

7.3. Checks

- Council Regulation (EC) No 1782/2003 of 29 September 2003 (OJ L 270, 21.10.2003, p. 1) establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers, and repealing Council Regulation (EEC) No 3508/92 of 27 November 2002 (OJ L 94, 31.3.2004, p. 70); *as last amended by Regulation (EC) No 1009/2008 of 9 October 2008 (OJ L 276, 17.10.2008, p. 1).*
- Council Regulation (EC) No 73/2009 of 19 January 2009 (OJ L30, 31.1.2009, p. 16) establishing common rules for direct support schemes for farmers under the common agricultural policy and establishing certain support schemes for farmers, amending Regulations (EC) No 1290/2005, (EC) No 247/2006, (EC) No 378/2007 and repealing Regulation (EC) No 1782/2003 with effect from 1 January 2009 (with some exceptions mentioned in Article 149).
- Commission Regulation (EC) No 796/2004 of 21 April 2004 (OJ L 141, p. 18) laying down detailed rules for the implementation of cross-compliance, modulation and the integrated administration and control system provided for in of Council Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers and repealing Commission Regulation (EC) No 2419/2001 of 11 December 2001 (OJ L 141, 30.4.2004, p. 8.); *as last amended by Regulation (EC) No 1266/2008 of 17 December 2008 (OJ L 338, 17.12.2008, p. 34.).*

- Commission Regulation (EC) No 1122/2009 of 30 November 2009 (OJ L 316, 2.12.2009, p. 65) laying down detailed rules for the implementation of Council Regulation (EC) No 73/2009 as regards cross-compliance, modulation and the integrated administration and control system, under the direct support schemes for farmers provided for that Regulation, as well as for the implementation of Council Regulation (EC) No 1234/2007 as regards cross-compliance under the support scheme provided for the wine sector and repealing Commission Regulation (EC) No 796/2004 of 21 April 2004 (OJ L 141, p. 18).
- Council Regulation (EC) No 1698/2005 of 20 September 2005 (OJ L 277, 21.10.2005, p. 1) on support for rural development by the European Agricultural Fund for Rural Development (EAFRD); *as last amended by Regulation (EC) No 473/2009 of 25 May 2009 (OJ L 144, 9.6.2009, p. 3).*
- Commission Regulation (EC) No 1974/2006 of 15 December 2006 (OJ L 368, 23.12.2006, p. 15) laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD); *as last amended by Regulation (EC) No 482/2009 of 8 June 2009 (OJ L 145, 10.6.2009, p.17).*
- Commission Regulation (EC) No 1975/2006 of 7 December 2006 (OJ L 368, 23.12.2006, p. 74) laying down detailed rules for the implementation of Council Regulation (EC) No 1698/2005, as regards the implementation of control procedures as well as cross-compliance in respect of rural development support measures; *as last amended by Regulation (EC) No 484/2009 of 9 June 2009 (OJ L 145, 10.6.2009, p. 25)*

7.4. Clearance of accounts

- Council Regulation (EC) No 1290/2005 of 21 June 2005 on the financing of the common agricultural policy (OJ L 209, 11.8.2005, p. 1); *as last amended by Regulation (EC) No 473/2009 of 25 May 2009 (OJ L 144, 9.6.2009, p. 3).*
- Commission Regulation (EC) No 885/2006 of 21 June 2006 laying down detailed rules for the application of Council Regulation (EC) No 1290/2005 as regards the accreditation of paying agencies and other bodies and the clearance of the accounts of the EAGF and of the EAFRD (OJ L 171, 23.6.2006, p. 90); *as last amended by Regulation (EC) No 1034/2008 of 21 October 2008 (OJ L 279, 22.10.2008, p. 13).*