

## General problems within the Control System linked to the whole agricultural sector in Greece

### *Background*

Since 1995 corrections of €610m have been applied to Greece, an amount representing 5% of potential payments to Greece in any single year<sup>1</sup>. This amount excludes the relevant corrections in respect of the financial exercises 1999, 2000 and 2001, which have yet to be finalised and will in due course be added to the total of €610. Moreover, all major problems triggering these corrections persist.

These are principally:

- An under-resourced Paying Agency with insufficient powers;
- Widespread delegation of functions to outside agencies, including unions of co-operatives, with insufficient supervision;
- Payment to beneficiaries via co-operatives, instead of direct to the beneficiary (including illegal deductions by these same co-operatives from the amounts due to individual producers);
- Failure to complete the Integrated Agricultural Control System (IACS) for land areas;
- Failure to complete the animal register;
- Failure to introduce a wine register;
- Failure to complete the olive oil register.

Promises to improve the system of control remain unfulfilled after many years.

The corrections cover a range of sectors – arable crops, sheep premia, bovine premia, olive oil aids, fruit and vegetables, dried grapes and cotton. In most cases the corrections have been made up to the 1998 or occasionally 1999 year. In all cases the corrections can be expected to continue for the years 2000 and 2001. Without immediate attention they will continue beyond 2001 and could begin to rise sharply based on current applicable rules.

In addition, from 1 November 2003, all areas not covered by the Geographic Information System will become ineligible for olive oil aids (i.e. 100% refusal, not 5 or 10%). An analogous problem exists for cattle premia.

The Commissioner will also recall that the Commission has recently decided to recover considerable sums of money from Greece that were paid out for the development of a land register, a starting point for the IACS measure. Effectively there was little development of the land register despite the considerable sums of money provided by the EU.

Similar problems to the above may well exist in the context of the Rural Development Policy, both for the past (1994-1999) and the present (2000-2006).

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<sup>1</sup> Approximately €100m per year 1995-2000 from a total declared annually of around €2.1bn

A major change in the organisation and control of payments of agricultural subsidies in Greece is essential. The credibility of all the improvements that have been made in CAP management is put into doubt because of the exceptional case of Greece. It is also important to consider the difference between the standards that the Commission expects from applicant countries in the SAPARD programme and the standards reached in Greece (also in the context of enlargement). **No other Member State has control problems on the scale of those occurring in Greece.** The Greek financial accounts in respect of the year 2000 have still not been finalised and Greece is the only Member State incapable of delivering detailed expenditure data to the Commission.

Since the Commissioner met Mr. Simitis in September 2001 certain significant improvements have been made to partly address the first three weaknesses set out above:

- A new Paying Agency with increased funding has been set up;
- The new Paying Agency has begun to develop regional offices to supervise outside Agencies;
- A commitment to pay aids directly to the bank accounts of beneficiaries has been made (not yet verified in practise).

However, the other major weaknesses remain and there is no solution in sight. Even the progress made seems in doubt because of opposition from producers' organisations and the Heads of the local departments (NOMOS). The senior management of the Paying Agency was abruptly changed in December 2001, which leads to a lack of stability in the administration and a difficulty in developing longer-term plans.

In January 2002, the Commission services have sent a letter to Greece threatening action under the budgetary discipline procedure, i.e. reduction in advance payments. This threat will be carried out, unless the Greek authorities can produce an acceptable plan and timetable to meet the Community requirements and stick to the timetable.

### **Conclusion**

The Commission is extremely concerned by the **persistent major deficiencies** identified in Greek controls on CAP expenditure. This is despite repeated assurances that these weaknesses would be addressed in a satisfactory manner.

Even **more substantial recoveries** of Community funds (610 million Euro since 1995) should be expected over the next few years. Since some of these relate to the past i.e. 1999, 2000 and 2001, they are now inevitable.

Moreover, **larger reductions of advance payments** may well begin during 2002 in respect of present known weaknesses.

Sustained action is urgently needed at the highest level to overcome internal resistance to the necessary changes and to make the commitment to introduce systems (especially computerised systems) that are already several years late.

The process recently initiated in Greece to improve controls must be pursued with vigour. Otherwise, not only will the scale of **recoveries increase significantly** for the past but in addition **reductions in advances will also increase substantially.**

Από κ. Φίλιππο εδών  
670κ Π/Θ κατά το ραφίδι  
100 Π/Θ 672 Βασιλείας  
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