



European
Commission

Annual Activity Report 2022

Directorate-General
for Agriculture and Rural Development

Foreword



Dear Reader,

This Annual Activity Report for 2022 illustrates how the Directorate-General for Agriculture and Rural Development (DG AGRI) delivered on the agenda of the von der Leyen Commission 2019-2024 and how the Common Agricultural Policy (CAP) and DG AGRI contributed to those priorities. It is impossible for a foreword to capture the full scope of our activities, so I refer here to a select number of tasks and achievements.

2022 was very much overshadowed by the repercussions of the COVID-19 pandemic and even more so by the Russian invasion of Ukraine. This has brought back to the forefront food security considerations. The resilience of our farmers and food system has continued to ensure food security in the EU and beyond. DG AGRI enhanced the preparedness and response mechanisms to these unexpected and unpredictable events that threatened the unhindered supply of food to our citizens. DG AGRI launched several initiatives to secure a sustainable, inclusive, and resilient food system and adopted the necessary support instruments. We also put in place a number of exceptional market measures, which included the mobilisation for the first time of the crisis reserve and exceptional temporary derogations from certain provisions to ensure our production capacity amidst reduced global supply. Last but not least, we engaged with our key international partners and discussed the implications of these challenges to find multilateral solutions to the crisis.

As far as the EU agricultural policy is concerned, 2022 saw the countdown towards the start of the CAP 2023-2027 with its new delivery model. Thanks to the constructive cooperation with Member States' authorities and among Commission services, the CAP Strategic Plans of all Member States were approved by the Commission on time. Furthermore, the Commission adopted relevant secondary legislation to detail further and develop the new policy framework. Our preliminary assessment confirms that Strategic Plans will contribute to a fairer income support and to the Green Deal objectives.

Several Green Deal and Farm to Fork Strategy initiatives, launched in 2022, will have an impact on the future of European farming and agriculture, such as the legislative proposals on sustainable use of plant protection products, on nature restoration or the review of the Industrial Emissions Directive. Work is ongoing on many other initiatives: a legislative framework for sustainable food systems, the rules on labelling of nutrition information or the revision of the animal welfare acquis, just to name a few. Close collaboration with lead services on these initiatives remains essential for DG AGRI so that the specific characteristics and needs of the agri-food sector and implications on farming and food security are duly taken into consideration.

Under DG AGRI's lead, the Commission adopted a legislative proposal to strengthen the Geographical Indications system. The Commission has also proposed to convert the Farm Accountancy Data Network (FADN) into a Farm Sustainability Data Network (FSDN), to be able to collect and analyse comprehensive data on all dimensions of sustainability at farm level, including environmental and social issues. Moreover, we have started the review of several marketing standards, pursued the implementation of the Organic Action Plan and continued work on the review of the promotion policy.

The EU expanded its agri-food trade further in 2022. We successfully negotiated and / or finalised a number of Free Trade Agreements, i.e. with Chile or New Zealand, and enhanced our policy cooperation with developing countries. We also continued our active engagement in key international fora, pursued the protection of Europe's food heritage and promoted our high-quality agri-food products and standards. The implementation of the long-term vision for the EU's rural areas and its action plan was also part of our key activities. I would particularly highlight in this area the successful launch of the Rural Pact and the Rural Observatory.

DG AGRI accomplished all this with a robust assurance framework, which has successfully ensured the protection of the EU's financial interests in the past year.

I am confident that this report provides valuable information about the performance of the CAP and that it gives a fair and comprehensive overview of DG AGRI's activities and achievements in 2022, as well as of its practical and administrative functioning.

Let me close by expressing my utmost respect and gratitude to all DG AGRI staff for their excellent work and commitment in these very challenging times.

Wolfgang Burtscher
Director-General

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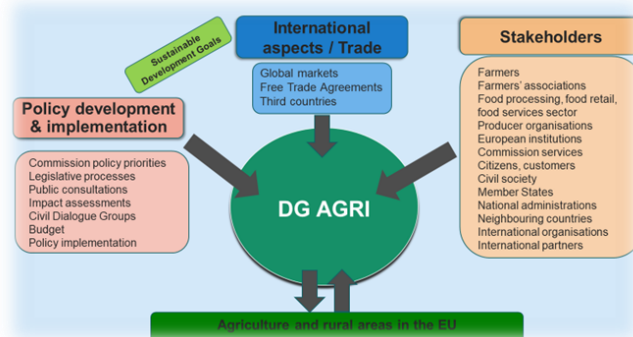
THE DG IN BRIEF

The **mission** of the Directorate-General for Agriculture and Rural Development (DG AGRI) is to promote the sustainable development of Europe's agriculture and to ensure the well-being of its rural areas through the implementation of the Common Agricultural Policy (CAP).

The importance of agriculture for society extends beyond its role as a source of sufficient supply of safe, healthy and affordable food or the promotion of jobs in farming, agri-food industries and associated sectors. Agriculture has a direct impact on the viability of rural areas, the scenic value of landscapes, climate change, water quality, eco-system services as well as Europe's heritage. Therefore, the CAP offers various complementary tools and instruments ensuring that agriculture best meets European citizen's demands.

The CAP is a genuinely European policy as Member States pool resources to operate a single common policy with a single European budget. Article 39 of the **Treaty on the Functioning of the European Union** (TFEU) sets out the CAP objectives: to increase agricultural productivity; to ensure a fair standard of living for the agricultural community; to stabilise markets; to assure the availability of supplies; to ensure that supplies reach consumers at reasonable prices.

Fulfilling these objectives in the light of changing internal and external challenges requires formulating **political priorities** which reflect the specific needs at a given point in time. In order to adapt the CAP to new emerging challenges, the European Commission plays a leading role as policy initiator, supervisor of the policy and manager of the EU budget. In order to deliver on its mission, DG AGRI interacts in an open and transparent way with a large set of **stakeholders** (see graph). The other European institutions (in particular Council and Parliament as co-legislators), national administrations (as managers of the policy under shared management) and the EU-wide organised stakeholders play an important role in DG AGRI's capacity to promote the sustainable development of Europe's agriculture and to ensure the well-being of its rural areas.



The competences in the field of agriculture are **shared between the Union and the Member States**. In that context, DG AGRI has a large scope of activities:

- The CAP is financed through the **European Agricultural Guarantee Fund** (EAGF) and the **European Agricultural Fund for Rural Development** (EAFRD).
- DG AGRI also contributes to the **Instrument for Pre-accession assistance** (through IPARD¹).

¹ Instrument for Pre-Accession Assistance in Rural Development

- DG AGRI programmes and monitors agricultural research; participates in the implementation of the Horizon 2020/Horizon Europe (HE) Framework Programmes for Research and Innovation; implements the HE Mission 'A soil deal for Europe' and three other R&I partnerships on agroecology, animal health and agricultural data; and contributes to the successful implementation of the Circular Bio-based Europe Joint Undertaking.
- The overall policy conception and formulation of the CAP is based on **policy and economic analysis**, evaluation and impact assessments.
- DG AGRI prepares **legislative proposals** and, once adopted, **monitors their implementation** to ensure a harmonised application. The DG is also responsible for various Commission delegated and implementing acts laying down detailed rules, as well as their adaptation over time. DG AGRI also deals with infringements, control of implementation of the acquis, complaints and European Ombudsman inquiries.
- Through its **audit** activities, DG AGRI provides **assurance** that expenditure financed by the EU in the area of agriculture and rural development has been effected in conformity with EU rules.
- DG AGRI contributes to the negotiation and implementation of **international trade agreements**, and manages relations with third countries in the area of agriculture in order to expand our two-way trade for the benefit of our farmers and food producers.

DG AGRI operates in three different **management modes**: shared management (interventions in agricultural markets, direct support, rural development), indirect management (pre-accession measures) as well as direct management (other activities such as studies, promotion, information and communication).

In 2022, DG AGRI related **budget** was around EUR 55.3 billion in voted payment appropriations² (which accounts for around 33% of the overall EU budget³), out of which MFF subheadings 3.1.11 (EAGF) and 3.2.12 (EAFRD), both implemented almost entirely under shared management, accounted for 99.7%. More details can be found in section 2.1.

Concerning its **implementation**, the CAP has **6.3⁴ million beneficiaries**, supported under a variety of **different schemes**. Paying Agencies account for payments to beneficiaries on an annual basis in their accounting and declaration to the Commission. Expenditure declarations from Member States are cleared by the Commission via an **annual financial clearance of accounts** exercise, combined with **conformity clearance procedure**. The details of the CAP management and control systems are described in Section 2 of the AAR.

² Funded under policy area 01 (Research and Innovation), policy area 08 (Agriculture and Maritime Policy), policy area 14 (External Action) and policy area 15 (Pre-accession Assistance).

³ Execution 2022: 23.6% for CAP.

⁴ There were more than 5.9 million beneficiaries under direct support schemes, around 3.5 million beneficiaries under rural development measures and some 0.11 million beneficiaries of market measures in financial year 2022. As a majority of beneficiaries of payments under rural development measures are also beneficiaries of direct payments (but are only counted once when considering total beneficiary numbers), the total number of beneficiaries is lower than the sum of the individual figures.

EXECUTIVE SUMMARY

This Annual Activity Report is a management report of the Director-General of DG AGRI to the College of Commissioners. Annual activity reports are the main instrument of management accountability within the Commission and constitute the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the treaties⁵.

A. Key results and progress towards achieving the Commission's general objectives and department's specific objectives

In the programming period 2020–2024, the activities of DG AGRI focus on the contribution of the Common Agricultural Policy (CAP) to three political priorities of the von der Leyen Commission in particular.

- **The European Green Deal**

2022 was very much overshadowed by the repercussions of the COVID-19 pandemic and even more so by the Russian invasion of Ukraine. This has brought to the forefront food security considerations, both in terms of the EU food security and equally the EU's role and ability in contributing to global food security. The Commission took necessary measures to mitigate the impact of these crises on the EU agri-food sector and to assist in its recovery. Market measures were put in place to counter market imbalances and to support the liquidity of farmers. The Commission also allowed Member States to derogate from certain greening obligations in 2022 to optimize the use of EU arable land potential and to bring additional agricultural land into production. Furthermore, two communications were prepared regarding [safeguarding food security and reinforcing the resilience of food systems](#) and regarding the [availability and affordability of fertilisers](#).

Several short- and medium-term initiatives have also been launched to safeguard global food security, and support Ukraine's farmers and citizens. Among other things, measures included support for a food security strategy for Ukraine. Globally, the EU has reinforced its humanitarian aid assistance to the regions most affected by food insecurity and strengthened its cooperation with affected countries on sustainable agriculture and investment in their agri-food sector. Moreover, the Commission, together with Member States, has redoubled its

Short- and medium-term measures for food security, affordability and farm income

The Commission has presented a range of short-term and medium-term actions to support EU farmers and maintain affordability for most vulnerable citizens.

EU	Member States
<ul style="list-style-type: none">• Fund for European Aid to Most Deprived• €500 million to support most affected farmers• Temporary derogation to bring fallow land into production• Market safety net measures• Temporary Crisis Framework for state aid• Exceptional measure funded by the EAFRD (up to 5% for the years 2021-2022)	<ul style="list-style-type: none">• Use social protection systems and possibility to further reduce VAT rates• Prioritise investments that reduce the dependency on gas and fuel and inputs such as pesticides and fertilisers

The Commission steps up its monitoring of agricultural markets, through monthly notifications by Member States on their levels of stocks of cereals, oilseeds and rice, and through the creation of a dashboard presenting detailed statistics on prices, production, and trade
<https://agridata.ec.europa.eu/extensions/Ukraine/Ukraine.html>

⁵ Article 17(1) of the Treaty on European Union.

engagement in international and multilateral bodies (FAO, G7, G20) to assess the risks to global food security and coordinate relevant policies.

As far as the agricultural policy of the EU is concerned, the Commission succeeded in approving all Member States' CAP Strategic Plans. These Plans are a key element for the implementation of the CAP 2023-2027 and for achieving the goals of the European Green Deal. DG AGRI actively supported Member States in their preparations and their transition to digital-based governance systems. The process of the CAP Strategic Plans' assessment and approval, under extremely tight deadlines, was successful thanks to very intensive and constructive cooperation both within the Commission and notably with relevant Member States' authorities.

On the legislative domain, the review of several marketing standards has been launched. A legislative proposal to transform the Farm Accountancy Data Network into a Farm Sustainable Data Network was adopted in 2022, preceded by a legislative proposal on the revision of the GI system for wine, spirit drinks and agricultural products in March 2022. The implementation of the Organic Action Plan was another of DG AGRI's key activities during 2022. Many of these initiatives contribute to the policy objectives set out in the [Farm to Fork Strategy](#) and its call for a transition to sustainable agricultural practices. They are important to address the challenges ahead, notably in relation to the environmental impact of EU agriculture as well as the need for effective climate mitigation and adaptation actions.

- **A Stronger Europe in the world**

International trade is a key component of the CAP. Accordingly in 2022, DG AGRI pursued trade interests and international outreach with all key trading partners.

The EU further expanded its agri-food trade in 2022. A number of Free Trade Agreements (FTA) have been successfully negotiated and finalised in 2022, which will create new export opportunities for our producers. The Commission engaged actively with our key international partners, in particular the US and Canada, in discussing the implications of the aggression against Ukraine on food security and discussing joint cooperation in mitigating these challenges. At the same time, the EU further enhanced its policy cooperation with developing countries. For instance, progress has been achieved in the implementation of the joint [African Union-EU Rural Transformation Agenda](#), and the 6th AU-EU Summit was held in 2022.

DG AGRI also continued its active involvement in key international fora bearing on agri-food policy. Furthermore, DG AGRI continued to pursue its proactive engagement to protect Europe's food heritage and promote its high quality agri-food products and standards in non-EU countries.

- **A new push for European Democracy**

As follow-up to the Communication on the long-term vision for the EU's rural areas, DG AGRI acted in 2022 as facilitator for the Rural Pact, co-manager of the Rural

Observatory or as co-responsible for the rural proofing process. Furthermore, DG AGRI led several flagships and actions in a number of areas, including research and innovation for rural communities, producer organisations, geographical indications, LEADER or Smart Villages. The EU CAP Network played an important role in supporting the implementation of the Vision and its Action Plan.

The CAP aims to facilitate job creation and maintenance of jobs in rural areas. Rural Development Programmes (2014-2023) continued to support all entities operating in rural areas in order to foster sustainable and inclusive growth in the EU, and to address the rural/urban divide described in the Communication on a long-term vision for the EU's rural areas.

B. Key performance indicators

The four key indicators which monitor the core aspects of the CAP are:

The CAP Key Performance Indicators	Baseline	Target	Impact/Result
1. Agricultural factor income (see Specific Objective 2)	129.4 (Avg 2017-2019)	To increase	162.85 (2022 estimated)
2. EU commodity prices compared to world prices (see Specific Objective 3)	1.14 (2017)	To bring EU prices closer to the world prices	0.96 (2022)
3. Minimum share of land with specific environmental practices/commitments^{6,7} - Share of agricultural area under greening practices (see Specific Objective 6)	75% (2015)	To maintain	78.7% (calendar year 2021)
4. Number of young farmers setting up a farm (see Specific Objective 6)	102 150 (2018)	To increase	169 342 (2021)

⁶ Commitments under this measure have been undertaken for a period of five to seven years as laid down in Regulation (EC) No 1305/2013. The legislative procedure regarding the Commission's legislative proposals on the CAP beyond 2020 has not been concluded in time to allow Member States and the Commission to prepare all elements necessary to apply the new legal framework and the CAP strategic plans as from 1 January 2021, as initially proposed by the Commission. Regulation (EU) 2020/2220 provide for the continued application of the rules of the current CAP framework covering the period 2014 to 2020 until the date of application of the new legal framework covering the period starting on 1 January 2023.

⁷ In addition to the share of agricultural area under greening practices, this KPI consists of the following indicators: Share of area under organic farming; % of agricultural land under management contracts supporting biodiversity and/or landscapes; % of forest area/other wooded land under management contracts supporting biodiversity; % of agricultural land under management contracts to improve water management; % of forestry land under management contracts to improve water management; % of agricultural land under management contracts to prevent soil erosion and to improve soil management; % of forestry land under management contracts to prevent soil erosion and to improve soil management; % of LU concerned by investments in livestock management in view of reducing greenhouse gas and/or ammonia emissions; % of agricultural land under management contracts targeting reduction of greenhouse gas and/or ammonia emissions.

On much of the farmland, "greening" requirements apply at the same time as other environmental practices/commitments. In those cases, the contracts funded by rural development policy build on the environmental benefits of the greening requirements. Likewise, the area figures concerned by rural development support overlap with each other. To avoid double counting, these figures have not been added up.

The key indicator linked to the achievement of the internal control objectives is:

5. Risk remaining to the EU budget after all corrections have been carried out

	Payments made	Prefinancing paid	Cleared prefinancing	Relevant expenditure ¹	Adjusted error rate	Estimated amount at risk at payment	Average financial corrections	Average recoveries	Average recoveries and corrections (in % of relevant expenditure)	Corrective capacity	Estimated final amount at risk ⁽²⁾
	million EUR	million EUR	million EUR	million EUR	%	million EUR			%	million EUR	million EUR
1	2	3	4	5	6	7	8a	8b	8	9	10
				= 2 - 3 + 4		= 5 x 6				= 5 x 8	= 7 - 9
Title 01 Research and Innovation											
0101	Administrative expenditure	0.00	0.00	0.00	0.00	1.00%	0.00	0.00	0.00%	0.00	0.00
Title 02 European Strategic Investments											
0203	Connecting Europe facility (CEF)	0.22	0.00	0.00	0.22	1.00%	0.00	0.00	0.00%	0.00	0.00
Title 03 Single Market											
0302	Single Market Programme	0.12	0.00	0.00	0.12	1.00%	0.00	0.00	0.00%	0.00	0.00
Title 05 Regional Development and Cohesion											
0502	European Regional Development Fund (ERDF)	0.43	0.00	0.00	0.43	1.00%	0.00	0.00	0.00%	0.00	0.00
0503	Cohesion Fund (CF)	0.03	0.00	0.00	0.03	1.00%	0.00	0.00	0.00%	0.00	0.00
Title 11 Border Management											
1101	Administrative expenditure	0.03	0.00	0.00	0.03	1.00%	0.00	0.00	0.00%	0.00	0.00
Title 14 External Action											
1420	Other Actions	4.06	0.00	0.00	4.06	1.00%	0.04	0.00	0.00%	0.00	0.04
Chapter 20 Administrative Expenditure of the European Commission											
2002	Administrative expenditure	0.00	0.00	0.00	0.00	1.00%	0.00	0.00	0.00%	0.00	0.00
2004	ICT expenditure	1.56	0.00	0.00	1.56	1.00%	0.02	0.00	0.00%	0.00	0.02
Title 08 Agriculture and Maritime Policy and Title 15 Pre-Accession Assistance											
SHARED MANAGEMENT											
080203, 080299	Interventions in Agricultural Markets	2 879.99	0.00	0.00	2 879.99	2.90%	83.64	38.69	0.00%	0.00	0.00
080205, 080299	Direct payments	37 963.71	0.00	0.00	37 963.71	1.31%	498.08	425.99	0.00%	0.00	0.00
	EAGF total	40 843.70	0.00	0.00	40 843.70	1.42%	581.72	464.68	93.51	1.37%	558.18
0803	Rural development	15 220.09	0.00	120.83	15 340.92	2.68%	410.87	138.75	101.53	1.57%	240.28
170.59											
INDIRECT MANAGEMENT											
1502	Pre-accession Measures	193.55	0.00	0.00	193.55	0.41%	0.79	0.00	0.00%	0.00	0.79
DIRECT MANAGEMENT											
0801	Administrative expenditure	0.33									
1501	Instrument for Pre-accession Assistance	0.20									
0803, 080299	Rural development	13.73	6.78	6.70	212.46	1.00%	2.12	0.00	0.00%	0.00	2.12
080206	Policy strategy and coordination	194.10									
0820	Other actions	4.17									
Total CAP		56 469.88	6.78	127.52	56 590.63	1.76%	995.51	603.42	195.04	1.41%	798.46
Total DG AGRI		56 476.35	6.78	127.52	56 597.09	1.76%	995.57	603.42	195.04	1.41%	798.46
											197.11
											0.35%
											0.35%

Footnote (1): relevant expenditure includes the payments made, subtracts the new pre-financing paid out and adds the previous pre-financing actually cleared during financial year 2022.

Footnote (2): The estimated final amount at risk corresponds to the overall risk at closure in the Annual Management and Performance Report.

C. Key conclusions on financial management and internal control

In line with the Commission's Internal Control Framework, DG AGRI has assessed its internal control systems during the reporting year and has concluded that it is effective and that the components and principles are present and functioning well overall, but some improvements are needed as a minor deficiency was identified related to Principle 3. Please refer to Annual Activity Report section 2.1.3 for further details.

In addition, DG AGRI has systematically examined the available control results and indicators, including those for supervising entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by the internal auditor and the European Court of Auditors. These elements have been assessed to determine their impact on management's assurance about the achievement of the control objectives. Please refer to Section 2.1 for further details.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated. Necessary improvements and reinforcements are being implemented. The Director-General, in his capacity as Authorising Officer by Delegation, has signed the Declaration of Assurance, albeit qualified by the following reservations:

- **ABB02 – Payments made on Market Measures:** 3 aid schemes comprising 2 Member States and 1 horizontal (4 elements of reservation): Czech Republic, France (one horizontal reservation for 3 aid schemes) and Italy (2 aid schemes);

- **ABB03 – Payments made on Direct Payments:** 14 Paying Agencies, comprising 11 Member States: Germany (1 Paying Agency), Croatia, Estonia, France (2 Paying Agencies), Greece, Hungary, Italy (2 Paying Agencies), the Netherlands, Portugal, Slovakia and Spain (2 Paying Agencies);
- **ABB04 – Payments made on Rural Development:** 29 Paying Agencies, comprising 16 Member States: Austria, Belgium (1 Paying Agency), Bulgaria, Croatia, Denmark, Germany (7 Paying Agencies), Estonia, France (2 Paying Agencies), Hungary, Italy (2 Paying Agencies), Portugal, Romania, Sweden, Slovakia, Spain (5 Paying Agencies) and the United Kingdom (2 Paying Agencies).

D. Provision of information to the Commissioner(s)

In the context of the regular meetings / exchanges during the year between DG AGRI and the Commissioner on management matters, the main elements of this report and assurance declaration, including the reservations envisaged, have been brought to the attention of Commissioner Wojciechowski, responsible for Agriculture, through written consultation on 19 April 2023.

1. KEY RESULTS AND PROGRESS TOWARDS ACHIEVING THE COMMISSION'S GENERAL OBJECTIVES AND SPECIFIC OBJECTIVES OF THE DEPARTMENT

General objective "A European Green Deal"⁸

Specific objective 1: Modernised and simplified Common Agricultural Policy framework is put in place and implemented

The [CAP Strategic Plan Regulation](#)⁹, covering the main support schemes in both the first and the second pillar of the Common Agricultural Policy (CAP), is a central feature of the CAP reform agreed by the European Parliament and the Council in December 2021. EU Member States will implement the CAP 2023-2027 through national **CAP Strategic Plans**. Each Plan will combine a wide range of targeted interventions addressing the specific needs of that EU country and aims to deliver tangible results in relation to EU-level objectives. The assessment¹⁰ and approval process of these CAP Strategic Plans were one of the main activities of DG AGRI in 2022. Between the end of 2021 and 17 March 2022, the Commission received all 28¹¹ CAP Strategic Plans. By the end of May 2022, the Commission had formulated its appraisal of each CAP Strategic Plan in observation letters. The letters identified elements of the proposed plans that required further explanation, completion or adjustment before the Commission could approve them. During the **assessment and approval process of the CAP Strategic Plans**, DG AGRI cooperated closely with other DGs which were actively involved (for their area of expertise) in the structured dialogue with Member States. As a result of the enhanced cooperation and coordination within the Commission, Member States received comprehensive support in the preparation of their CAP Strategic Plans, thereby facilitating the approval process.

Moreover, as the context in which Member States designed their draft Plans had substantially changed with the Russian invasion of Ukraine, and in light of the climate and biodiversity crises, Member States were requested to specifically review their CAP Strategic Plans to exploit all opportunities to strengthen the EU's agricultural sector resilience, to reduce their dependence on synthetic fertilisers and to scale up the production of renewable energy without undermining food production; and to transform their production capacity in line with more sustainable production methods. The observation letters were

⁸ The annex provides more details on other envisaged / achieved outputs in 2021 for the specific objectives under this general objective (page 32 ff).

⁹ Regulation (EU) 2021/2115 of the European Parliament and of the Council of 2 December 2021 establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulations (EU) No 1305/2013 and (EU) No 1307/2013

¹⁰ The assessment process also took into account recent ECA recommendations, issued for instance in the context of Special Report No 16/2021 Common Agricultural Policy and climate: Half of EU climate spending but farm emissions are not decreasing, Special Report No 20/2021 Sustainable water use in agriculture: CAP funds more likely to promote greater rather than more efficient water use, and Special Report No 13/2020 Biodiversity on farmland CAP contribution has not halted the decline.

¹¹ BE submitted one plan for Flanders and one for Wallonia.

followed by intensive discussions with Member States regarding necessary changes. By the end of summer 2022, the Commission approved the first revised plans; the last plan was approved in December. The approval process involved close cooperation between different Commission services and was marked by transparency: observation letters and – in agreement with Member States – (draft) Strategic Plans were made public. Moreover, the Commission created an overview of the content of the draft plans and observation letters, published fact sheets ('At a glance') on each of the approved Strategic Plans, as well as [an overview](#) of the content of the letters, which summarises the key elements of the 28 proposed plans and the related observations which were made for each country.

The Commission launched a study to map the content of the 28 CAP Strategic Plans in a detailed way, with a view to support the preparation of a summary report¹² to the European Parliament and the Council on the Member States' CAP Strategic Plans, including their combined contribution to achieving the environmental and climate-related commitments of the Union. In addition, the study is intended to provide a stock-taking of the CAP Strategic Plans' support for rural areas, and to examine certain specific aspects of the CAP Strategic Plans (livestock sector, small and medium sized farms and input autonomy).

In view of the **performance orientation** of the CAP 2023-2027 and in order to ensure adequate monitoring and evaluation of all CAP areas, the Commission closely cooperated with Member States and published [Implementing Regulation \(EU\) 2022/1475](#)¹³ in September 2022. [Indicator fiches](#) on output/result, context and impact indicators were published together with the related guidance and are regularly updated. The European Evaluation Helpdesk provided further support to Member States' evaluation activities through capacity building, guidance, methodological support and dissemination of evaluation-related information and Member States' good practices.

The new focus on performance is also reflected in the use of the Integrated Administration and Control System (IACS). While IACS remains the main tool to administer CAP support to farmers on Member State level, it will deliver for the Commission on area-related interventions the information needed to assess if Member States' performance is as stipulated in the approved Strategic Plans. In 2022, the Commission provided support on the implementation of the Area Monitoring System (AMS), which is the new compulsory IACS element. Furthermore, the Commission provided guidance to Member States on a Union-wide harmonized methodology for the AMS, the Geo-spatial aid application system (GSA) and the Land Parcels Identification System (LPIS).

DG AGRI continued in 2022 to actively support Member States in their transition to **digital-based governance** systems, using automation and artificial intelligence solutions. Notably, the IACS secondary legislation adopted in 2022 foresees the mandatory use of new technological tools based on earth-observation (e.g. Copernicus satellite imagery) and

¹² Article 141.2 of the Strategic Plan Regulation

¹³ Commission Implementing Regulation (EU) 2022/1475 of 6 September 2022 laying down detailed rules for implementation of Regulation (EU) 2021/2115 of the European Parliament and of the Council as regards the evaluation of the CAP Strategic Plans and the provision of information for monitoring and evaluation

geotagged photos. Furthermore, in light of Member States' obligation to perform the IACS-related quality assessments (QA), the Commission arranged for a centralised acquisition of very high-resolution satellite data to be distributed in 2023.

Specific objective 2: Support viable farm income and resilience across the Union to enhance food security through the CAP

The CAP 2023-2027 aims to support the transition of the agri-food sector towards a more sustainable, competitive, resilient and diversified agricultural sector, while ensuring **long-term food security**. An agri-food sector less reliant on external inputs, more resource-efficient and positively supporting the climate and environment on which it depends is by definition more resilient and capable to absorb potential shocks. Environmental sustainability is therefore fundamental for food security. Recent crises have demonstrated that well-designed sustainability initiatives also need to consider economic and social sustainability objectives and strive for an optimal balance between improved environmental and climate performance of the food system and its contribution to global food security at all times. The backdrop of the global economic disruptions stemming from the COVID-19 pandemic and the Russian invasion of Ukraine had negative implications for the supply of key agricultural commodities and inputs. Ensuring food availability and food access by consumers at reasonable prices¹⁴, came back to the forefront of the political debate.

Following Russia's unprovoked invasion of Ukraine, which strongly affected global agricultural commodity markets, the European Commission adopted on 23 March 2022 a [Communication on safeguarding food security and reinforcing the resilience of food systems](#). A support package of EUR 500 million for most affected EU farmers for which the crisis reserve was mobilised for the first time; and a derogation to 'greening' rules to allow for the production of crops for food and feed purposes on fallow land in 2022 were also adopted. Furthermore, the Commission put in place an exceptional measure allowing to allocate up to 5% of EAFRD support to the support of liquidity of farmers and SMEs and rolled over a number of flexibilities in sectoral interventions.

In light of ongoing uncertainty, and the need to avoid risks, notably as to the production of wheat, a further derogation from the 2023 conditionality rules was adopted. Moreover, the ongoing energy crisis caused by Russia's invasion of Ukraine strongly affected global mineral fertiliser and energy markets, which weighed on global food security and food prices. Against this background, the European Commission adopted on 9 November 2022 a [Communication on ensuring availability and affordability of fertilisers](#). The Communication outlined actions to maintain a sustainable EU fertilisers' production, mitigate short-term



¹⁴ Objectives set out in Article 39 of the Treaty on the Functioning of the European Union.

economic difficulties through financial support to farmers and the fertilisers industry, reduce dependencies, support vulnerable countries and improve global food security.

DG AGRI facilitated and supported Member States in the consistent planning and future implementation of interventions set in the CAP Strategic Plans supporting viable farm income and resilience. These interventions included amongst others direct payments to be allocated to farmers according to their different income needs depending on their physical size and sector, payments in areas with natural constraints and risk management interventions. The rules and mechanisms for the delivery of these instruments were put in place at all levels (EU and national), which ensures that support is channelled to farmers in a consistent, efficient and regular way as well as in a timely manner.

Directly after the inception of the Solidarity Lanes Action Plan in May 2022, DG AGRI took on a supporting role in providing data on grains storage facilities as well as a coordinating role among Member States' authorities in charge of grains trade. This also applies to international institutions and third countries offering assistance. Outreach was also done towards grains traders' organisations to use opportunities provided by Solidarity Lanes for their trade. Furthermore, the DG assumed a supporting role in terms of analysing market circumstances and providing trade data in the latter half of 2022.

The newly created **European Food Security Crisis preparedness and response Mechanism** (EFSCM)¹⁵ has provided a platform to swiftly gather all relevant actors and to discuss issues related to EU food supply and food security. To enhance the monitoring and assessment of food supply and food security in the EU, a [dashboard](#)¹⁶ including an alert system has been released. More generally, the Commission, with the contribution of many DGs including DG AGRI, prepared a [staff working document](#) providing an analysis on the main drivers affecting food security, from both the supply and demand side. Using an evidence-based approach, this analysis provides a factual assessment of the key drivers and their interlinkages, with the aim to inform the ongoing policy debate.

Specific objective 3: Enhance market orientation and increase competitiveness, including greater focus on research, innovation, technology and digitalization

Research and innovation (R&I) is recognised as a key enabler for the green and **digital transition** of our society as set by the policy priorities of the Commission. In 2022, R&I confirmed its key role¹⁷ by providing framing, advice and technological solutions to food security, fertilizer crisis and climate change related challenges. In the R&I area, DG AGRI has ensured programming and monitoring of topics and projects under the R&I framework programmes (Horizon 2020, Horizon Europe (HE)), and contributed to the building of the overall HE governance in its role as both research and policy DG. In particular, DG AGRI has been co-chairing and coordinating the planning and programming of Cluster 6 "Food,

¹⁵ The EFSCM is composed of Member States, non-EU countries, whose food systems are highly integrated into that of the EU as well as stakeholders' organisations representing all stages of the food supply chain including input providers, packaging and transport operators.

¹⁶ <https://agridata.ec.europa.eu/extensions/DataPortal/food-supply-security.html>

¹⁷ Cf report [Stocktaking and future developments](#)

Bioeconomy, Natural Resources, Agriculture and Environment" research actions, together with DG ENV and RTD. DG AGRI also dedicated particular attention to the deployment of R&I solutions by CAP beneficiaries, for example with the support of advisory networks' setting up. The preparation of HE 2025-2027 Strategic Planning started in 2022. DG AGRI ensured, as Mission manager and secretariat of HE Mission 'A Soil deal for Europe', the successful implementation of this large initiative, rooted in R&I but with links to many other policy areas and instruments like the CAP, the [Soil Strategy](#) and Soil Health Law, LIFE, regional funds, etc.

Digitalisation and technological tools help increasing the competitiveness and sustainability performance of the agricultural sector and rural areas. DG AGRI has ensured that the digitalisation component is taken up by the Member States in their CAP Strategic Plans. DG AGRI closely monitors the development of strategic and legal initiatives under the headline ambition of a "Digital Age", including the Data Governance Act, Data Act and the Act on Artificial Intelligence, ensuring that specificities of the agricultural sector are taken into account. In cooperation with other DGs, DG AGRI has programmed initiatives in the field of digital and data technologies to create an environment to boost the digital transformation in the agricultural sector including initiatives for the roll-out of the Common European Agricultural Data Space and increased interoperability under the Digital Europe Programme. Together with JRC, DG AGRI has also launched a foresight study on the long-term implications of digital transition for farmers and rural communities .

The EAFRD has made an important contribution to supporting broadband infrastructure and various ICT¹⁸ solutions in rural areas. This had positive effects on the quality of life of EU citizens (see also SO12). Furthermore, rural development interventions and more particularly productive investments under the CAP Strategic Plans effectively contribute to increasing competitiveness of farmers by helping them to modernize. In 2022, DG AGRI helped Member States in planning and implementing effective interventions under the CAP Strategic Plans in synergy with other economic interventions. DG AGRI also provided technical guidance to Member States to develop new control systems (see also SO1).

DG AGRI ensured that Member States had the necessary data available for their controls by remote sensing and Checks by Monitoring (Checks by Monitoring covered 24.55 % of area in 2022), all facilitated by new technology.

The [Commission evaluation on the CAP's impact on knowledge exchange and advisory activities](#) showed that the CAP was effective in addressing the objective of creating knowledge exchange, fostering advisory activities and innovation and helping build knowledge, in particular on technology, cross-compliance and environmental sustainability. Advisory services contributed to farmers' lifelong learning, but Member States' responses to the obligation to establish a Farm Advisory System have varied. The evaluation also confirmed that CAP instruments and measures contributed to Member State Agricultural

¹⁸ Information and Communication Technology

Knowledge and Innovation Systems (AKIS), however coherence between the EU measures was lacking.

Specific objective 4: Improve the farmers' position in the value chain notably through the CAP

In general, farmers are the most vulnerable link in the **value chain**, taking into account their smaller economic size, lack of capital, weaker credit opportunities or possibilities to invest, as well as the strong dependency on external factors such as weather and the perishable nature of their products. This impacts for instance their bargaining power, further weakening their situation. The [CAP Strategic Plan Regulation](#) foresees support for farmers to organise themselves, invest and modernize. DG AGRI supported Member States in planning effective sectoral programmes in the fruit and vegetables, wine, olive oil, apiculture, hops sectors as well as other sectors.

With regard to the implementation of [Directive \(EU\) 2019/633](#) on **unfair trading practices**, DG AGRI completed the transposition check for all Member States in 2022. The compliance check is ongoing. Enforcement actions have been launched for 16 Member States, and active collaboration between the national enforcement authorities in the UTP enforcement network has been put in place.

In 2022, DG AGRI, in collaboration with DG COMP, carried out a call for evidence and a public consultation on guidelines on the antitrust derogation for sustainability agreements in agriculture. A second forum on best practices in the food supply chain took place in 2022, where the new [CMO](#)¹⁹ exception to competition rules for sustainability agreements in the food supply chain was promoted. Moreover, a study dedicated to the mapping of vulnerabilities and critical infrastructure in the food chain has been launched in 2022. The "[Synthesis of evaluation reports from Member States regarding their national strategies for sustainable 2013-2018 operational programmes in the fruit and vegetables sector](#)" confirmed the added value of this sectoral EU policy in reinforcing the position of the fruit and vegetable producers in the supply chain.

During 2022, the Commission continued to register **geographical indications** (GIs) of wine, spirit drinks and agricultural products to be

protected across the Union. At the end of the year, the EU GI register included 3 495 names. In addition, in line with the Commission's [Farm to Fork Strategy](#) and the [Intellectual Property Action Plan](#), the Commission adopted on 31 March 2022 a [legislative proposal](#) on the revision of the GI system for wine, spirit drinks and agricultural products. This initiative, backed by an impact assessment, aims at improving sustainable production of GI products, enforcement of GI policy, empowering GI producer groups, reducing internet theft,



EU added value: EU quality schemes

¹⁹ Regulation (EU) 2021/2117 of the European Parliament and of the Council of 2 December 2021 amending Regulations (EU) No 1308/2013 establishing a common organisation of the markets in agricultural products, (EU) No 1151/2012 on quality schemes for agricultural products and foodstuffs, (EU) No 251/2014 on the definition, description, presentation, labelling and the protection of geographical indications of aromatised wine products and (EU) No 228/2013 laying down specific measures for agriculture in the outermost regions of the Union.

better tailoring schemes to producers in all EU regions and speeding up registration procedures, as well as reviewing ways to promote and protect the EU traditional foods. Further development of EU quality schemes would allow strengthening cooperation between producers, increasing their bargaining position in the value chain, and therefore generating more added value. The political agreement on the legislative proposal is expected by the end of 2023.

Specific objective 5: In line with the Farm to Fork Strategy, improve the response of EU agriculture to societal demands on food and health, including safe, nutritious and sustainable food, food waste, as well as animal welfare through the CAP

As demonstrated by the extraordinary global situation with regard to food security, the EU needs to continue the transition to a **resilient and sustainable agricultural sector** in line with the [Farm to Fork](#) and [Biodiversity](#) Strategies. As part of the Commission's Farm to Fork Strategy which aims to accelerate the transition to a sustainable food system, several key initiatives were carried out in 2022.

In the area of agricultural marketing standards, the Commission continued its work on the revision of existing marketing standards for several sectors and products and adopting new ones (for cider/pulses). The revision will address multiple objectives: modernising and adapting standards reflecting changes in methods of production or consumers' expectations; promoting more sustainable ways of producing agri-food destined to more informed consumers, as envisaged in the Farm to Fork Strategy; simplifying the current regulations and complete the alignment of marketing standards with the provisions of the Treaty of Lisbon. Based on an inception impact assessment and a public consultation in 2021, the impact assessment was submitted and scrutinised by the Regulatory Scrutiny Board in 2022.

To reach the target of both 25% of EU agricultural land under **organic farming** by 2030 and a significant increase in organic aquaculture, as spelled out in both the Farm to Fork Strategy and the Biodiversity Strategy, the European Commission continued implementing in 2022 the [Action Plan for the Development of Organic Production](#). This Action Plan aims at increasing the consumption and production of organic products and at enhancing further the sustainability of organic production. The implementation of this Action Plan is in full swing. Key actions in 2022 included liaising with Member States to maximise the place of organics in their national Strategic Plans for the next Common Agricultural Policy or handing out the first ever EU organic awards.

Additional secondary legislation associated with the [new organic basic regulation](#)²⁰ was adopted in 2022. This comprises a number of implementing and delegated acts on different issues, including production and labelling rules, control rules and trade rules. It

²⁰ Regulation (EU) 2018/848 of the European Parliament and of the Council of 30 May 2018 on organic production and labelling of organic products and repealing Council Regulation (EC) No 834/2007

harmonises and clarifies several aspects of the organic legislation while simplifying certain control rules to attract small farmers to the scheme.

DG AGRI, DG ENV, DG MARE, with DG SANTE in the lead, contributed to the preparation of a legislative proposal for a **framework for a sustainable food system**. To achieve the transition towards more sustainable food system for the EU, the framework law will lay the foundations and will function as a policy enabler, establishing common definitions, general principles, and objectives to underpin future food-related policies. Within this framework, there will also be an important part dedicated to the sustainability labelling, to inform consumers about the three sustainability dimensions of food they consume, namely the environmental, social and economic impact. This labelling initiative should enable consumers to make sustainable choices, and also help operators, including farmers, to have a just and inclusive transition. DG AGRI has been actively involved in the preparation of the impact assessment, with a particular focus on the development of policy options in relation to the minimum requirements, sustainability label and procurement, as well as on the definition of the governance mechanisms proposed by the framework law.

In addition, DG AGRI was heavily involved in the preparation of a number of policy initiatives under the leadership of DG SANTE, which have been announced in the Farm to Fork Strategy. These include, in particular, the revision of the rules on labelling of nutrition information (for front of pack nutrition labelling), the revision of the animal welfare acquis, new genomic techniques as well as the preparation of a legislative proposal on food waste.

A comprehensive review of the **EU agri-food promotion policy** objectives and its regulatory framework was launched in 2021 with a view to enhancing its contribution to sustainable production and consumption, and in line with the evolving diets, in accordance with the EU's Farm to Fork Strategy and with the CAP 2023-2027. This includes support for promotion campaigns to increase consumption of fresh fruits and vegetables in the context of healthy, balanced diets, promotion of the sustainable attributes of EU agri-food products and the promotion of EU organic products. An impact assessment was completed in March 2022 as the basis for a future legislative proposal. The impact assessment analysed social, economic and environmental impacts of the different policy options to enhance the contribution of the promotion policy to sustainable production and consumption, and in line with the evolving diets. In addition, the impact assessment examined different implementation options beyond the current model of direct management and shared management.

During the CAP Strategic Plans negotiations (see SO1), the issues of **nutrition, food waste, animal welfare** and the use of **antimicrobials** in livestock were consistently raised with all Member States. For nutrition, food waste and reducing the use of antimicrobials in livestock, most Member States provided information demonstrating that the issues are dealt with outside the CAP framework through appropriate national policies. For animal welfare, Member States have prioritised support aiming at anticipating the future non-cage farming for egg production. CAP Strategic Plans integrate actions improving the welfare of pigs, in particular addressing the avoidance of the tail-docking practices and increasing the biosecurity of farms in relation to African swine fever.

The Commission allocated EUR 2.9 million towards catering for the needs of displaced Ukrainian children in EU schools. It followed a call for solidarity among Member States, inviting them to review their requests in light of the unprecedented situation brought about by Russia's invasion of Ukraine.

In 2022, DG AGRI organized the public consultation regarding the review of the EU school scheme and started the preparations for the impact assessment of this review. The [evaluation support study on the EU school fruit, vegetables and milk scheme](#) showed that the EU school scheme is relevant in relation to its main objectives of "increasing children's consumption of selected agricultural products" and "improving children's eating habits".

Specific objective 6: Contribute to addressing climate change, protecting natural resources and preserving biodiversity through the CAP

Achieving a higher environmental ambition and supporting climate change mitigation and adaptation is the cornerstone of the CAP 2023-2027. The CAP Strategic Plans approved in 2022 are crucial to guarantee that the CAP can successfully contribute to address **climate change**, the protection of **natural resources** and **biodiversity**.



In this respect, DG AGRI assessed whether the CAP Strategic Plans contribute to, and are consistent with, EU legislation and commitments in relation to climate and the environment, including those laid out in the [Farm to Fork](#) and [Biodiversity](#) Strategies, and discussed these aspects of the CAP Strategic Plans with the Member States before approval.

In 2022, DG AGRI **closely cooperated with** other Commission services, in particular DG CLIMA and DG ENV, actively supporting the preparatory stages of various Green Deal initiatives, such as the revised [Industrial Emissions Directive](#) (April 2022), the [Nature Restoration Law](#) (June 2022), the [Sustainable Use of Pesticides Regulation](#) (June 2022), the revised [Packaging and Packaging Waste Directive](#) (November 2022) or the [Carbon Removals Certification Regulation](#) (November 2022).

On the international side, DG AGRI participated in the 27th Conference of the Parties (COP27) of the [UNFCCC](#)²¹, held in Sharm El Sheik from 7 to 18 November 2022. Agriculture issues were discussed in the Koronivia Joint Work on Agriculture (KJWA), which covers a range of interrelated topics such as soil, livestock, nutrient and water management, food security and the socioeconomic impacts of climate change across agriculture. The conclusions reached at COP27 contain explicit references to greenhouse gas reduction in agriculture, sustainable agricultural production and the links between climate change and animal welfare.

In June 2022, the Commission adopted a [legislative proposal](#) to transform the Farm Accountancy Data Network into a **Farm Sustainable Data Network**. It will expand the scope of the current network collecting data on EU farms to include data on their

²¹ United Nations Framework Convention on Climate Change

environmental and social practices. With this new data collection, it will be possible to benchmark farm performance and give farmers tailored advice and guidance. This will improve the sustainability of farmers, including their incomes, in line with the objectives of the CAP, the Green Deal and its Farm to Fork and Biodiversity Strategies. The proposal is under negotiation with the Council and the European Parliament.

Since its launch in October 2022, the **EU CAP Network** became a key platform for involving a broad range of stakeholders and sharing information on implementation of the rural development segment of the CAP, facilitating exchanges between stakeholders and covering all aspects of the CAP Strategic Plans.

Under the **Land Parcels Identification System** (LPIS), DG AGRI oversees Member States' efforts in maintaining reliable and up-to-date registers of agricultural areas. The registers must ensure mapping features of environmental and climate value, enabling their protection especially in areas like peatland and wetland but also landscape features. Member States may go further and cover also other elements, e.g. Natura 2000 areas. DG AGRI actively supported Member States in 2022 in their work on LPIS with general guidance and bilateral exchanges. Focus was on evaluating the LPIS Quality Assessments, a mandatory self-assessment that Member States have to perform annually on their LPIS and providing feed-back on the results of this assessment.

Specific objective 7: Preparation and implementation of the EU Forest Strategy and fostering sustainable forestry through the CAP

A **New EU Forest Strategy** was adopted in July 2021, as a flagship initiative of the European Green Deal. The Strategy provides the framework for the forests to deliver on their share to our environmental ambition, but also to secure livelihoods in rural areas and to support a sustainable forest bioeconomy, by securing growing, healthy, and resilient forests in the EU. During the CAP Strategic Plan process and addressing recent ECA findings²², DG AGRI assessed whether the requirements at EU level for funded forestry actions are fulfilled and whether the designed interventions are based on the SWOT and needs assessment. Furthermore, DG AGRI assessed that forestry measures supported under the EAFRD are in line with the principles of sustainable forest management, taking into account the multi-functionality of forests.

On this basis, the Commission has developed or currently develops a number of guidance documents: Guidelines on biodiversity-friendly afforestation, reforestation and tree planting, Guidelines on closer to nature forestry practices, Guidelines for Defining, Mapping, Monitoring and Strictly Protecting EU Primary and Old-Growth Forests. These guidance documents have been developed in the Working Group on Forest and Nature led by DG ENV, and DG AGRI actively contributed. Furthermore, DG AGRI is leading the development of a Guidance on the development of public and private payments schemes for forest ecosystem services, in close cooperation with DG ENV, CLIMA, JRC, COMP and other

²² Special Report No 21/2021: EU funding for biodiversity and climate change in EU forests: positive but limited results

services. Following the commitment in the Strategy to update the EU forest governance, the Commission (DG AGRI and DG ENV as co-leads) is currently preparing a Commission Proposal to amend the [1989 Council Decision](#)²³ establishing the Standing Forest Committee. The Commission proposal is expected to be adopted in the second quarter of 2023. Furthermore, the Commission (DG AGRI and DG ENV as co-leads) established a single stakeholder platform, the expert group 'Forest and Forestry Stakeholder Platform', to assist the Commission's services in the implementation of the EU Forest Strategy for 2030.

Under the CAP, the reported area supported for afforestation and creation of woodland, including agroforestry (Result indicator 7.2) up to 2021 was 160 750 ha for afforestation and creation of woodland and 4 419 ha for agroforestry systems²⁴. The data show that the target of maintaining the 2018 levels could not be met. This low implementation of afforestation and agroforestry measures was reflected in amendments to the RDPs of Member States. Reasons for the low implementation include strict environmental restrictions (e.g. tree species selection, exclusion of afforestation from open habitats etc) and high administrative burden. It should be noted that afforestation is voluntary for land owners.

External communication activities in 2022



In 2022, DG AGRI fully delivered on the communication objectives linked to its political priorities, with an array of tools ranging from conferences to grants, including podcasts and videos, web content, social media and media activities. It promoted new initiatives or tools through the various channels of external communication, addressing a targeted or a wider audience as necessary. DG AGRI also closely monitored and evaluated the impact of such activities. A detailed description of the external communication actions undertaken in 2022 to achieve the delivery of the different objectives can be found in Annex 2.

²³ [Council Decision 89/367/EEC setting-up a Standing Forestry Committee](#)
²⁴ 2021 data from Annual Implementation Reports.

General objective "A stronger Europe in the world"²⁵

Specific objective 8: Contribute to the successful conclusion of (ongoing) negotiations on international agreements, ensure the effective implementation of existing agreements (incl. maintenance of trade flows and market openness) and build a strategic relationship with Africa in the agri-food sector

In 2022, DG AGRI continued to play a key role in the EU's **external trade** and **cooperation** as regards the agri-food sector and the global agri-food value chain.

Throughout 2022, DG AGRI's work was impacted by the effects of Russia's illegal war of aggression against Ukraine that had pushed global food prices to new historical record levels and severely aggravated the situation of net food importing countries highly dependent on grain exports from Ukraine and Russia. The impact was particularly felt by vulnerable parts of population, increasing significantly the number of food insecure people. In addition, the invasion impacted fuel and energy prices which in turn dramatically increased the price of agricultural inputs and reduced their affordability - mainly fertilisers.

The Russian attack removed almost overnight Ukraine's access to the Black Sea trading routes for exporting its agricultural products. Since the beginning of the war, the EU has been one of the strongest supporters of Ukraine. In the agricultural sector, DG AGRI has contributed to the adoption of the [Autonomous Trade Measures](#) giving all Ukrainian goods one-year duty-free access to the EU market. The implementation of the Solidarity Lanes initiative aimed at facilitating the export of Ukrainian goods via alternative trading routes.

DG AGRI continued to be actively involved in key **international and multilateral fora** bearing on agri-food policy, such as the Food and Agriculture Organisation of the United Nations (FAO), the Agricultural Ministerial meeting of the Organisation for Economic Co-operation and Development (OECD), the agricultural work streams in the Group of 7 (G7), Group of 20 (G20) and Global Forum for Food and Agriculture (GFFA), as well as the World Trade Organisation (WTO). DG AGRI contributed to the regular work as well as food insecurity-related activities of the WTO, in particular the outcome of the 12th WTO Ministerial Conference (June 2022) which led to extensive discussions aimed at preparing a work programme on food security. DG AGRI actively supported FAO to deliver on the mandate to combat food insecurity and move towards the goal of reaching UN Sustainable Development Goal 2 "Zero Hunger".

In the context of the EU's [Farm to Fork Strategy](#), DG AGRI continued to actively engage with the EU's trading partners in order to ensure the fulfilment of the Strategy's very ambitious objectives and our partners' understanding of its global goals. DG AGRI also contributed to successful **negotiations** with bilateral and multilateral partners²⁶, and continued efforts to

²⁵ The annex provides more details on other envisaged / achieved outputs in 2021 for the specific objectives under this general objective (page 47 ff).

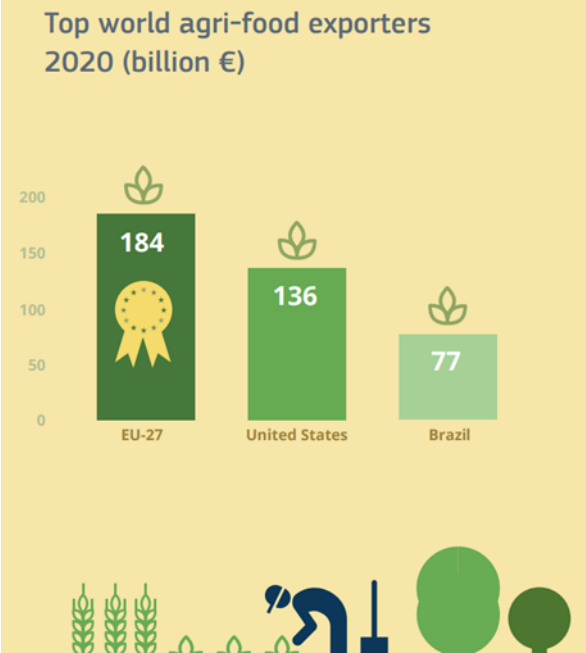
²⁶ Such as New Zealand, Chile, Australia, Mercosur, Indonesia, Eastern and Southern Africa, India

ensure proper implementation and enforcement of existing FTAs²⁷. Finally, 2022 was the first year of operation of the Cooperative Platform on Agriculture with the US that led to the organisation of several technical seminars and the "CPA week" in December in Brussels that permitted intensive exchanges between US and EU farm stakeholders and public authorities.

While the Trade and Cooperation Agreement functions well, relations with the **UK** remained difficult throughout 2022 due to the UK refusal to uphold its legal obligations under the Protocol on Northern Ireland attached to the Withdrawal Agreement. DG AGRI contribution in this regard was twofold: 1) providing inputs to the relevant infringement procedure and 2) identifying and discussing with the UK possible long-term solutions to the Protocol implementation issues in the agricultural sector. Furthermore, significant progress was made in the talks with the UK in view of a Customs Union with Gibraltar.

Overall, the EU's agri-food exports continued to grow in 2022. This was particularly the case in the EU neighbourhood, which accounted for more than 1/3 of EU agri-food exports, despite some hindrances to trade.

Further afield, the **EU-African Union (AU)** cooperation on agriculture advanced swiftly while also aligning to the political priorities arisen from the 6th AU-EU Summit (February 2022) and the College-to-College meeting. Under the joint AU-EU Rural Transformation Agenda, DG AGRI has made progress for a number of actions.



For the apportionment of WTO tariff rate quotas between the EU and UK following the latter's withdrawal, DG AGRI made good progress by formally concluding and implementing the agreements with a number of countries²⁸. The EU is finalising negotiations with several other partners. From an EU internal perspective, a series of Delegated and Implementing Acts were adopted with regard to changes in WTO import quotas and their administration.

DG AGRI also participated in the drafting of the Commission report on the application of EU health and environmental production standards to imported agricultural and agri-food products, confirming that, when taking measures related to health, environmental protection or ethical concerns to imported products, the EU can act in compliance with WTO rules, as the measures are non-discriminatory and necessary to achieve these legitimate policy objectives.

²⁷ In particular with Canada, the Andean Community, Central America, Japan, Korea, Singapore, Vietnam and the South African Development Community (SADC) as well as of the GI Agreement with China

²⁸ Argentina, Australia, Cuba, Indonesia, Norway and Thailand. The agreements with New Zealand and USA have been formally signed and they are currently in the process of being ratified. Agreements have been reached with Brazil, Chile and Pakistan

In the course of 2022, the EU made voluntary submissions to the WTO of ad hoc reports on COVID-19 measures adopted by the EU and its Member States in order to provide transparent information to other WTO Members. The reports included a list of measures approved by the European Commission and Member States' measures under EU state aid rules, which the Commission approved under the Temporary Framework to support the economy in the context of the COVID-19 pandemic.

As for **organics**, contacts were pursued with the 11 third countries with which the EU currently has equivalences based on unilateral recognitions with a view to concluding international agreements on trade in organic products²⁹. Such equivalences will expire on 31 December 2026. In addition, the Commission obtained authorisation from the Council to open negotiations for equivalences based on trade agreements with Colombia and Mexico³⁰. Contacts with these countries will be launched in 2023.

The trade regime under the [CMO](#) (rules concerning **Tariff Rate Quotas** and licences), was adapted several times in 2022 to cater for specific concerns of partners in some sectors and to implement international agreements. With a view to facilitate trade, DG AGRI continued its efforts of integration to the customs single window environment of the related agricultural procedures by signing memoranda of understanding with DG TAXUD and DG SANTE in 2022.

Specific objective 9: Promote Europe's high quality agri-food standards worldwide (incl. strengthening the system of geographical indications)

In 2022, DG AGRI continued to pursue its proactive engagement to protect Europe's food heritage and promote its **high quality agri-food products** and standards in non-EU countries, including through bilateral agreements. The DG implemented its promotion policy for EU agri-food products around the world. Two calls for proposals were published in January 2022. Furthermore, several measures at the Commission's own initiative were implemented, such as promotion campaigns, online promotion seminars or the production of market entry handbooks.

DG AGRI coordinated the substantial EU contribution to the amendment of the Common Regulations under the **Lisbon Agreement** for the Protection of Appellations of Origin and their International Registration and the Geneva Act of the Lisbon Agreement on Appellations of Origin and Geographical Indications in the World Intellectual Property Organization (WIPO). The amendments were adopted at the WIPO General Assemblies on 20 July 2022 and entered into force on 1 January 2023. They provide practical solutions to facilitate administrative work for the benefit of States, operators and the WIPO Secretariat. This is a major step in the development of the Geneva Act, aiming at opening it to the greatest number of Members, with the objective to create a true global international

²⁹ Council Decision (EU) 2021/1345 of 28 June 2021 authorising the opening of negotiations with Argentina, Australia, Canada, Costa Rica, India, Israel, Japan, New Zealand, South Korea, Tunisia and the United States with a view to concluding agreements on trade in organic products

³⁰ Council Decision (EU) 2022/2341 of 21 November 2022 amending Decision (EU) 2021/1345 as regards authorising the opening of negotiations with Colombia and Mexico with a view to concluding agreements on trade in organic products

register for GIs. The implementation of the Geneva Act in the EU included three main aspects: 1) Registration of EU GIs under the Geneva Act; 2) Transition to the Geneva Act of the Appellations of Origin protected under the Lisbon Agreement in the name of the seven Member States already member of the Lisbon Agreement³¹; 3) Protection of the GIs registered under the Geneva Act by non-EU countries. In April 2022, the Commission submitted 25 GI applications for the international registration of GIs protected and registered under Union law based.

Specific objective 10: Prepare countries for future EU membership: competitive agri-food sector, safer food, rural growth, more sustainable natural resources and modern administration

EU enlargement was very much at the forefront of the European agenda in 2022. On 23 June 2022, the European Council granted Ukraine and Moldova candidate status, highlighting some key steps to be taken, while Georgia was given a European perspective with a number of key priorities to be addressed.

DG AGRI continued implementing in 2022 IPA II rural development programmes (IPARD II³²) in Albania, Montenegro, North Macedonia, Serbia and Turkey. There are currently 21 measures entrusted for budget implementation tasks. Countries have made good progress in funding projects supporting farms in production, as well as establishments in primary processing. Albania, North Macedonia and Turkey have spent all of their 2019 budgets (which, with the N+3 de-commitment rule, had to be spent by the end of 2022). Montenegro and Serbia submitted requests for an extension of the de-commitment rule to N+4 which were granted. In 2022, DG AGRI worked with the countries in further addressing weaknesses in the implementation of the IPARD II programmes. In parallel, five IPARD III programmes were adopted in the first half of 2022. Most of the respective legal basis for implementation of IPARD III programmes is now in place (under the leadership of DG NEAR). Financial Framework Partnership Agreements (FFPA) have been concluded with all IPARD countries and conclusions of the Sectoral Agreements are underway. In the second half of 2022, DG AGRI worked on the templates for all of the above documents and provided respective guidance to the countries.

In the course of 2022, DG AGRI continued providing advice to the administrations of candidate countries and potential candidates for aligning their legislation with the CAP and its future implementation, including through regular subcommittee meetings. Particular attention was paid to help countries further address weaknesses in implementation.

As regards the post-COVID-19 pandemic and in the context of Russian aggression against Ukraine, DG AGRI, in collaboration with the beneficiary countries, worked towards streamlining the management and control system in order to adapt to these challenging circumstances (particularly the uncertainty of the investment climate, difficulties with the

³¹ France, Hungary, Czechia, Italy, Portugal, Slovakia and Bulgaria

³² Instrument for Pre-Accession Assistance in Rural Development

follow-up of implementation and staffing constraints in assessing and processing applications).

General objective "A new push for European democracy"³³

Specific objective 11: A long-term vision for rural areas is developed and put in place in order make the most of their potential and support them in facing up to their own unique set of issues, including demographic change

The [Communication on the long-term vision for the EU's rural areas](#) embraces all relevant aspects for the future of rural areas. In this context, DG AGRI interacts with relevant Commission entities, other EU institutions and stakeholders. In 2022, DG AGRI contributed as facilitator for the **Rural Pact**, co-manager of the Rural Observatory and contributor to the revitalisation platform; it was also co-responsible for the rural proofing process. Furthermore, DG AGRI led several flagships and actions in a number of areas, including research and innovation for rural communities, producer organisations, geographical indications, LEADER or Smart Villages.

The **EU CAP Network** played an important role in supporting the implementation of the Vision and its Action Plan, by promoting stakeholder involvement in the process, including through support of technical exchanges (thematic groups) and helping to shape and contributing inputs to the Rural revitalisation platform. Moreover, DG AGRI continued being a partner to Member States in implementing, monitoring and evaluating the rural development programmes for 2014-2020 programming period (as extended by 2 years for the Member States) and following up the N+3 principle. DG AGRI also contributed to networking, developing, and communicating the Common Agricultural Policy.

In cooperation with Member States, DG AGRI pursued the objective that the needs of **rural women** are adequately addressed in the CAP Strategic Plans. This activity contributed to the implementation of the flagship initiative called 'Social resilience and Women in rural areas' under the Long-Term Vision for Rural Areas.

Specific objective 12: Attract young farmers and promote employment, growth, social inclusion and local development in rural areas

Generational renewal is one of the main challenges facing European agriculture in the coming years and one of the priorities of the CAP 2023-2027. Strategies to benefit young farmers in the CAP Strategic Plans generally include a combination of several interventions such as first and second pillar setting up income support, investment at higher rate and cooperation. CAP support will help young farmers set up, invest and maintain their business in their first years of activity. However, national measures are also needed, taking into account that national factors under Member States' competence have an important role to play as well (i.e. access to land, succession law etc.).

³³ The annex provides more details on other envisaged / achieved outputs in 2021 for the specific objectives under this general objective (page 51 ff).

The CAP aims to facilitate **job creation** and **maintenance of jobs** through investments in rural businesses and infrastructure and skills acquisition through innovation support, training and advice. DG AGRI also pays specific attention to the particular nature of agricultural activity, which results from the social structure of agriculture and from structural and natural disparities between the various rural areas³⁴. There are also certain challenges linked to a development gap in rural areas, which are often less well served by essential infrastructure and services (e.g. broadband, often limited access to public transport, remote health care services) and need to be prioritised also through the use of other EU policies³⁵.

In 2022, Rural Development Programmes (2014-2023) continued to support all entities operating in rural areas in order to **foster sustainable and inclusive growth** in the EU, and to **address the rural/urban divide** described in the Communication on a long-term vision for the EU's rural areas. Different **rural development interventions** contributed to this objective, including investments (providing for basic services and rural infrastructure), cooperation between rural stakeholders and knowledge exchange and information, promoting innovation and access to training and advice. All these interventions can also contribute to address the challenges faced by groups that need specific support (e.g. seasonal workers, semi-subsistence farmers, people with migration background, Roma, the elderly, youth, children or persons with disabilities in rural areas, or people in rural areas affected by depopulation). Regarding gender, attention was paid during the approval of the CAP Strategic Plans to recognise the importance of gender issues and the need to increase the participation of women in farming and improve the socio-economic situation of rural women.

The **1st Preparatory Action on Smart Rural Areas in the 21st Century** (Smart Rural 21 Project) came to an end in November 2022. It aimed to provide a first-hand practical experience of implementing the smart village concept in different contexts and draw lessons and recommendations for preparing the ground covering smart villages in the CAP and Cohesion Policy. The outcomes of almost three years' work were presented and discussed at a Final Conference on 17-18 October 2022 in Sopot-Gdansk (Poland). The final report of the project will be published in early 2023.

Based on the latest updates of the rural development programmes, the CAP will have helped nearly 13 million people living in rural areas to benefit from improved access to ICT services and infrastructure over the course of the current programming period. In 2022, DG AGRI continued to work closely with DG REGIO, CNECT and COMP to further develop the network of Broadband Competence Offices (BCOs) in Member States and their regions, including with a renewed Brussels-based Support Facility, contracted and managed by DG AGRI. 2022 was also a year of very intensive training activity, including the Annual meeting of the BCOs and the European Broadband Awards.

³⁴ Art. 39 (2a) TFEU

³⁵ Art. 174 TFEU "(...) Among the regions concerned, particular attention shall be paid to rural areas (...)"

The [evaluation support study on the impact of LEADER on Balanced Territorial Development](#) (March 2022) concluded positively on the overall relevance, effectiveness and added value of LEADER for integrated and sustainable rural development at a local level, across Europe. Despite its limited resources, LEADER has been able to develop complex and locally tailored solutions to many rural economic and social development challenges, notably social inclusion. The study found that LEADER's performance in improving the environment,



developing environmental capital or fostering climate action, was less prominent. The study will feed into a Commission evaluation planned for end 2023.

In June 2022, the Commission also published the [evaluation of the 2007-2013 rural development programmes](#). Overall, the rural development programmes (RDP) contributed to addressing the needs under the different RD objectives to a moderate extent. In the social/socio-economic and economic dimensions, there are considerable differences in the extent to which individual needs were addressed by the RDPs, while in the environmental dimension needs were addressed more homogeneously.

Skills and vocational education and **training** are essential for getting the next generation ready to farm sustainably. In the context of the 2022 European Year of Youth, under the headline "Farming's got talent - Vocational education and training for agriculture in transition", DG AGRI organised a seminar on 24 November 2022, gathering students, teachers and policy makers.

Executive Agency:

2022 was the seventh year of implementation of the EU agri-food promotion policy (Regulation (EU) No. 1144/2014) and the first full year of the implementation of activities by REA (Research Executive Agency) after the successful transition from CHAFEA (Consumers, Health, Agriculture and Food Executive Agency) in 2021.

Information and promotion programmes consist of operations implemented by proposing organisations. They can take the form of "simple" programmes (evaluated by REA, managed by the competent national authorities under shared management), or "multi" programmes (directly managed by REA). In 2022, a total of 55 simple programmes with participants from 10 Member States and with a total EU co-financing of EUR 85 054 991 have been selected. Over 51,3 % of the budget of the simple call is dedicated to promotion programmes targeting 19 different third countries. In addition, 28 multi programme proposals with a total EU co-financing of EUR 67 840 691 were awarded. Participants from 16 Member States will implement the selected multi programmes in the course of the next three years.

Furthermore, REA organised numerous events, such as High Level Mission, EU pavilions at trade fairs, online promotion seminars, as well as campaigns. The COVID-19 pandemic continued to impact the organisation of Commission own initiative activities outside the EU; REA showed responsiveness in adapting the plans to the evolving situation. A very important operational step concluded in 2022 was also the signature of an inter-institutional framework contract for organisation of promotion events and campaigns and market intelligence in third countries, which will be used for the bulk of own initiatives in the period 2022-2026.

As regards research activities, REA has been implementing its mandate since 2014. On 1 April 2021, REA started its new mandate covering Horizon Europe and the H2020 legacy. Despite the continuing challenges imposed by the COVID-19 pandemic and the Ukrainian war, REA succeeded in carrying out evaluations and grant preparations according to plan. REA worked very efficiently and has been ready to take on additional tasks like procurement and administrative tasks related to the Mission Board (for the EU Missions).

For the H2020 legacy, REA managed 182 ongoing projects of Societal Challenge 2 programmed and funded by DG AGRI including the Green Deal Call projects.

The evaluations of Horizon Europe Cluster 6 Calls 2022 (single, first and second-stage) were completed. In 2022, REA signed 77 grants for projects in the area of agriculture, forestry and rural areas from 2021 Cluster 6 calls as well as 11 grants as part of the Mission 'A Soil Deal for Europe'. REA also completed the evaluation of the Soil Mission call 2022. REA organised the Infodays for Cluster 6 and the Missions in 2022.

In 2022, REA fine-tuned the feedback to policy (F2P) and support to missions mechanism exercise with good outcomes.

2. MODERN AND EFFICIENT ADMINISTRATION AND INTERNAL CONTROL

2.1 Financial management and internal control

Assurance is provided on the basis of an objective examination of evidence of the effectiveness of risk management, control and governance processes. This examination is carried out by management, who monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors. The results are explicitly documented and reported to the Director-General.

This section is for reporting the control results and other relevant elements that support management's assurance.

The following reports, among others, have been considered:

1. the contribution by the Director in charge of Risk Management and Internal Control, including the results of internal control monitoring at department level;
2. the reports on audit results;
3. the observations and recommendations reported by the Internal Audit Service (IAS);
4. the observations and the recommendations reported by the European Court of Auditors (ECA).

The systematic analysis of the available evidence provides sufficient guarantees as to the completeness and reliability of the information reported and results in the full coverage of the budget delegated to the Director-General of DG AGRI.

This section covers the control results and other relevant elements that support management's assurance. It is structured into 2.1.1 Control results, 2.1.2 Audit observations and recommendations, 2.1.3 Effectiveness of internal control systems, and resulting in 2.1.4 Conclusions on the assurance.

2.1.1 Control results

This section reports and assesses the elements identified by management which support the assurance on the achievement of the internal control objectives (ICO). The DG AGRI's assurance building and materiality criteria are outlined in annual activity report Annex 5. The annual activity report Annex 6 outlines the main risks together with the control processes to mitigate them and the indicators used to measure the performance of the relevant control systems.

The DG AGRI portfolio consists of expenditure managed in different management modes, the largest part of which is managed under shared management with the Member States (as presented in the graph below).

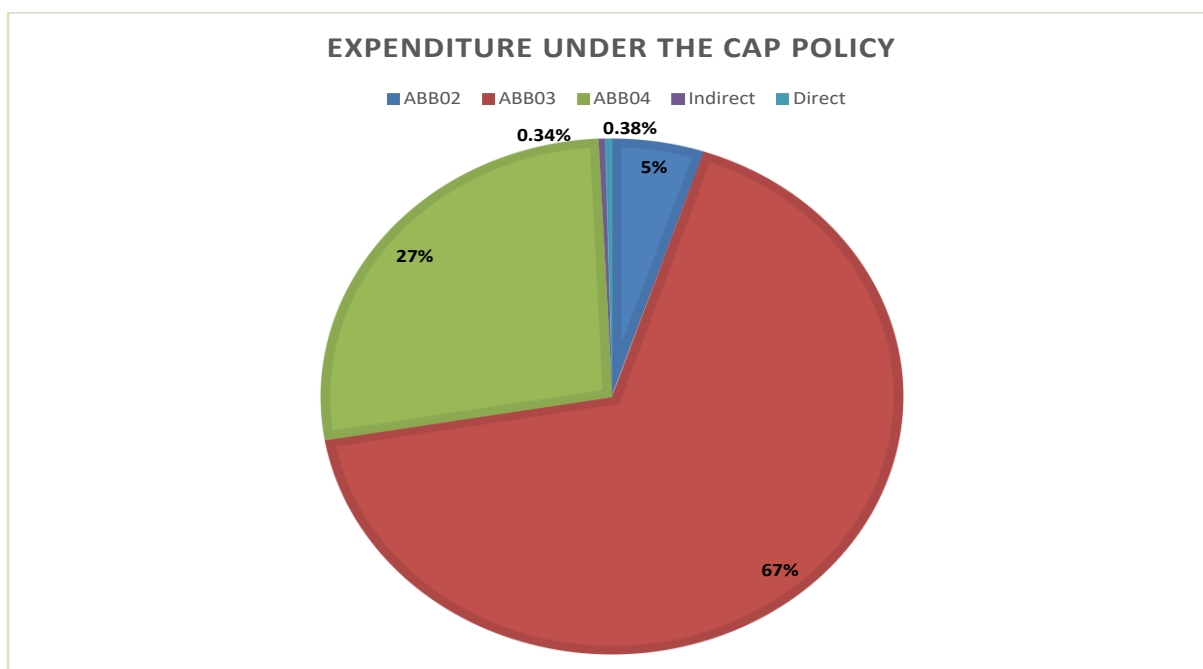


Chart: 2.1.1-1

In line with the Financial Regulation 2018/1046, DG AGRI's assessment for the reporting requirement is as follows:

- Cases of "confirmation of instructions" (FR art 92.3) - no such cases for the DG;
- Cases of financing not linked to costs (FR art 125.3) - no such cases for the DG;
- Financial Framework Partnerships >4 years (FR art 130.4) - no such cases for the DG;
- Cases of flat-rates >7% for indirect costs (FR art 181.6) - *no such cases for the DG*;
- Cases of "Derogations from the principle of non-retroactivity [of grants] pursuant to Article 193 FR" (Financial Regulation Article 193.2) - no such cases for the DG.

EFFECTIVENESS OF CONTROLS

a) Legality and regularity of the transactions

DG AGRI uses internal control processes to ensure sound management of risks relating to the legality and regularity of the underlying transactions it is responsible for, taking into account the multiannual character of programmes and the nature of the payments concerned.

DG AGRI's portfolio consists of segments with a relatively low error rate, i.e. direct payments, and segments with a relatively high error rate, i.e. rural development and market measures. This is, respectively, due to the complexities of some measures, despite the efforts made in the related controls systems.

For those latter segments, the causes of the issues are insufficiently simplified cost options, missing supporting documents or procurement issues. Management actions taken to address these weaknesses are implementation of action plans addressing the root

causes of errors. In this context, the improvements made during the reporting year 2022 already resulted in a lower error rate for rural development measures, for example.

In the CAP, there is an effective mechanism for correcting errors, through *ex-ante* and *ex-post* controls, resulting in preventive and corrective measures, respectively. Member States play an important role in this corrective mechanism and part of the benefit stems from their actions. Please see table below for details:

	Preventive Measures (m EUR)	Corrective measures (m EUR)	Total (m EUR)
Implemented by the Member States	524.52	117.99	642.51
<i>of which from Member States controls</i>	524.52	117.99	642.51
<i>of which from EU controls³⁶</i>			
Implemented by the Commission	5.88	829.53	835.41
<i>of which from Member States controls</i>	5.88	216.13	222.01
<i>of which from EU controls</i>		613.40	613.40
DG AGRI total	530.40	947.51	1 477.91

Table: 2.1.1-1

During the reporting year 2022, the benefit at *ex ante* level³⁷ control amounts to EUR 530.40 million, whilst recoveries (including re-used recoveries) and financial corrections following the results of *ex-post* controls and audits amounted to EUR 947.51 million. In comparison to the Commission's AMPR, there is a small difference of EUR 4 million in the recoveries for EAFRD. The difference stems from the fact that in the AAR, the EAFRD recoveries are presented from a shared management point of view and as implemented by the Member States.

DG AGRI's relevant expenditure, its estimated overall risk at payment, estimated future corrections and estimated final amount at risk³⁸ are set out in Table X: Estimated risk at payment. The full detailed version of the table is provided in Annex 9.

³⁶ As a result of Commission controls and audits, OLAF investigations or ECA audits.

³⁷ These are the administrative and on-the-spot controls performed by the Member States before payment and Member States' self-corrections in their annual accounts amounting to EUR 5.88 million.

³⁸ The estimated final amount at risk corresponds to the overall risk at closure in the Annual Management and Performance Report.

DG AGRI	Payments made	Relevant expenditure	Estimated risk (error rate %) at payment		Estimated future corrections and deductions		Estimated risk (error rate %) at closure ³⁹	
	m EUR	m EUR	m EUR	%	m EUR	%	m EUR	%
Direct management	219.01	218.93	2.19	1.00%	0.00	0.00%	2.19	1.00%
Market measures ABB02	2 879.99	2 879.99	83.64	2.90%	81.98	2.85%	1.66	0.00%
Direct payments ABB03	37 963.71	37 963.71	498.08	1.31%	476.20	1.25%	21.88	0.04%
Rural Development ABB04	15 220.09	15 340.92	410.87	2.68%	240.28	1.57%	170.59	0.30%
Indirect management	193.55	193.55	0.79	0.41%	0.00	0.00%	0.79	0.41%
Total DG	56 476.35	56 597.09	995.57	1.76%	798.46	1.41%	197.11	0.35%

Table: 2.1.1-2

The difference between the overall risk at payment and the estimated future corrections (including recoveries) that feed the corrective capacity results in the estimated final amount at risk of EUR 197.11 million, representing 0.35% of the DG's total relevant expenditure for 2022. The estimated final amount at risk used by DG AGRI corresponds to the estimated overall risk at closure used by other DGs for expenditure where the Commission cannot apply corrections after the closure of the multiannual programmes and used in the Commission Annual Management and Performance Report. This final amount at risk for DG AGRI continues to be stable and comparable to previous years, mainly due to the continuous improvement of the Member States' management and control systems.

For an overview at Commission level, the DGs' estimated overall risk at payment, estimated future corrections and risk at closure are consolidated in the AMPR.

The estimated overall risk at payment for 2022 expenditure, amounting to EUR 995.57 million, representing 1.76% of the DG's total relevant expenditure for 2022, is the AOD's best conservative estimate of the amount of relevant expenditure during the year, not in conformity with the contractual and regulatory provisions applicable at the time the payment was made. This expenditure will subsequently be subject to *ex-post* controls and a proportion of the underlying errors will be detected and corrected in subsequent years. The amount of EUR 798.46 corresponds to the conservatively estimated future corrections (including recoveries) for the corrective capacity for the 2022 expenditure.

³⁹ This is equal to the **estimated overall risk at payment** for the CAP in the present AAR.

The difference between those two amounts results in the estimated overall risk at closure in the AMPR/ estimated overall risk at payment for the CAP in the present AAR of **0.35%**. There is a minor increase of 0.05 percentage points compared to 2021 (0.3%).

2.1.1.1. Payments executed in 2022 for the CAP

In 2022, total EU outturn on payment appropriations⁴⁰ in respect of Title 08 'Agriculture and Maritime Policy' and Title 15 'Pre-Accession', under DG AGRI responsibility was EUR 56 469.88 million. Of this, EUR 56 063.79 million (99.28% of CAP budget⁴¹) was under shared management. Payments executed under the EAGF (shared management) amounted to EUR 40 843.70 million. Payments executed under the EAFRD (shared management) amounted to EUR 15 220.09 million. Direct management and indirect management accounted altogether for only around 0.72% of total EU expenditure under DG AGRI responsibility.

The table below shows the payment appropriations executed broken down by activity and by management mode:

Title 08 and 15	Agriculture and rural development	Shared management (EUR)	Direct management (EUR)	Indirect management (EUR)	Total (EUR)
0801	Administrative expenditure		334 652		334 652
080203, 080299	Interventions in agricultural markets	2 879 990 914			2 879 990 914
080205, 080299	Direct aids	37 963 705 870			37 963 705 870
0803, 080299	Rural development	15 220 091 637	13 733 678		15 233 825 315
1501, 1502	Instrument for Pre-accession Assistance		199 800	193 553 171	193 752 971
080206	Policy strategy and coordination		194 100 505		194 100 505
0820	Other actions		4 173 801		4 173 801
Total		56 063 788 421	212 542 436	193 553 171	56 469 884 028

Table: 2.1.1.1-1

The detailed financial data and the draft annual accounts are presented in Annex 3. Annex 7 to this report sets out in detail the management and control systems in place for shared management funds and demonstrates how assurance is obtained with regard to legality and regularity in respect of each of the three principal ABB activities for which the Directorate-General is responsible, ABB02, ABB03 and ABB04, which together account for 99.3%⁴² of the CAP spending in 2022.

⁴⁰ Including assigned revenue.

⁴¹ This percentage is calculated on the total payments executed in financial year 2022 (actual payments. Title 08 and 15).

⁴² This percentage is calculated on the total payments executed in financial year 2022.

The principal conclusions in respect of each of these are summarised in sub-section 2.1.1.2.2 below (ABB02 – Market Measures, ABB03 – Direct Payments and ABB04 – Rural Development).

2.1.1.2 Control effectiveness as regards legality and regularity

The control systems set up under shared management in DG AGRI and in the Member States are explained in more detail in Part 2 (on the functioning of the Paying Agencies and the role of the Certification Bodies) and Part 3 (which deals separately with each of the ABBs) of Annex 7.

The following sections describe the key elements which are taken into consideration for building assurance at Commission level as regards the legality and regularity of operations at Paying Agency level.

2.1.1.2.1 Control framework as regards legality and regularity

Whilst the new performance-based CAP applies as of 1 January 2023, it will cover limited expenditure in financial year 2023 (Annual Activity Report in 2024) and in full as of financial year 2024 (Annual Activity Report in 2025).

With 5.9 million beneficiaries of the CAP in financial year 2022, EAGF and EAFRD expenditure is implemented under **shared management** through a comprehensive management and control system (described in detail in Annex 7 of the report) which is designed to ensure the legality and regularity of the underlying transactions at the level of the final beneficiaries. Where the Commission implements the budget under shared management, implementation tasks are shared with the Member States. The latter are required to take all the necessary measures to ensure that actions financed from the EU budget are implemented correctly and effectively and in accordance with EU rules. They are obliged to have systems in place which prevent, detect and correct irregularities and fraud. The CAP legislation provides that they shall accredit **Paying Agencies** which are dedicated bodies responsible for the management and control of Union funds, notably payments to beneficiaries and financial reporting to the Commission. There were 76 such Paying Agencies at the end of financial year 2022⁴³. **Certification Bodies** designated by Member States shall provide every year an opinion covering the completeness, accuracy and veracity of the annual accounts of the Paying Agency concerned, the proper functioning of its internal control system and the **legality and regularity** of the expenditure declared to the Commission.

The **EAGF** (1st pillar) is funded almost completely by the EU budget. It is managed on an annual basis and commitment and payment appropriations match (almost entirely non-differentiated appropriations). Aid measures and schemes are legislated at EU level via EU-wide rules.

⁴³ The accreditation of IT02-SAISA was withdrawn as of 16 October 2022.

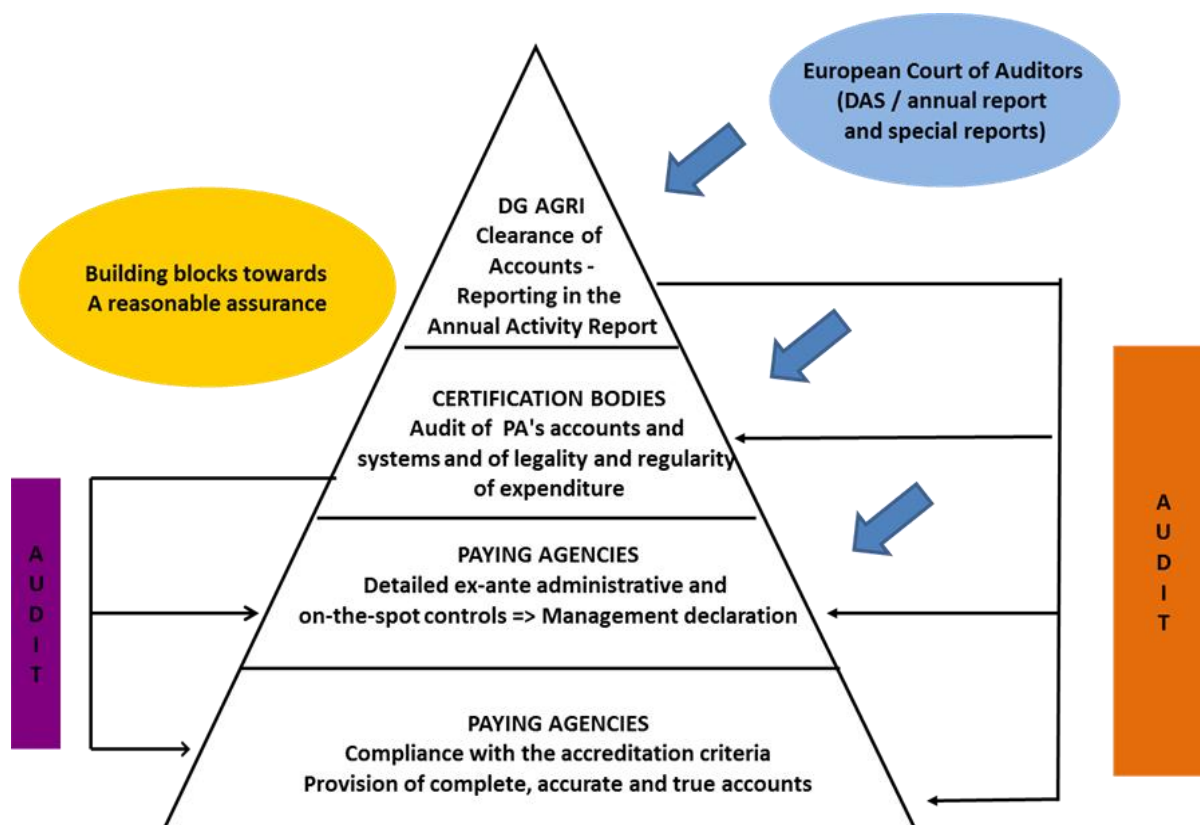
The **EAFRD** (2nd pillar) programmes are co-funded by the EU and national budgets. They are managed on the basis of national or regional **multiannual programmes** where measures can be tailored at national and regional level in order to meet specific objectives. The appropriations are differentiated in order to reconcile the principle of annuality with the need to manage multiannual operations.

However, a single set of specific financial management, control rules and assurance on legality and regularity apply to both pillars of the CAP⁴⁴. The results of controls under the responsibility of the Paying Agencies (control data and statistics) are provided to the Commission in respect of the financial year, which is being reported upon. An adjusted error rate (which extrapolates Member States' reported error rates, as validated and adjusted by DG AGRI on the basis of all available information, to the non-controlled population – see Annex 5) is calculated in respect of the 2022 expenditure. The Certification Bodies are auditing, at the level of each Paying Agency, the legality and regularity of the expenditure and express an opinion thereon. This audit evidence serves as a basis for DG AGRI's adjustments of the error rates reported by the Paying Agencies. The opinion of the Certification Bodies on legality and regularity is, where the audit work of the Certification Bodies is done in accordance with the applicable regulations and guidelines, the key element of the assurance model of the CAP expenditure. In parallel, annual accounts are declared by the Paying Agencies, certified by the Certification Bodies and are cleared (financial clearance procedure) by the Commission, without prejudice to future net financial corrections⁴⁵ to be decided by the Commission resulting from DG AGRI own audit activities pursuant to the conformity procedure.

⁴⁴ Regulation (EU) No 1306/2013 of the European Parliament and of the Council on the financing, managing and monitoring of the common agricultural policy (OJ. L 347 of 20/12/2013) is still applicable for financial year 2022.

⁴⁵ Net financial corrections are explained in Annex 7.

The following flow chart sets out the CAP shared management assurance model:



The Commission has set up processes designed to ensure the adequate management of the risks related to the legality and regularity of the underlying transactions, taking into account the annual nature of the payments and the very large number of beneficiaries. The assurance objective is to ensure that the remaining risk to the EU budget does not exceed 2%.

The Commission is of the view that the corrective capacity in the years after the year of expenditure of its net financial corrections imposed on Member States and of the amounts recovered from beneficiaries by the Member States and reimbursed to the EU budget must also be considered. It is not until this corrective capacity has been taken into account that the picture of the risk to the EU budget is complete and it is possible to assess the remaining financial risk to the EU budget (estimated final amount at risk).

As the three principal ABB activities (ABBO2 – Market Measures, ABBO3 – Direct Payments and ABBO4 – Rural Development) are dealt with under shared management with the Member States, the Commission (DG AGRI) cannot, on its own, reduce the level of error. While DG AGRI is fully assuming its responsibilities, the detection and correction of errors is first and foremost in the hands of the Member States. The latter are responsible for the management and controls at beneficiary level and, as repeatedly pointed out by the European Court of Auditors, they are primarily responsible for the errors which occur. They are also responsible for implementing the necessary actions to remedy control system deficiencies identified by the Certification Bodies and/or the Commission. In cases where

Member States fail to implement action plans in due time, the Commission may decide to reduce or suspend its payments, to prevent further risks to the EU budget.

DG AGRI carried out 92 audits and opened 12 conformity procedures after desk audits in 2022 for the Member States in order to check that EU rules, and in case of the EAFRD also national rules, are complied with by the Paying Agencies when making payments to beneficiaries or recovering undue payments. As a result of the conformity clearance procedures, the Commission imposes net financial corrections on the Member States by which they reimburse to the EU budget the amounts corresponding to those corrections.

Under the **single audit approach**, the conformity audits take as a starting point the work of the respective Certification Body when assessing compliance of the CAP management and control systems at national level. In 2022, in parallel with the single audits, DG AGRI also carried out 12 audits only focusing on different Certification Bodies to check their audit strategy and sampling. Overall, the quality of the Certification Bodies' audit work and consequently the level of reliance on their opinion on legality and regularity of the expenditure, is a key element in the overall CAP assurance building.

It is recalled that Article 36(5) of the Financial Regulation 2018/1046⁴⁶ states:

"If, during implementation, the level of error is persistently high, the Commission shall identify the weaknesses in the control systems, analyse the costs and benefits of possible corrective actions and take or propose appropriate action, such as simplification of the applicable provisions, improvements of the control systems and re-design of the programme or delivery systems."

The following sections, and Annex 7 of this report, present in detail the weaknesses found in the control systems, remedial actions being taken and describe how the multiannual control system of the CAP protects the EU financial interests.

DG AGRI, together with the other DGs managing EU funds under shared management and DG BUDG, is also involved in the implementation of the **EU legal framework on prevention and avoidance of conflict of interests in shared management**. The provisions of the Financial Regulation (Article 61) include in their scope financial actors in national authorities at any level, involved in EU-budget implementation and acts preparatory thereto and specifically refers to shared management. This encompassing EU concept of conflict of interests has triggered further Commission initiatives to monitor and audit its correct implementation by Member States authorities. DG AGRI has supported the initiatives for a comprehensive implementation of relevant obligations in the management and control systems of the Member States under the CAP together with DG BUDG. Following the discussions between the Member States and the European Commission, the Guidance document on avoidance and management of conflicts of interest under the

⁴⁶ Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union.

Financial Regulation was adopted on 7 April 2021 and published in the Official Journal on 9 April 2021⁴⁷.

DG AGRI has presented the provisions of Article 61 of the Financial Regulation to all Member States' Paying Agencies, Competent Authorities and Certification Bodies to ensure that the new provisions are well understood and recommended them to further check their control and/or audit procedures to cover situations of conflict of interests. Paying Agencies also have to respect specific rules on conflict of interests as part of their continued compliance with the accreditation criteria which are set out in Annex I of Regulation (EU) No 907/2014⁴⁸.

As part of the review of the Paying Agencies' compliance with the accreditation criteria and the Certification Bodies' work on the assessment of the Paying Agencies' internal control system, DG AGRI audits cover the conflict of interest control requirement. Related issues arising from the audits to SK01, DE04, ES05, IT26, IT27, BG01 and GR01 were followed up in 2022.

In addition, DG AGRI has also jointly audited with DG REGIO and DG EMPL specific allegations of conflict of interests in the Czech Republic for EAFRD investment projects. The respective DG AGRI audit was concluded in 2022 with the imposing of a financial correction for the Czech Republic.

Since 2019, **allegations of misuse of CAP funds** concerning some Member States have been brought to the attention of DG AGRI. Whenever there are allegations of particular malpractices in individual Member States, DG AGRI works closely together with DG BUDG, OLAF and other Commission services to look into these cases very carefully. If the allegations relate to fraud, OLAF is the responsible body to investigate them. If the allegations relate to issues outside the CAP rules, for example land that is taken by force, then this is a rule of law issue and the judicial system of the Member State should act, while the Commission services can assist the Member State, if necessary.

For example, in the case of Slovakia (see Annex 7, sections 2.1.4, 3.2.3 and 3.3.3 on audits and suspensions), as a precautionary measure, DG AGRI interrupted and consequently suspended payments declared under EAFRD Non-IACS measures in calendar year 2020. The interruption and subsequent suspension of these payments increased in the first two quarters of 2021. As of August 2021, and until March 2022, the Slovak authorities suspended the payments to projects related to these measures. In the 3rd and 4th quarters of 2022, DG AGRI maintained the decision to interrupt, and consequently suspended the payments for these measures.

The Paying Agency's accreditation was under probation for a year between 15 October 2020 and 15 October 2021. In 2022, the Paying Agency continued with the implementation of a Transformation Plan established at the end of the probation period, aiming to improve

⁴⁷ Guidance on the avoidance and management of conflicts of interest under the Financial Regulation (2021/C 121/01): EUR-Lex - 52021XC0409(01) ([EUR-Lex \(europa.eu\)](https://eur-lex.europa.eu))

⁴⁸ Regulation (EU) No 907/2014 is still applicable for financial year 2022.

and innovate the Paying Agency's systems and controls, which included some accreditation corrective actions that were considered by the Commission as still ongoing when accreditation was restored.

The Transformation Plan of the Paying Agency was considered as implemented by the Slovak authorities on 31.01.2023. The Certification Body confirmed the implementation of the actions included in the Plan in its audit report for financial year 2022 and underlined the need of the Slovak Paying Agency to implement monitoring procedures to ensure the further stabilisation, optimisation or development of the control systems put in place (or initiated) under this Plan. Although some weaknesses still persist in the procedures and systems, the Certification Body reports improvements in comparison with the previous financial year. The still ongoing remedial actions are to be followed up in the financial year 2023 clearance exercise. The remaining financial impact of the deficiencies as regards financial year 2022 expenditure will be determined at the finalisation of the ongoing audits.

In 2022, whilst the COVID-19 pandemic was still present and affecting the work of the Paying Agencies, its impact was less significant compared to the previous years. The Regulations⁴⁹ adopted in 2021 and 2022 as a response to the COVID-19 restrictions were in force to provide flexibilities in terms of working methods for the Paying Agencies affected by the pandemic.

The Regulations provided rules with realistic and attainable control requirements for the Member States, as well as proposed alternative methods⁵⁰ to carry out the controls by the Member States, which were still affected by COVID-19 restrictions. Moreover, in case the amended control rules as provided for in the Regulations were applied in relation to financial year 2022 expenditure, the Member State confirmed in the Management Declaration for financial year 2022 that overpayments to beneficiaries were prevented and that the recovery of undue amounts has been instigated. In addition, the Certification Bodies continued to do their audit work whilst also using alternative methods, as the Paying Agencies, and reported to DG AGRI on their findings as in previous years. In 2022, DG AGRI fully restarted its on-the-spot audit missions and performed remote audits only where there were still restrictions in place.

Regulation (EU, Euratom) 2020/2092 on a general regime for the protection of the Union budget sets specific criteria for its application; in particular, the concerned breaches of the principles of the rule of law must affect or seriously risk affecting the sound financial management of the Union budget or the protection of the financial interests of the Union in

⁴⁹ Commission Implementing Regulation (EU) 2021/725 of 4 May 2021 derogating in respect of the year 2021 from Implementing Regulations (EU) No 809/2014, (EU) No 180/2014, (EU) No 181/2014, (EU) 2017/892, (EU) 2016/1150, (EU) 2018/274, (EU) No 615/2014 and (EU) 2015/1368 as regards certain administrative and on-the-spot checks applicable within the common agricultural policy, O.J. L155 of 5 May 2021, p. 8–19 and Commission Implementing Regulation (EU) 2022/1216 of 8 July 2022 derogating in respect of the year 2022 from Implementing Regulations (EU) No 809/2014, (EU) No 180/2014, (EU) No 181/2014, (EU) 2017/892, (EU) 2016/1150, (EU) 2018/274, (EU) No 615/2014 and (EU) 2015/1368 as regards certain administrative and on-the-spot checks applicable within the common agricultural policy and amending Implementing Regulation (EU) 2021/725, O.J. L 188, 15.7.2022, p. 49–61.

⁵⁰ Possibility to replace physical inspections and on-the-spot checks under Direct Payments, Rural Development and markets support measures with alternative control evidence, such as geo-tagged photos, satellite images, documents, video meetings, etc.

a sufficiently direct way. Where the criteria are fulfilled, the Commission can initiate a procedure under the Regulation, unless it considers that other procedures set out in Union legislation would allow it to protect the Union budget more effectively. In 2022, there was no procedure launched under the above-mentioned Regulation in relation to the CAP funds. The Commission will continue monitoring the situation for all EU Funds.

In conclusion, DG AGRI considers that there is sufficient information available in order to make a solid assessment of the legality and regularity of the CAP expenditure and the amount at risk for the CAP for financial year 2022. DG AGRI used all the resources and tools above to respond to the ongoing challenges and had a solid basis for obtaining assurance on the CAP expenditure.

2.1.1.2.2 Assessment of the amount at risk for Shared management

Given the annual declaration cycle and financial clearance of accounts procedure, the necessary information on the results of the controls carried out for financial year 2022 is received in sufficient time to be used in the AAR for that year.

Every year control data and statistics are provided by the Paying Agencies in respect of the three ABB activities. DG AGRI examines the data sent and, based on the assessment of the Certification Bodies and its own audits, makes adjustments to the error rates resulting from the Paying Agency data where the latter was considered to reflect only part of the error existing in the expenditure. In line with the detailed materiality criteria set out in Annex 5, reservations are made as a general rule for the Paying Agencies for which the annual adjusted error rate exceeds 2%. However, for those for which the adjusted error rate falls between 2% and 5%, the existence of sufficient mitigating factors may justify not making a reservation. Full details are presented in Annex 7 - Part 3.

ABB02 – Market Measures

Market measures, at EUR 2 879.99 million, accounted for 5.1% of the CAP budget in 2022. The market measures split over 9 sectors, the most important of which are wine and fruit and vegetables:

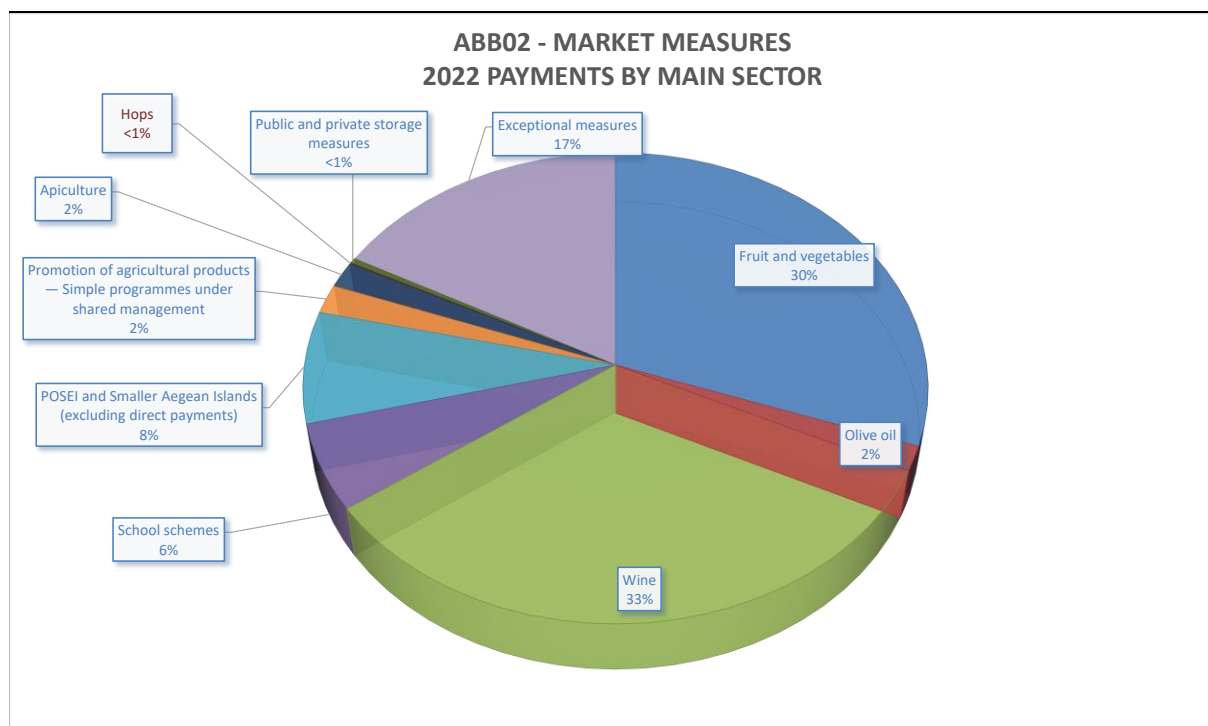


Chart 2.1.1.2.2-1

The following table sets out the expenditure in 2022 for ABB02 by budget article (sector). A measure-by-measure approach has been taken for assurance purposes in order to estimate, as precisely as possible, the adjusted error rates and amounts at risk.

Overall assessment of risk for ABB02 - Market Measures									
Budget item	Sector	Expenditure (1) EUR	Expenditure covered by statistics		Expenditure for which no control statistics are available				
			Expenditure(1) EUR	Risk EUR	No statistics available EUR	Measures risk assessed by auditors		ABB02 error rate applied 2.90 %	
						Expenditure(1)	Risk	Expenditure(1)	Risk
08 02 03 05	Olive Oil	47 721 899	47 721 899	-	-	-	-	-	-
08 02 03 06	Fruit and Vegetables	877 864 479	877 864 479	29 409 975	-	-	-	-	-
08 02 03 07	Wine (2)	950 586 028	950 586 028	29 043 439	-	-	-	-	-
08 02 03 02	Promotion (shared management only)	57 584 017	57 584 017	1 306 164	-	-	-	-	-
08 02 03 01	POSEI and Smaller Aegean Islands	221 292 689	221 292 689	2 329 920	-	-	-	-	-
08 02 03 10	Public and Private storage	10 230 031	-	-	10 230 031	-	-	10 230 031	296 999
08 02 03 09	Hops	2 188 000	2 188 000	-	-	-	-	-	-
08 02 03 08	Apiculture	51 212 548	-	-	51 212 548	51 212 548	157 301	-	-
08 02 03 04	School scheme	170 126 571	170 126 571	6 808 295	-	-	-	-	-
08 02 03 11	Exceptional measures	492 166 285	-	-	492 166 285	-	-	492 166 285	14 288 627
Total		2 880 972 548	2 327 363 684	68 897 794	553 608 864	51 212 548	157 301	502 396 316	14 585 627
Expenditure covered by control statistics			2 327 363 684	68 897 794					
Expenditure for which there are no statistics but for which risk assessment carried out			51 212 548	157 301					
Risk for expenditure covered by statistics and by risk assessment					2 378 576 232	69 055 095			
*Error rate used on expenditure covered by statistics and risk assessed									2.90%
Extrapolated risk for non-risk assessed expenditure					502 396 316	14 585 627			
ABB02 - shared management - monthly declaration			2 880 972 548	83 640 722					
08029901	Reimbursement of suspensions of payments		526 117	-					
08029901	Completion of previous measures under the "European Agricultural Guarantee Fund (EAGF)" – Shared management		1 507 750	-					
ABB02 - shared management - payments made			2 879 990 914	83 640 722					2.90%
ABB02 - direct management - payments made on Promotion measures - direct payments by the Union									
Total ABB 02 - payments made			2 879 990 914	83 640 722					2.90%

Footnote: ⁽¹⁾ Monthly declaration of expenditure affected by Paying Agencies.

⁽²⁾ There are still payments and reimbursements made to Member States for measures from previous claim years. No control statistics are available on these measures, hence the average error rate is applied only on payments made but not on reimbursements.

Table: 2.1.1.2.2-1

Control statistics are available in respect of 80.78% of the expenditure covering EUR 2 327.36 million. For a further EUR 51.212 million for which no statistics were available, DG AGRI's auditors have considered that they have assurance on the basis of an examination of all available information on the schemes concerned and have used their judgement to estimate the maximum amount at risk in that expenditure.

Both the quantitative (where control statistics were available) and the qualitative approaches are set out in Annex 7 – Part 3.1 (ABB02).

This assessment process led to a number of adjustments made by DG AGRI to the error rates calculated by the Member States, based on the assessment of the Certification Bodies and its own audits.

As a result, in 23 cases the adjusted error rate is above (or equal) 2%. In line with its materiality criteria in Annex 5, **5 cases – where the error rate is above (or equal) 5%** and the amount at risk is above DG AGRI *de minimis* threshold of EUR 1 million, as established in Annex 5 (materiality criteria), were automatically **subject to a reservation**.

Each case, where the adjusted error rate was between 2% and 5%, was examined, in order to determine if risk mitigation conditions existed and otherwise if a reservation should be made. In **1 case**, a reservation was made (Italy for wine sector).

Finally, for **17 cases**, the amount at risk is below DG AGRI *de minimis* threshold of EUR 1 million as established in Annex 5, therefore no reservation was necessary.

The results of this analysis are set out for each case in Annex 7 – Part 3.1 (ABB02).

The overall outcome of this exercise is that 4 reservations are necessary:

- Fruit and Vegetables: Operational programmes for producer organisations (Czech Republic),
- Wine sector (Italy),
- EU School scheme (Italy)
- Horizontal reservation for France (Agrimer) comprising three elements: operational programmes for producer organisations, wine sector and EU School scheme.

Annex 7 provides information on the corrective actions, which are envisaged in each case that a reservation is made.

The following table summarises the situation at Member State level for ABB02 expenditure under shared management. Annex 7 – Part 3.1 (ABB02) provides the full details per main sector.

Member State	N° of Aid schemes subject to reservation	Relevant Expenditure ⁽¹⁾ in 2022	Reservations (by aid schemes) - shared management	Adjusted error rate	Amount under reservation EUR	Amount at Risk EUR	2022 Expenditure managed by Paying Agencies with reservation
AT	0	31 235 715		1.02%		317 307	
BE	0	68 996 049		0.82%		567 381	
BG	0	35 355 716		1.70%		600 760	
CY	0	5 971 423		0.27%		16 235	
CZ	1	28 019 863	F&V Producer organisations	6.27%	1 429 654	1 755 985	5 348 281
DE	0	180 550 718		1.42%		2 563 398	
DK	0	20 482 324		5.75%		1 177 831	
EE	0	3 841 790		2.14%		82 138	
ES	0	642 304 921		1.45%		9 304 059	
FI	0	15 887 454		5.57%		884 682	
FR	3	636 680 755	School scheme	6.10%	1 564 628	38 863 270	5 472 149
FR20			F&V Producer organisations		16 504 982		127 533 750
GR	0	88 290 524	Wine	1.12%	17 128 725		269 627 967
HR	0	18 709 959		0.82%		989 301	
HU	0	55 744 983		2.11%		1 175 540	
IE	0	27 491 542		1.68%		460 693	
IT	2	644 380 269	Wine	2.48%	9 253 700	16 000 017	267 118 925
LT	0	11 128 772	School scheme	2.00%	1 390 278		21 371 552
LU	0	929 731		3.00%		273 048	
LV	0	7 459 877		1.65%		122 956	
MT	0	46 674		14.95%		6 977	
NL	0	46 261 692		2.15%		994 072	
PL	0	80 938 967		2.97%		2 404 380	
PT	0	112 412 192		2.10%		2 356 348	
RO	0	70 033 255		2.12%		1 482 298	
SE	0	23 242 832		3.96%		921 571	
SI	0	8 436 688		0.60%		50 699	
SK	0	16 137 862		0.86%		138 156	
Total	6	2 880 972 548					
Reimbursement of suspensions of payments		526 117					
Completion of previous measures under the "European Agricultural Guarantee Fund (EAGF)" – Shared management		-1 507 750					
Total ABB02 - payments made		2 879 990 914		2.90%	47 271 967	83 640 722	696 472 623

Footnote: ⁽¹⁾ Monthly declaration of expenditure affected by Paying Agencies.

Table: 2.1.1.2.2-2

The total amount at risk for ABB02 – Market measures is estimated at EUR 83.64 million corresponding to an error rate of 2.90%.

Table 2.1.1.2.2-2 indicates the expenditure managed by the Member States for which a reservation is issued. It is emphasised that of this amount, **the amount at risk for the expenditure under reservation is EUR 47.27 million.**

ABB03 – Direct Payments

Direct payments constitute the largest area of expenditure in the CAP (67.23%) and amounted to EUR 37 963.71 million in 2022. The Basic payment scheme, greening and the Single area payment scheme account for 78% of this amount.

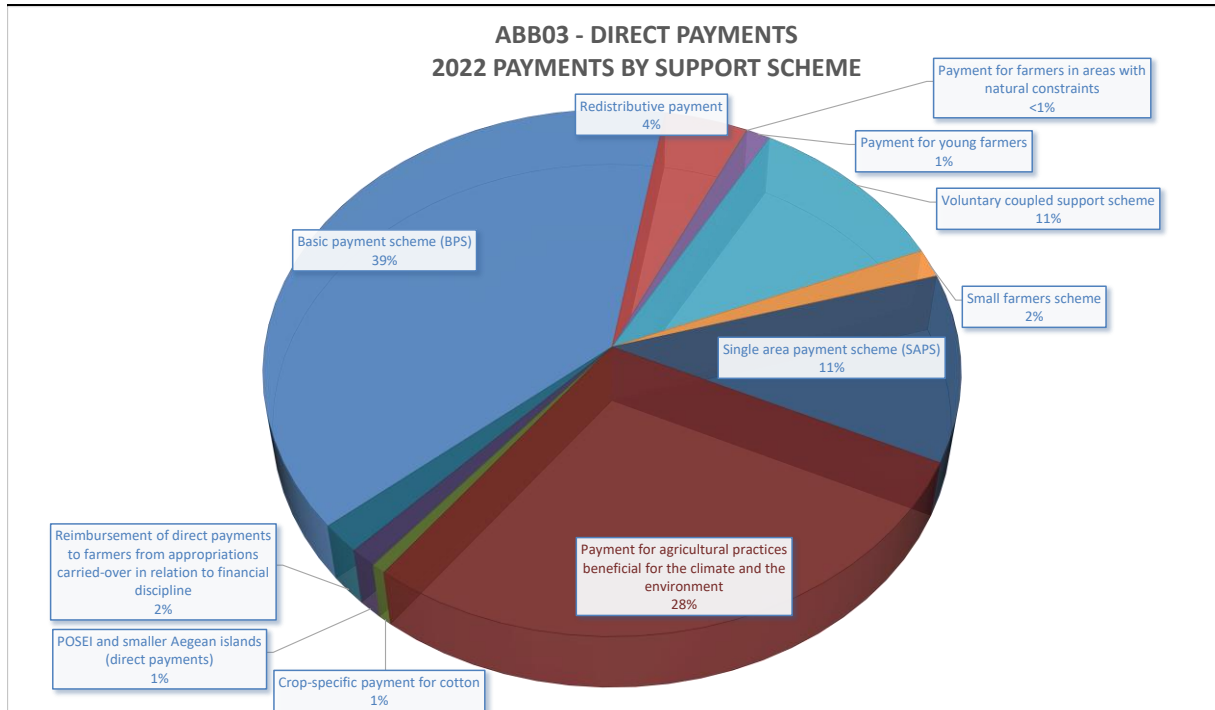


Chart 2.1.1.2.2-2

Control data and statistics have been provided by each Paying Agency in respect of 100% of the expenditure for the ABB activity.

The results of the calculations mentioned under subsection 2.1.1.2.2 above have been extrapolated to the entire expenditure of the ABB in order to cover the remaining expenditure for which on-the-spot check control statistics were not provided.

As a result, an adjusted error rate of 1.31% has been calculated with 16 Paying Agencies⁵¹ having an error above 2%.

3 Paying Agencies with an error rate above 5% and the amount at risk above DG AGRI *de minimis* threshold of EUR 1 million, as established in Annex 5 (materiality criteria), were automatically subject to a reservation.

For the 13 Paying Agencies with an error rate between 2% and 5%, an examination was carried out of any risk mitigating factors which indicated that the EU budget was protected for the past (conformity clearance procedure, culminating in a financial correction, underway) and that it is protected for the future (the deficiencies have been addressed by the Paying Agency). In 3 cases (Greece-POSEI, Italy-2 Paying Agencies), as the amount at

⁵¹ For Greece, the error rates are above 2% for area-based measures and for POSEI under ABB03.

risk is below DG AGRI *de minimis* threshold of EUR 1 million, no reservation is required. Annex 7 – Part 3.2.5 (ABB03) sets out the reasoning for these cases.

As regards reservations from 2021, in 7 cases (Cyprus and 6 Italian Paying Agencies), it was not considered necessary to carry over reservations from the 2021 AAR with regard to 2022 expenditure. The reasons for each decision are detailed in Annex 7 – Part 3.2.

The overall outcome of this exercise is that 14 reservations are necessary at Paying Agency level: Germany (1 Paying Agency), Croatia, Estonia, France (2 Paying Agencies), Greece, Hungary, Italy (2 Paying Agencies), the Netherlands, Portugal, Slovakia and Spain (2 Paying Agencies).

The following table presents the situation at Member State level for ABB03. Annex 7 – Part 3.2 provides the full picture per Paying Agency.

Member States	Relevant Expenditure ⁽¹⁾ 2022	N° of Paying Agencies	N° of Paying Agencies under Reservation ⁽²⁾	Adjusted Error Rate	Amount at Risk	Amount at Risk Covered by Reservation	2022 Expenditure managed by Paying Agencies with a Reservation
AT	680 664 411	1	0	0.30%	2 048 114	0	0
BE	496 998 892	2	0	0.57%	2 834 372	0	0
BG	789 168 856	1	0	1.78%	14 056 421	0	0
CY	47 681 043	1	0	0.58%	278 587	0	0
CZ	844 353 221	1	0	0.84%	7 127 676	0	0
DE	4 615 484 279	13	1	0.58%	26 724 357	6 278 145	220 341 119
DK	808 123 142	1	0	0.71%	5 769 555	0	0
EE	189 820 996	1	1	2.23%	4 227 328	4 227 328	189 820 996
ES	5 041 740 242	17	2	0.97%	49 055 975	11 817 374	139 172 926
FI	517 180 018	1	0	0.85%	4 406 977	0	0
FR	6 853 547 443	2	2	1.37%	94 006 705	7 391 875	139 716 859
GR	1 927 347 728	1	1	2.19%	42 144 038	42 144 038	1 927 347 728
HR	364 874 913	1	1	2.50%	9 107 564	9 107 564	364 874 134
HU	1 276 999 703	1	1	2.55%	32 577 721	32 577 721	1 276 999 703
IE	1 179 499 519	1	0	0.35%	4 141 039	0	0
IT	3 547 675 774	10	2	1.80%	63 820 117	15 086 038	450 552 055
LT	568 368 261	1	0	1.35%	7 688 747	0	0
LU	32 990 921	1	0	0.88%	288 758	0	0
LV	311 969 091	1	0	1.95%	6 087 548	0	0
MT	5 037 107	1	0	0.55%	27 496	0	0
NL	662 504 266	1	1	2.54%	16 823 583	16 823 583	662 501 861
PL	3 328 477 854	1	0	0.91%	30 335 312	0	0
PT	765 751 281	1	1	3.21%	24 553 983	24 553 983	765 762 875
RO	1 890 715 452	1	0	1.40%	26 404 460	0	0
SE	683 665 549	1	0	1.96%	13 414 836	0	0
SI	131 759 655	1	0	0.73%	955 955	0	0
SK	416 096 894	1	1	2.20%	9 172 152	9 172 152	416 304 166
Total	37 978 496 511	66					
	-9 464 839	Amounts reimbursed to DG AGRI by Coordinating Bodies					
	-5 325 803	Completion of previous measures under the European Agricultural Guarantee Fund (EAGF) — Shared management					
Total ABB 03 - Payments made	37 963 705 870	66	14	1.31%	498 079 375	179 179 800	6 553 306 421
Footnote:	⁽¹⁾ Monthly declaration of expenditure affected by Paying Agencies.						
	⁽²⁾ FR19 POSEI scheme adjusted error rate is 5.29% with EUR 7.24 million amount at risk under reservation						

Table: 2.1.1.2.2-3

The total amount at risk for ABB03 - Direct payments is estimated at EUR 498.08 million corresponding to an error rate of 1.31%.

Table 2.1.1.2.2-3 indicates the expenditure managed by the Paying Agencies for which a reservation is issued. It is emphasised that of this amount, **the amount at risk for the expenditure under reservation is EUR 179.18 million.**

ABB04 – Rural Development

In 2022, EUR 15 233.83 million was paid to Member States in respect of rural development which represents 26.98% of the CAP spending. Expenditure paid and financed under the 2014-2022 programming period. Of this, EUR 15 219.83 million was paid as interim payments and an amount of EUR 13.086 million was paid in respect of technical assistance. Reimbursements have also been made by Member States in relation to the programming period 2000-2006 (budget item 08029901 see table below).

Payments reimbursed by DG AGRI to the Member States in 2022				
Management type	Chapter	Budget item	Description	Payments (EUR)
Shared Management	0803	080299010056001	Completion of rural development financed by the EAGGF Guarantee Section - Programming period 2000 to 2006	-123 226
		080301	Rural development types of interventions	15 219 828 810
			Interim payments for promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector 2014-2020	15 219 828 810
			Reimbursements following Court cases	386 052
Direct management	0803	080302	Operational technical assistance	13 086 288
		08039902	Operational technical assistance prior to 2021	647 390
Total				15 233 825 315

Table: 2.1.1.2.2-4

The following chart sets out 2022 expenditure declared by Member States for the Rural Development Programmes divided among the IACS and Non-IACS measures (see Annex 7 - 3.3.2 for more information).

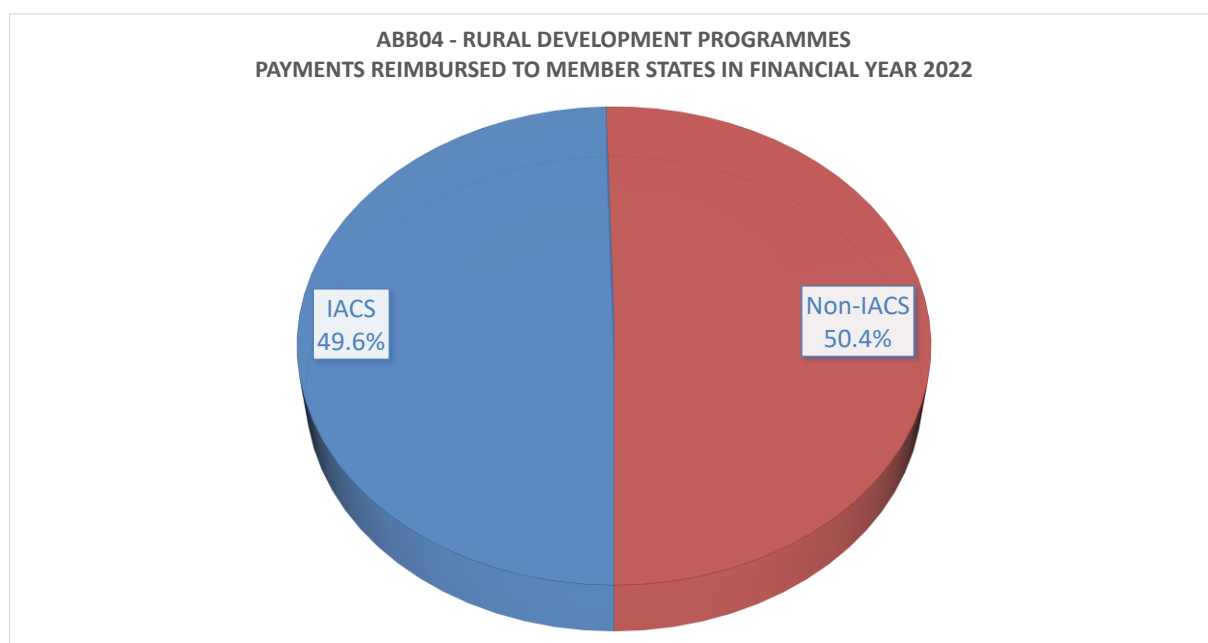


Chart 2.1.1.2.2-3

Control statistics have been provided by each Paying Agency in respect of 100% of the expenditure financed under the Rural Development Programmes, amounting to EUR 15 219.83 million. The results of the calculations mentioned under subsection 2.1.1.2.2 above

have been extrapolated to the entire expenditure of the ABB in order to cover the remaining expenditure for which on-the-spot check control statistics were not provided.

As a result, an adjusted error rate of 2.68% has been calculated with 38 Paying Agencies having an error above 2%.

38 out of 72 Paying Agencies have an adjusted error rate above 2% (of which 10 were above 5%: Bulgaria, Denmark, France (1 Paying Agency), Italy (2 Paying Agencies), Portugal, Slovakia, Spain (1 Paying Agency) and the United Kingdom (2 Paying Agencies).

9 out of 10 **cases where the error rate is above 5%** and the amount at risk is above DG AGRI *de minimis* threshold of EUR 1 million, as established in Annex 5 (materiality criteria), were automatically **subject to a reservation**. One Paying Agency (the United Kingdom) is under *de minimis* threshold.

For the remaining 29 Paying Agencies with an error rate between 2% and 5%, DG AGRI examined the situation for each Paying Agency concerned to determine if risk mitigation conditions existed rendering it unnecessary to make a reservation. For 9 Paying Agencies (Germany (1 Paying Agency), Italy (1 Paying Agency), Luxembourg, Malta, Spain (4 Paying Agencies) and the United Kingdom (1 Paying Agency), the amount at risk is below DG AGRI's *de minimis* threshold of EUR 1 million, therefore no reservation was necessary. For the remaining 20 Paying Agencies, a reservation was deemed necessary.

As regards reservations from 2021, in 8 cases (Belgium (1 Paying Agency), Czech Republic, Germany (1 Paying Agency), Finland, the Netherlands, Poland, Spain (1 Paying Agency) and the United Kingdom (1 Paying Agency), it was not considered necessary to carry over reservations from the 2021 AAR with regard to 2022 expenditure. The reasons for each decision are detailed in Annex 7 – Part 3.3.

In total, 16 reservations from 2021 continue in 2022 as the deficiencies persist, while 13 new reservations are introduced (Austria, Belgium (1 Paying Agency), Germany (5 Paying Agencies), Estonia, Romania and Spain (4 Paying Agencies).

The overall outcome of this exercise is that 29 reservations are necessary at Paying Agency level: Austria, Belgium (1 Paying Agency), Bulgaria, Croatia, Denmark, Germany (7 Paying Agencies), Estonia, France (2 Paying Agencies), Hungary, Italy (2 Paying Agencies), Portugal, Romania, Sweden, Slovakia, Spain (5 Paying Agencies) and the United Kingdom (2 Paying Agencies).

The following table presents the situation at Member State level for ABB04 for the interim payments in financial year 2022. Annex 7 – Part 3.3 (ABB04) provides the picture per Paying Agency:

Member States	Interim Payments FY2022	N° of Paying Agencies	N° of Paying Agencies under reservation	Adjusted error rate	Amount at risk	Amount at risk covered by reservation	Payments managed by Paying Agencies in 2022 with a reservation
AT	626 723 665.20	1	1	2.45%	15 349 069	15 349 069	613 162 817
BE	105 022 254.51	2	1	2.45%	2 567 075	1 427 451	39 806 704
BG	230 482 252.09	1	1	7.04%	16 218 823	16 218 823	230 084 003
CY	20 968 869.44	1	0	1.12%	235 892	0	0
CZ	370 903 312.85	1	0	1.74%	6 451 377	0	0
DE	1 575 270 459.36	14	7	2.20%	34 653 462	24 653 001	725 888 954
DK	100 150 972.89	1	1	5.87%	5 876 133	5 876 133	99 938 832
EE	99 843 404.95	1	1	3.88%	3 876 800	3 876 800	99 822 866
ES	1 307 753 204.16	18	5	2.47%	32 362 367	24 345 610	617 179 215
FI	464 143 913.46	1	0	1.95%	9 038 261	0	0
FR	1 960 070 113.03	2	2	4.85%	95 127 220	95 127 220	1 971 908 657
GB	291 483 128.93	4	2	5.74%	15 467 145	14 686 890	403 507 605
GR	864 101 187.86	1	0	0.72%	6 230 051	0	0
HR	375 447 225.28	1	1	3.40%	12 770 959	12 770 959	375 269 953
HU	650 739 496.19	1	1	3.17%	20 638 375	20 638 375	650 508 248
IE	371 824 358.30	1	0	1.13%	4 218 671	0	0
IT	1 721 791 604.66	10	2	1.50%	25 821 608	13 050 524	210 690 461
LT	243 030 875.45	1	0	0.50%	1 224 607	0	0
LU	27 391 581.84	1	0	2.18%	597 208	0	0
LV	111 344 515.62	1	0	0.55%	606 998	0	0
MT	10 042 899.40	1	0	3.88%	389 848	0	0
NL	126 072 453.80	1	0	1.88%	2 370 610	0	0
PL	1 377 412 141.57	1	0	0.95%	13 067 520	0	0
PT	579 490 817.93	1	1	6.14%	35 551 849	35 551 849	579 484 303
RO	1 031 153 395.67	1	1	2.26%	23 307 597	23 307 597	1 029 757 902
SE	300 600 446.12	1	1	2.92%	8 785 594	8 785 594	301 463 151
SI	130 507 969.75	1	0	1.11%	1 444 980	0	0
SK	146 062 289.92	1	1	9.16%	13 377 724	13 377 724	146 808 100
Grand Total	15 219 828 810.23	72	29	2.68%	407 627 824	329 043 620	8 095 281 771
Footnote:	⁽¹⁾ The relevant expenditure includes the interim payments for programming period 2014-2022.						

Table: 2.1.1.2.2-5

As regards the interim payments for the **2014-2022 Rural Development Programmes** paid in 2022, the adjustments made by DG AGRI led to **an adjusted error rate of 2.68%**, as presented in the table above, corresponding to an **amount at risk of EUR 407.63 million**.

Table 2.1.1.2.2-5 indicates the total expenditure managed by the Paying Agencies for which a reservation is issued. It is emphasised that of this amount, **the amount at risk for the expenditure under reservation is EUR 329.04 million**.

When taking into account all payments made by DG AGRI in 2022 for ABB04, the overall situation is as follows:

Payments reimbursed by DG AGRI to the Member States and the UK in 2022						
Management type	Chapter	Budget item	Description	Payments (EUR)	Error rate (%)	Amount at risk (EUR)
Shared Management	0803	080299010056001	Completion of rural development financed by the EAGGF Guarantee Section - Programming period 2000 to 2006	-123 226	0.00%	-
		080301	Promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector	15 219 828 810	2.68%	407 627 824
			Interim payments for promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector 2014-2020	15 219 828 810	2.68%	407 627 824
			Reimbursements following Court cases	386 052	0.00%	-
Sub-Total Shared Management				15 220 091 636.75	2.68%	407 627 824
Direct management	0803	080302	Operational technical assistance	13 086 288	1.00%	130 863
		08039902	Operational technical assistance prior to 2021	647 390	1.00%	6 474
		Sub-Total Direct Management				13 733 678
Grand Total 0803				15 233 825 315	2.68%	407 765 161

Table: 2.1.1.2.2-6

The adjusted error rate for payments made for ABB04 is 2.68% and the amount at risk is estimated at EUR 407.77 million.

Finally, for the purpose of estimating the **risk at payment** for ABB04 (expenditure in shared management), account has to be taken of all amounts reimbursed by the Commission, excluding the pre-financing, including the cleared pre-financing amounts and the closure balances paid in 2021 i.e. **the relevant expenditure. This results in an overall estimated amount at risk at payment of EUR 407.77 million corresponding to an adjusted error rate of 2.68%** (see table 2.1.1.2.2-15 for the details).

Overall assessment on the functioning of the management and control systems

Article 74 of the Financial Regulation⁵² requires the Director-General to report in his Annual Activity Report on whether, except as otherwise specified in any reservations, he has reasonable assurance that, inter alia, the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

In this chapter, the previous sections set out the situation with regard to the functioning of the management and control systems for ABB02 – Market Measures, ABB03 – Direct Payments and ABB04 – Rural Development expenditure.

In delivering the conclusions in each case, DG AGRI has based itself on the four level structure of management and control, which is described in Annex 7 - Part 1 and on the reports and indicators, which emanate from those levels.

For financial year 2022, DG AGRI shared the management of the CAP expenditure with 76 Paying Agencies in 27 Member States and the UK and reports extensively in Annex 7 - Part 2 on the annual management declarations, which are delivered by those Paying Agencies as well as on the opinion delivered by the Certification Bodies. Furthermore, there are 3-yearly reports by the Competent Authorities on the

⁵² Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union.

Paying Agencies' continued compliance with the accreditation criteria⁵³. DG AGRI also, via its various forms of follow-up including on-the-spot audits, checks that the Paying Agencies respect the strict accreditation criteria which regulates them as well as the quality of the work carried out by the Certification Bodies.

KEY INDICATORS FOR LEGALITY AND REGULARITY – EAGF AND EAFRD FINANCIAL YEAR 2022		
ASSURANCE DERIVING FROM THE FUNCTIONING OF THE PAYING AGENCIES		
Accreditation of Paying Agencies	Fully accredited	74
	Provisional accreditation	0
	On probation	2 ⁵⁴
	Total	76
Certificates and reports of Certification Bodies on functioning of Paying Agencies' internal control systems	Received	76
	Not received	0
	Effective ⁵⁵	76
	Not effective	0
Management Declarations signed by the directors of Paying Agencies	Received	76
	Not received	0
	Unqualified	75 ⁵⁶
	Qualified with reservation	1 ⁵⁷
Opinions of Certification Bodies on the Management Declarations	Received	76
	Not received	0
	Unqualified	72 ⁵⁹
	Qualified ⁵⁸	4 ⁶⁰

Table: 2.1.1.2.2-7

DG AGRI also carries out conformity clearance audit missions, which check the management and control systems in individual Paying Agencies and provide valuable information on how effectively those systems protect the EU funds, which they are responsible for disbursing.

⁵³ The last report was submitted in June 2022, covering financial years 2019, 2020 and 2021.

⁵⁴ At the beginning of the year Paying Agencies IT01, MT01 and SE01 were under probation - their accreditation was restored during the year. At the time of reporting in DE20 and IT27 are under probation.

⁵⁵ Effective means very good, good or adequate.

⁵⁶ 7 out of 75 with observations.

⁵⁷ BG01.

⁵⁸ The qualifications vary and may be for one population or all populations.

⁵⁹ 7 out of 72 with emphasis of matter.

⁶⁰ ES18 – reporting discrepancies in the Management Declaration, IT26 and R001 – high error rates in EAFRD expenditure; NL04 – adverse opinion on material error in EAGF IACS.

Conformity audit missions carried out in EAGF and EAFRD in financial years 2020-2022 (from 16/10/2019 until 15/10/2022)

	ABB-specific audit missions ¹				Non-ABB specific audit missions	Total number of audit missions
	ABB 02	ABB 03 ²	ABB 04 ³	Sub-total		
Number audit missions	49	54	56	159	85	244
Member States covered⁴	All Member States, except BG, CY, DK, EE, LT, LV, SI	All Member States except AT, EE, SI	All Member States except CY, EE, LV, NL, SI	All Member States except SI	All Member States except HR, IE, LV, MT	All Member States
	(20 Member States)	(24 Member States)	(22 Member States)	(26 Member States)		

¹ If an audit covers more than one ABB, it is allocated to all ABBs covered by the audit scope. However, each audit is counted only once in the sub-total.

² Excluding audits on cross-compliance.

³ Concerns only EAFRD, thus excluding the EAGGF Guidance section.

⁴ Including the UK for Rural Development (ABB04)

Table: 2.1.1.2.2-8

In the past 3-year period, DG AGRI has carried out **244** conformity audit missions to Member States, of which **159** audits targeted the 3 main ABBs (audits targeting more than one ABBs are counted only once). Audits carried out in respect of ABB03 included 4 audits specifically on payment entitlements. The other **85** audits carried out in this period were not specific to a particular ABB area, including:

- 18 audits on cross-compliance;
- 19 audits in relation to information system security;
- 10 audits on debt management and accreditation; and
- 38 specific audits on the review of the work on the Certification Bodies to check the quality of their audit work and the reliability of their opinions on legality and regularity of the expenditure covering all ABBs.

Conformity audit missions carried out in EAGF and EAFRD financial year 2022 (from 16/10/2021 until 15/10/2022)

	ABB-specific audit missions ¹				Non-ABB specific audit missions	Total number of audit missions
	ABB 02	ABB 03 ²	ABB 04 ³	Sub-total		
Number audit missions	15	19	16	50	30	80
Member States covered⁴	All Member States except: BG, CY, DE, DK, EE, HR, LU, LT, LV, MT, PT, SI, SK	All Member States except: AT, BE, CY, CZ, DK, EE, FL, IE, LU, LT, LV, MT, NL, SE, SI	All Member States except: BE, BG, CY, DE, EE, GR, IE, LU, LV, MT, NL, PL, PT, RO, SI	All Member States, except AT, DK, EE, FI, SI, PL	9 Member States	All Member States, except AT, DK, EE, FI, PL
	(10 Member States)	(14 Member States)	(13 Member States)	(21 Member States)		
Expenditure 2022 million EUR						
- total ⁵	2 879.99	37 963.71	15 220.09	56 063.79		
- covered ⁶	498.95	32 101.76	12 060.12	44 660.83		

¹ If an audit covers more than one ABB, it is allocated to all ABBs covered by the audit scope. However, each audit is counted only once in the sub-total.

² Excluding audits on cross-compliance.

³ Concerns only EAFRD, thus excluding the EAGGF Guidance section.

⁴ Including the UK for Rural Development (ABBO4).

⁵ Payments made (DG AGRI Annual Accounts - Annex 3).

⁶ Based on expenditure declared by the Paying Agency (x-table data) during the 24 months prior to the date of DG AGRI's letter of finding/closure letter.

Table: 2.1.1.2.2-9

DG AGRI carried out **80** audits⁶¹, which includes **50 conformity audits** targeting the three ABBs areas (audits covering more than one ABB area are counted only once) in the period under financial year 2022. Apart from that, **30** other audits were carried out covering areas not specific to a particular ABB. They included:

- 9 audits on information system security;
- 6 audits on cross-compliance;
- 3 audits on compliance with the accreditation criteria and
- 12 audits on the Certification Bodies as regards legality and regularity.

Those audits also result, through the ensuing conformity clearance procedures, where deficiencies in the management and control systems are detected, in net financial corrections. It is noted that audits carried out in 2022 and 2023 will also cover the 2021 expenditure ("24 month rule"⁶²).

As mentioned in sub-section 2.1.1.2.1, the Certification Bodies also assess the proper functioning of the Paying Agencies' internal control system and give an opinion on the legality and regularity of the expenditure declared to the Commission.

⁶¹ Due to the restrictions following the COVID-19 pandemic that continued in 2021, part of DG AGRI audits were performed as remote audits. Where movement restrictions were lifted, physical missions were carried out.

⁶² In accordance with the provisions of Article 52(4) of Regulation (EU) No 1306/2013, the conformity clearance covers expenditure incurred up to 24 months before the Commission officially notifies the Member State of its audit findings (i.e. the receipt by the Member State of the Letter of findings in its national language).

In addition, DG AGRI carries out a thorough validation and evaluation of the data. Consequently, it takes into account all available relevant information, notably the assessment of the Certification Bodies and the results of its own audit findings and where relevant those of the European Court of Auditors. This process is explained in detail in Annex 5 (materiality criteria) as well as in Annex 7 – Parts 3.1 (Market Measures), 3.2 (Direct Payments) and 3.3 (Rural Development).

This allows DG AGRI to make adjustments on a case-by-case basis at the appropriate level (Paying Agency for ABB03 and ABB04 and measure level per Member State for ABB02) in order to arrive at its best estimate, using its professional judgement, of the "real" level of error in each case – **the adjusted error rate**.

The fact that DG AGRI adjusts the Member States' error rates does not mean that the data sent by the latter are unreliable. The adjustments are made because the Commission, the Certification Bodies and European Court of Auditors find deficiencies when they audit the management and control systems in the Member States. The impact of such deficiencies is that Member States may not have detected all errors – that is why the Commission tops-up the figures reported to establish the error rate.

Following this assessment stage and taking into account the adjusted error rate, the Paying Agencies for ABB03 and ABB04 and market measures per Member State for ABB02, are classified into four categories in accordance with the level of assurance that they provide as to the legality and regularity of payments made during the reporting year.

These categories are set out in the following table which summarises the situation for each of the ABB activities:

Impact on the Declaration of Assurance (based on the functioning of systems, materiality and legality and regularity criteria)	Coverage											
	Number of aid schemes/Paying Agencies				as % of aid schemes/Paying Agencies				Payments to aid schemes/Paying Agencies in question as % of expenditure FY2022			
	ABB02	ABB03	ABB04	Total	ABB02	ABB03	ABB04	Total	ABB02	ABB03	ABB04	Total
Reasonable assurance (= adjusted error rate below 2% or under 'de minimis')	89	52	43	184	63.1%	78.8%	59.7%	65.9%	52.9%	82.7%	47.7%	71.7%
Reasonable assurance with low risk (= adjusted error rate between 2% and 5%, with mitigating factors, no reservation)	46	0	0	46	32.6%	0.0%	0.0%	16.5%	22.9%	0.0%	0.0%	1.2%
Limited assurance with medium risk (= adjusted error rate between 2% and 5%, no mitigating factors, with reservation)	2	10	20	32	1.4%	15.2%	27.8%	11.5%	18.6%	16.5%	42.6%	23.7%
Limited assurance with high risk (= adjusted error rate above 5%, with reservation)	4	4	9	17	2.8%	6.1%	12.5%	6.1%	5.5%	0.7%	9.7%	3.4%
Grand Total	141	66	72	279	100%	100%	100%	100%	100%	100%	100%	100%

Table: 2.1.1.2.2-10

All market measures/Paying Agencies falling under the categories 'limited assurance – medium risk' and 'limited assurance – high risk' in the above table are subject to a reservation. Therefore, reservations are necessary in respect of:

- ABB02: 4 elements comprising 3 market measures in 3 Member States.
- ABB03: 14 Paying Agencies in 11 Member States.
- ABB04: 29 Paying Agencies in 16 Member States.

Tables 2.1.1.2.2-12, 2.1.1.2.2-13 and 2.1.1.2.2-14 set out the situation underlying the above table 2.1.1.2.2-11 on the risk assessments for each of the three ABB activities. These tables show for ABB02, ABB03 and ABB04, the classification of expenditure, following management assessment, into four categories of the level of assurance that they provide as to the legality and regularity of payments made during the reporting year.

ABB02: Classification of expenditure, following management assessment, into four categories of the level of assurance that they provide as to the legality and regularity of payments made during the reporting year

ABB02:		Total payments in 2022 per level of assurance (shared management only)								2022			
Member State	Reasonable assurance		Reasonable assurance with low risk		Limited assurance with medium risk		Limited assurance with high risk		Total relevant expenditure ⁽¹⁾	N° of Aid schemes/Paying Agencies	Amount at risk	Adjusted error rate	AAR 2022 reservations
	Expenditure ⁽¹⁾	N° of Aid schemes/Paying Agencies	Expenditure ⁽¹⁾	N° of Aid schemes/Paying Agencies	Expenditure ⁽¹⁾	N° of Aid schemes/Paying Agencies	Expenditure ⁽¹⁾	N° of Aid schemes/Paying Agencies					N° of Paying Agencies
AT	22 236 832	4	8 998 883	1					31 235 715	5	317 307	1.02%	0
BE	62 443 549	4	6 552 500	1					68 996 049	5	567 381	0.82%	0
BG	22 934 448	3	12 421 268	2					35 355 716	5	600 760	1.70%	0
CY	5 412 230	4	559 192	1					5 971 423	5	16 235	0.27%	0
CZ	11 431 231	3	11 240 351	1			5 348 281	1	28 019 863	5	1 755 985	6.27%	1
DE	118 734 781	6	61 815 937	1					180 550 718	7	2 563 398	1.42%	0
DK	165 458	1	20 316 866	3					20 482 324	4	1 177 831	5.75%	0
EE	1 259 822	2	2 581 969	1					3 841 790	3	82 138	2.14%	0
ES	576 554 519	6	65 750 402	1					642 304 921	7	9 304 059	1.45%	0
FI	615 543	2	15 271 911	3					15 887 454	5	884 682	5.57%	0
FR	144 716 733	4	89 330 157	1	269 627 967	1	133 005 898	2	636 680 755	8	38 863 270	6.10%	3
GR	51 958 697	6	36 331 827	2					88 290 524	8	989 301	1.12%	0
HR	13 426 836	4	5 283 123	1					18 709 959	5	153 747	0.82%	0
HU	33 654 370	3	22 090 613	2					55 744 983	5	1 175 540	2.11%	0
IE	11 836 849	4	15 654 693	1					27 491 542	5	460 693	1.68%	0
IT	289 716 543	3	66 173 248	2	267 118 925	1	21 371 552	1	644 380 269	7	16 000 017	2.48%	2
LT	3 445 985	3	7 682 787	1					11 128 772	4	223 048	2.00%	0
LU	30 621	1	899 110	2					929 731	3	27 874	3.00%	0
LV	3 224 717	4	4 235 160	1					7 459 877	5	122 956	1.65%	0
MT	12 909	1	33 766	2					46 674	3	6 977	14.95%	0
NL	5 968 141	2	40 293 551	2					46 261 692	4	994 072	2.15%	0
PL	4 606 230	1	76 332 737	4					80 938 967	5	2 404 380	2.97%	0
PT	86 349 828	3	26 062 364	4					112 412 192	7	2 356 348	2.10%	0
RO	31 089 788	4	38 943 467	2					70 033 255	6	1 482 298	2.12%	0
SE	5 371 309	3	17 871 523	2					23 242 832	5	921 571	3.96%	0
SI	6 690 376	4	1 746 312	1					8 436 688	5	50 699	0.60%	0
SK	11 514 644	4	4 623 218	1					16 137 862	5	138 156	0.86%	0
Total - monthly declaration	1 525 402 988	89	659 096 936	46	536 746 892	2	159 725 732	4	2 880 972 548				
08029901	Lift of suspension of payments								526 117				
08029901	Completion of previous measures under the "European Agricultural Guarantee Fund (EAGF)" — Shared management								1 507 750				
ABB02 - shared management - payments made									2 879 990 914	141	83 640 722	2.90%	6

Footnote: ⁽¹⁾ Monthly declaration of expenditure affected by Paying Agencies.

Table: 2.1.1.2.2-11

ABB03: Classification of expenditure, following management assessment, into four categories of the level of assurance that they provide as to the legality and regularity of payments made during the reporting year

ABB03:		Total payments in 2022 per level of assurance								2022			
Member State	Reasonable Assurance		Reasonable Assurance with Low Risk		Limited Assurance with Medium Risk		Limited Assurance with High Risk		Total Relevant Expenditure ⁽¹⁾	Total N° of Paying Agencies	Amount at Risk ⁽²⁾	Adjusted Error Rate	AAR 2022 reservations
	Expenditure ⁽¹⁾	N° of Paying Agencies	Expenditure ⁽¹⁾	N° of Paying Agencies	Expenditure ⁽¹⁾	N° of Paying Agencies	Expenditure ⁽¹⁾	N° of Paying Agencies ⁽²⁾					N° of Paying Agencies
AT	680 664 411	1							680 664 411	1	2 048 114	0.30%	0
BE	496 998 892	2							496 998 892	2	2 834 372	0.57%	0
BG	789 168 856	1							789 168 856	1	14 056 421	1.78%	0
CY	47 681 043	1							47 681 043	1	278 587	0.58%	0
CZ	844 353 221	1							844 353 221	1	7 127 676	0.84%	0
DE	4 395 143 160	12			220 341 119	1			4 615 484 279	13	26 724 357	0.58%	1
DK	808 123 142	1							808 123 142	1	5 769 555	0.71%	0
EE					189 820 996	1			189 820 996	1	4 227 328	2.23%	1
ES	4 902 568 522	15					139 171 720	2	5 041 740 242	17	49 055 975	0.97%	2
FI	517 180 018	1							517 180 018	1	4 406 977	0.85%	0
FR	6 713 830 584	1					139 716 859	2	6 853 547 443	2	94 006 705	1.37%	2
GR					1 927 347 728	1			1 927 347 728	1	42 144 038	2.19%	1
HR					364 874 913	1			364 874 913	1	9 107 564	2.50%	1
HU					1 276 999 703	1			1 276 999 703	1	32 577 721	2.55%	1
IE	1 179 499 519	1							1 179 499 519	1	4 141 039	0.35%	0
IT	3 097 311 261	8			450 364 513	2			3 547 675 774	10	63 820 117	1.80%	2
LT	568 368 261	1							568 368 261	1	7 688 747	1.35%	0
LU	32 990 921	1							32 990 921	1	288 758	0.88%	0
LV	311 969 091	1							311 969 091	1	6 087 548	1.95%	0
MT	5 037 107	1							5 037 107	1	27 496	0.55%	0
NL					662 504 266	1			662 504 266	1	16 823 583	2.54%	1
PL	3 328 477 854	1							3 328 477 854	1	30 335 312	0.91%	0
PT					765 751 281	1			765 751 281	1	24 553 983	3.21%	1
RO	1 890 715 452	1							1 890 715 452	1	26 404 460	1.40%	0
SE	683 665 549	1							683 665 549	1	13 414 836	1.96%	0
SI	131 759 655	1							131 759 655	1	955 955	0.73%	0
SK					416 096 894	1			416 096 894	1	9 172 152	2.20%	1
Subtotal	31 425 506 519	53	0		6 274 101 413	10	278 888 579	4	37 978 496 511				
Amounts reimbursed to DG AGRI by Coordinating Bodies									-9 464 839				
Completion of previous measures under the European Agricultural Guarantee Fund (EAGF) — Shared management									-5 325 803		0		
TOTAL expenditure									37 963 705 870	66	498 079 375	1.31%	14

Footnote: (1) Monthly declaration of expenditure effected by Paying Agencies.

(2) FR19 POSEI scheme adjusted error rate is 5.29% with EUR 7.24 million amount at risk under reservation

Table: 2.1.1.2.2-12

ABB04: Classification of expenditure, following management assessment, into four categories of the level of assurance that they provide as to the legality and regularity of payments made during the reporting year

ABB04: Total payments in 2022 per level of assurance													2022	
Member State	Reasonable assurance		Reasonable assurance with low risk		Limited assurance with medium risk		Limited assurance with high risk		Total payments ⁽¹⁾	Total N° of Paying Agencies	Amount at risk	Adjusted error rate	AAR 2022 reservations	
	Payments ⁽¹⁾	N° of Paying Agencies	Payments ⁽¹⁾	N° of Paying Agencies	Payments ⁽¹⁾	N° of Paying Agencies	Payments ⁽¹⁾	N° of Paying Agencies					N° of Paying Agencies	
AT					626 723 665	1			626 723 665	1	15 349 069	2.45%	1	
BE	65 322 865	1			39 699 389	1			105 022 255	2	2 567 075	2.45%	1	
BG							230 482 252	1	230 482 252	1	16 218 823	7.04%	1	
CY	20 968 869	1							20 968 869	1	235 892	1.12%	0	
CZ	370 903 313	1							370 903 313	1	6 451 377	1.74%	0	
DE	849 399 511	7			725 870 949	7			1 575 270 459	14	34 653 462	2.20%	7	
DK							100 150 973	1	100 150 973	1	5 876 133	5.87%	1	
EE					99 843 405	1			99 843 405	1	3 876 800	3.88%	1	
ES	690 574 535	13			604 731 911	4	12 446 759	1	1 307 753 204	18	32 362 367	2.47%	5	
FI	464 143 913	1							464 143 913	1	9 038 261	1.95%	0	
FR					1 939 704 412	1	20 365 701	1	1 960 070 113	2	95 127 220	4.85%	2	
GB	32 219 172	2			82 901 624	1	176 362 333	1	291 483 129	4	15 467 145	5.74%	2	
GR	864 101 188	1							864 101 188	1	6 230 051	0.72%	0	
HR					375 447 225	1			375 447 225	1	12 770 959	3.40%	1	
HU					650 739 496	1			650 739 496	1	20 638 375	3.17%	1	
IE	371 824 358	1							371 824 358	1	4 218 671	1.13%	0	
IT	1 511 127 854	8					210 663 751	2	1 721 791 605	10	25 821 608	1.50%	2	
LT	243 030 875	1							243 030 875	1	1 224 607	0.50%	0	
LU	27 391 582	1							27 391 582	1	597 208	2.18%	0	
LV	111 344 516	1							111 344 516	1	606 998	0.55%	0	
MT	10 042 899	1							10 042 899	1	389 848	3.88%	0	
NL	126 072 454	1							126 072 454	1	2 370 610	1.88%	0	
PL	1 377 412 142	1							1 377 412 142	1	13 067 520	0.95%	0	
PT							579 490 818	1	579 490 818	1	35 551 849	6.14%	1	
RO					1 031 153 396	1			1 031 153 396	1	23 307 597	2.26%	1	
SE					300 600 446	1			300 600 446	1	8 785 594	2.92%	1	
SI	130 507 970	1							130 507 970	1	1 444 980	1.11%	0	
SK							146 062 290	1	146 062 290	1	13 377 724	9.16%	1	
Total	7 266 388 016	43	0	0	6 477 415 919	20	1 476 024 876	9	15 219 828 810	72	407 627 824	2.68%	29	

Other payments								
Shared management	080299010056001	Completion of rural development financed by the EAGGF Guarantee Section - Programming period 2000 to 2006				-123 226		
	080301	Reimbursement following Court cases				386 052		
Total shared management					15 220 091 637	407 627 824	2.68%	
Direct management	080302	Operational technical				13 086 288	130 863	1.00%
	08039902	Operational technical assistance prior to 2021				647 390	6 474	1.00%
Total direct management					13 733 678	137 337	1.00%	
Total ABB 04					15 233 825 315	407 765 161	2.68%	

Footnote: (1) Interim payments for programming period 2014-2022

Table: 2.1.1.2.2-13

In the context of the protection of the EU budget, the DGs' estimated overall risk at payment, estimated future corrections and risk at closure are consolidated at Commission level.

For DG AGRI, the estimated overall risk at payment⁶³ for the 2022 expenditure is EUR 995.57 million. This is the AOD's best, conservative estimation of the amount of *relevant expenditure*⁶⁴ during the year (EUR 56 597.09 million) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made.

This expenditure will be subsequently subject to *ex-post* controls and a proportion of the underlying errors will be detected and corrected in successive years. When applied to the 2022 *relevant expenditure*, the conservatively estimated future corrections/corrective capacity⁶⁵ of 1.41% results in an amount of EUR 798.46 million. This is the amount of errors that the DG conservatively estimates will be identified and corrected by controls planned to be carried out in succeeding years. The difference between the overall risk at payment and the corrective capacity leads to the estimated final amount at risk of EUR 197.11 million when all corrections will have been applied. The estimated final amount at risk used by DG AGRI corresponds to the estimated overall risk at closure used by other DGs (and in the Commission AMPR) for expenditure where the Commission cannot apply corrections after the closure of the multiannual programmes.

In 2022, the estimated overall risk at payment has slightly decreased compared to 2021 and the adjusted error rate for the CAP as a whole is for the third year below the materiality level, at 1.76% (1.84% in 2021). This comes as a result of the over the past years downward trend of the level of errors for the two CAP pillars, EAGF 1.42% and EAFRD 2.68% (in 2021, EAGF: 1.49% and EAFRD: 2.85%) and is underpinned by the continuous improvements to the management and control systems in the Member States, in which IACS plays a significant role both for direct payments and the EAFRD area and animal related measures. In fact, the overall figure of 1.76% covers different error rates for the two CAP funds and the low error rate for direct payments (more than 67% of the expenditure) of 1.31% is the main reason for the overall error rate of 1.76%.

The level of conservatively estimated future corrections of 1.41% is very close to the previous year's estimate (1.51% in 2021), in line with the improvements in the management and control system in the Member States and the future financial corrections the Commission still expects to apply.

⁶³ In order to calculate the weighted average error rate (AER), the *adjusted* error rates have been used.

⁶⁴ For the purpose of calculating the final risk, "*relevant expenditure*" during the year = payments made (including balance payments at closure of programmes 2007-2013), minus new pre-financing paid out, plus previous pre-financing cleared. "Expenditure" in the text of the report and its annexes corresponds to payments reimbursed by the Commission.

⁶⁵ The corrective capacity is calculated as the 3/5 years historic average of recoveries and financial corrections, which is the best available indication of corrective capacity of the *ex-post* controls systems implemented by DG AGRI and the Member States. See sub-section 2.1.1.3 for further detailed explanation.

The estimated final amount at risk⁶⁶ for the CAP is EUR 197.05 million or 0.35% of the relevant expenditure (0.3% in 2021 and 0.5% in 2020), which confirms the stable trend described above.

⁶⁶ The estimated final amount at risk corresponds to final amount at closure in the Annual Management and Performance Report.

Table 2.1.1.2.2-14 – Estimated final amount at risk

		Payments made	Prefinancing paid	Cleared prefinancing	Relevant expenditure ¹	Adjusted error rate	Estimated amount at risk at payment	Average financial corrections	Average recoveries	Average recoveries and corrections (in % of relevant expenditure)	Corrective capacity	Estimated final amount at risk ⁽²⁾
		million EUR	million EUR	million EUR	million EUR	%	million EUR			%	million EUR	million EUR
1		2	3	4	5	6	7	8a	8b	8	9	10
					= 2 - 3 + 4		=5 x 6				=5 x 8	=7 - 9
Title 01 Research and Innovation												
0101	Administrative expenditure	0.00	0.00	0.00	0.00	1.00%	0.00	0.00	0.00	0.00%	0.00	0.00
Title 02 European Strategic Investments												
0203	Connecting Europe facility (CEF)	0.22	0.00	0.00	0.22	1.00%	0.00	0.00	0.00	0.00%	0.00	0.00
Title 03 Single Market												
0302	Single Market Programme	0.12	0.00	0.00	0.12	1.00%	0.00	0.00	0.00	0.00%	0.00	0.00
Title 05 Regional Development and Cohesion												
0502	European Regional Development Fund (ERDF)	0.43	0.00	0.00	0.43	1.00%	0.00	0.00	0.00	0.00%	0.00	0.00
0503	Cohesion Fund (CF)	0.03	0.00	0.00	0.03	1.00%	0.00	0.00	0.00	0.00%	0.00	0.00
Title 11 Border Management												
1101	Administrative expenditure	0.03	0.00	0.00	0.03	1.00%	0.00	0.00	0.00	0.00%	0.00	0.00
Title 14 External Action												
1420	Other Actions	4.06	0.00	0.00	4.06	1.00%	0.04	0.00	0.00	0.00%	0.00	0.04
Chapter 20 Administrative Expenditure of the European Commission												
2002	Administrative expenditure	0.00	0.00	0.00	0.00	1.00%	0.00	0.00	0.00	0.00%	0.00	0.00
2004	ICT expenditure	1.56	0.00	0.00	1.56	1.00%	0.02	0.00	0.00	0.00%	0.00	0.02
Title 08 Agriculture and Maritime Policy and Title 15 Pre-Accession Assistance												
SHARED MANAGEMENT												
080203, 080299	Interventions in Agricultural Markets	2 879.99	0.00	0.00	2 879.99	2.90%	83.64	38.69	0.00	0.00%	0.00	0.00
080205, 080299	Direct payments	37 963.71	0.00	0.00	37 963.71	1.31%	498.08	425.99	0.00	0.00%	0.00	0.00
	EAGF total	40 843.70	0.00	0.00	40 843.70	1.42%	581.72	464.68	93.51	1.37%	558.18	23.54
0803	Rural development	15 220.09	0.00	120.83	15 340.92	2.68%	410.87	138.75	101.53	1.57%	240.28	170.59
INDIRECT MANAGEMENT												
1502	Pre-accession Measures	193.55	0.00	0.00	193.55	0.41%	0.79	0.00	0.00	0.00%	0.00	0.79
DIRECT MANAGEMENT												
0801	Administrative expenditure	0.33										
1501	Instrument for Pre-accession Assistance	0.20										
0803, 080299	Rural development	13.73	6.78	6.70	212.46	1.00%	2.12	0.00	0.00	0.00%	0.00	2.12
080206	Policy strategy and coordination	194.10										
0820	Other actions	4.17										
Total CAP		56 469.88	6.78	127.52	56 590.63	1.76%	995.51	603.42	195.04	1.41%	798.46	197.05
Total DG AGRI		56 476.35	6.78	127.52	56 597.09	1.76%	995.57	603.42	195.04	1.41%	798.46	197.11
												0.35%
												0.35%

Footnote (1): relevant expenditure includes the payments made, subtracts the new pre-financing paid out and adds the previous pre-financing actually cleared during financial year 2022.

Footnote (2): The estimated final amount at risk corresponds to the overall risk at closure in the Annual Management and Performance Report.

Table: 2.1.1.2.2-14

2.1.1.2.3 Assessment of the amount at risk for indirect management

Taking IPARD I and IPARD II together, for the EUR 193.55 million in indirect management under the pre-accession programmes, the maximum amount at risk is estimated at EUR 0.79 million indicating an estimated adjusted error rate for relevant expenditure of 0.41%.

Title 15	Agriculture and rural development	Payments made (EUR)	Prefinancing paid (EUR)	Cleared prefinancing (EUR)	Relevant expenditure (EUR)	Adjusted error rate	Amount at risk (EUR)
1502	Instrument for Pre-accession Assistance	193 553 171	-	-	193 553 171	0.41%	793 293
Total		193 553 171				0.41%	793 293

Table: 2.1.1.2.3-1

Details regarding indirect management can be found in Annex 7 – Part 8.

2.1.1.2.4 Assessment of the amount at risk for direct management

For the EUR 212.54 million managed directly by DG AGRI, the maximum amount at risk is estimated at EUR 2.13 million with an error rate of 1.00%. Table 2.1.1.2.4-1 shows the expenditure spent for each budget item under direct management, as well as the estimated amount at risk.

Titles 08 and 15	Agriculture and rural development	Direct management payments made (EUR)	Error rate	Amount at risk at payment (EUR)
0801	Administrative expenditure	334 652	1.00%	3 347
1501	Instrument for Pre-accession Assistance	199 800	1.00%	1 998
0803, 080299	Rural development	13 733 678	1.00%	137 337
080206	Policy strategy and coordination	194 100 505	1.00%	1 941 005
0820	Other actions	4 173 801	1.00%	41 738
Total		212 542 436	1.00%	2 125 424

Table: 2.1.1.2.4-1

2.1.1.2.5 Budget implementation tasks entrusted to other DGs and Agencies

The implementation of the agricultural research activity under the Horizon Europe programming period has been entrusted to the Research Executive Agency (REA). The agency is responsible for the execution of the work program under cluster 6 'Food, Bio economy, Natural Resources, Agriculture and Environment' as well as the work program related to the EU mission "A Soil Deal for Europe". REA will also continue to implement the remaining stages of the grant agreements concluded under Horizon 2020 (the so-called legacy).

The late adoption of the new MFF and consequent late start of Horizon Europe (HE), together with the effects of the COVID-19 pandemic, the war in Ukraine, and the late or non-association of a number of countries to HE, resulted in an unprecedented peak in all activities of the Agency in the first semester of 2022. Despite these challenges, the implementation of the work programme is well on track.

Under this third mandate, REA also implements the agricultural promotion activity. Even though the effect of the pandemic remained disruptive in some regions, the promotion activities outside the EU have considerably resumed in 2022. Moreover, REA is preparing for the Info Days in early February 2023.

Regarding the operational budget, REA is focusing on 100% execution at year-end by reallocating the surpluses to the shortages in payment appropriations inside REA.

Based on the AAR presented by REA, there are no identified reservations or critical risks.

Details regarding the budget implementation tasks entrusted to other DGs and Agencies can be found in Annex 7 – Part 9.

2.1.1.2.6 Financial instruments

Financial instruments (FI) are a key tool for providing access to finance for the farming sector and the rural economy. Through their leverage effect and revolving factor, they can also complement the rural development budget. The EAFRD already met the target of doubling the use of FIs as compared to the 2007-2013 programming period.

By the end of 2022:

- 33 EAFRD managing authorities in 13 Member States have programmed financial instruments in their Rural Development Programmes (RDPs) 2014-2022. From these 33 managing authorities, 29 have signed 31 funding agreements in 2022.
- The total EAFRD allocation for financial instruments amounts to EUR 666 million and the total public allocation to EUR 860 million.
- 29 Paying Agencies declared expenditure to the Commission for FIs under the respective RDPs, equalling EUR 344 million.

Investment and stand-alone working capital support provided by the EAFRD financial instruments guaranteed the survival and business continuation of many farms during the COVID-19 pandemic. This continued to be the case in 2022 when the war in Ukraine created unfavourable economic environment resulting in high energy prices, rising inflation, with impacts on access to some main inputs like fertilisers. EAFRD-supported financial instruments under RDPs 2014-2022 could be in implementation until the end of 2025 due to the transitional period.

At the same time, in 2022 all new CAP Strategic Plans were approved. As an outcome from the extensive work under fi-compass and the gained experience so far by the managing authorities, 12 Member States continued applying financial instruments and got them embedded into their new policy toolkit. The total programmed amounts for the period 2023-2027 equal EUR 615 million of EAFRD financing and a total public budget of EUR 977 million.

Under the technical assistance programme fi-compass, in total, 39 cases of targeted coaching on financial instruments for EAFRD managing authorities were carried out in the period 2016-2022. In 2022 alone, 2 EU-wide conferences were undertaken with 413 attending participants in total. Overall, 19 case-study brochures and videos were made, featuring the set-up and implementation of EAFRD financial instruments in various Member States. Social media activities and announcements, communication newsletters and video content were the major ways used for disseminating information. At the same time,

3 surveys and 1 study were initiated. From these, one survey was completed in 2022 and the remaining activities will be completed in 2023.

2.1.1.3 How DG AGRI protects the EU budget

2.1.1.3.1 Net financial corrections and corrective capacity

Protection of the EU budget via net financial corrections

According to the CAP legal framework, financial corrections imposed by the Commission on Member States upon completion of a conformity procedure have always been net corrections since the first clearance of accounts decision in 1976 and will continue to be net corrections for both European Agricultural Guarantee Fund (EAGF) and European Agricultural Fund for Rural Development (EAFRD) as:

- the corrected amounts are actually reimbursed by the Member States to the EU budget; and
- the amounts received are treated as assigned revenue to the EU budget. They are used to finance CAP expenditure as a whole without being earmarked for any particular Member State.

Every year the Commission adopts around 3 conformity ad hoc decisions on a package of individual financial corrections. Following the withdrawal of the United Kingdom from the European Union, two decisions are adopted each time, one for the Member States and one for the United Kingdom. **In 2022, the Commission adopted 3 pairs of such decisions, published in the Official Journal⁶⁷, covering 92 individual financial corrections for a total gross amount of EUR 617.655 million, with a net decided amount of EUR 608.569 million⁶⁸ and with a net financial impact amount of EUR 592.660 million⁶⁹.**

Financial corrections decided in 2022 (and net amount)					
million EUR					
Commission Conformity Decisions		EAGF	EAFRD	TRDI	Total
ad hoc 68	EU 2022/222	55.921 (55.291)	12.637 (12.636)		68.558 (67.927)
ad hoc 68 UK	EU 2022/221	0.001 (0.001)	0.154 (0.154)		0.154 (0.154)
ad hoc 69	EU 2022/908	166.88 (166.436)	89.962 (84.768)		256.842 (251.204)
ad hoc 69 UK	EU 2022/909	1.546 (1.546)	0.167 (0.167)		1.713 (1.713)
ad hoc 70	EU 2022/2261	216.51 (215.543)	56.835 (55.189)	0.006 (0.006)	273.351 (270.737)
ad hoc 70 UK	EU 2022/2262	8.538 (8.334)	8.5 (8.5)		17.038 (16.834)
Total		449.396 (447.151)	168.253 (161.412)	0.006 (0.006)	617.655 (608.569)

Table 2.1.1.3.1-1

⁶⁷ Decision EU 2022/222 of 16 February 2022, OJ L 37/63, 18.2.2022 (ad-hoc 68 MS).

Decision EU 2022/221 of 16 February 2022, OJ L 37/60, 18.2.2022 (ad-hoc 68 UK).

Decision EU 2022/908 of 8 June 2022, OJ L 157/15, 10.6.2022 (ad-hoc 69 MS).

Decision EU 2022/909 of 8 June 2022, OJ L 157/66, 10.6.2022 (ad-hoc 69 UK).

Decision EU 2022/2261 of 11 November 2022, OJ L 299/20, 18.11.2022 (ad-hoc 70 MS).

Decision EU 2022/2262 of 11 November 2022, OJ L 299/69, 18.11.2022 (ad-hoc 70 UK).

⁶⁸ The net amount is after taking account of other financial corrections on the same expenditure.

⁶⁹ The net financial impact is the actual cash effect and takes account of lifting of previous suspensions.

The amount of financial corrections adopted in a given year does not necessarily correspond to the amount executed in the same year. For further details, see Annex 7 – Part 4.

Apart from the financial corrections in favour of the EU budget, the conformity decisions contain reimbursements to Member States, following judgements of the European Court of Justice - partially or fully in their favour.

In 2022, EUR 149.350 million was reimbursed in the ad hoc decisions listed above (the financial impact of the reimbursements is already reflected in the total corrections).

Reimbursements following judgements of the European Court of Justice in 2022				
million EUR				
Case number	Commission Conformity Decisions		Member State	Reimbursed amount
T-265/19	ad hoc 68	EU 2022/222	IT	0.305
C-742/18P	ad hoc 69	EU 2022/908	CZ	0.706
T-10/20	ad hoc 69	EU 2022/908	IT	144.005
T-57/21	ad hoc 70	EU 2022/2261	HU	4.334
Total				149.350

Table 2.1.1.3.1-2

Does the amount of financial corrections decided in a given year correspond to the expenditure of the same year?

In general, there is a time-lag between the expenditure which is incurred in the Member State, the Commission’s detection of the error and the decision and eventual execution of the financial corrections. In addition, very often a financial correction covers two or more expenditure years.

Protection of the EU budget via Recoveries

It is not only the Commission which acts to recover ineligible expenditure from the Member States and thus protect the EU budget. Member States also take steps to recover amounts from beneficiaries.

Under shared management, it is entirely the responsibility of the Member State to recover from beneficiaries. Amounts paid to beneficiaries which the Member States themselves have identified as being ineligible shall be recovered from the beneficiaries and reimbursed to the EU budget. Annex 7 – Part 5 explains the legal framework and provides detailed information on recovered amounts.

Corrective Capacity

What is the corrective capacity?

The corrective capacity represents the Commission’s capacity to prevent errors before payments are made as well as to correct errors after payment. In this context, recoveries and net financial corrections are effective mechanisms for correcting the errors made by

the Member States and protecting the EU budget and should be considered in any comprehensive assessment of the overall control system.

However, these mechanisms apply *ex-post* and imply contradictory procedures that might take time to complete. Therefore, **the full picture of the actual financial risk to the EU budget for a given annual expenditure**, as a result of Member States’ insufficient management and control of EU funds, but after the implementation of the *ex-post* corrective mechanisms, is not known until some years later. However, failing to consider these amounts of future corrections would result in an incomplete view of the real risk to the EU budget.

The estimated future corrections, which are then fed into the corrective capacity calculation are taken up as an essential element in considering the effectiveness of the control system in protecting the EU budget. It is to be considered when assessing the remaining EU financial risk that still affects a given expenditure once all corrective actions will have been completed – i.e. the estimated final amount at risk.

Calculation of estimated future corrections, including recoveries for the corrective capacity

As in previous years, DG AGRI uses a historical average of the net financial corrections executed for calculating its estimated future corrections for the corrective capacity. As a general principle, a 5-year average is considered appropriate to provide a solid estimation on the expected future corrections. For more details, please see section 4.2.4 of Annex 7.

The corrections in a given financial year are calculated using the **executed amounts**, i.e. the amounts actually reimbursed to the EU budget in the years concerned, instead of the decided amounts. This method takes into account payments in annual instalments and deferrals and it is a consistent way to reflect how these net corrections are actually protecting the EU budget. This approach of using the executed amounts is used also for 2022 as it best reflects the actual impact on the EU budget and allows comparability with figures from previous years.

The estimated future corrections from financial corrections only, to be taken into account for the corrective capacity amount to EUR 603.42 million as presented in the table below.

DG AGRI corrective capacity from financial corrections executed 2018-2022				
	net financial corrections, million EUR			
	ABB02	ABB03	ABB04	Total
2018	48.139	548.407	139.456	736.002
2019	51.822	506.832	170.883	729.537
2020	30.052	178.095	147.640	355.787
2021	33.147	448.828	99.310	581.285
2022	30.264	447.787	136.451	614.502
Total	193.424	2 129.949	693.740	3 017.113
5-year average	38.685	425.990	138.748	603.423

Table: 2.1.1.3.1-2

As regards recoveries, the calculation for the estimated future corrections, which is then fed into the corrective capacity, is based on an average of the previous five years and excludes *corss-compliance* recoveries. The estimated future corrections from recoveries

only, to be taken into account for the corrective capacity amount to EUR 195.036 million as presented in the table below.

DG AGRI corrective capacity from recoveries 2018 – 2022			
million EUR			
	EAGF	EAFRD	Total
2018	97.683	97.032	194.715
2019	121.132	106.495	227.627
2020	77.904	84.545	162.449
2021	78.930	103.825	182.755
2022	91.884	115.751	207.636
Total	467.532	507.648	975.181
5-year average	93.506	101.530	195.036

Table 2.1.1.3.1-3

The actual amount of recoveries in financial year 2022 amount to EUR 131.79 million for EAGF and to EUR 153.55 million for EAFRD. Both these amounts include cross-compliance recoveries which are excluded from the estimated future corrections as cross-compliance is not part of the legality and regularity of the CAP expenditure. In contrast, the amounts of recoveries as part of the corrective measures presented in section 2.1.1. (EUR 326.52 million) include recoveries from cross-compliance, from previous programmes like EAGGF Guidance, recoveries from IPARD, etc. which are not relevant for the calculation of the future financial corrections for the corrective capacity. From the EAFRD financial year 2022, an amount of EUR 117.99 million could be reused by Member States within the same programme. Detailed explanations and calculations are presented in Annex 7, Part 5.

Conclusion on the estimated future corrections for the calculation of the corrective capacity

The total estimated future corrections, including recoveries, for the calculation of the corrective capacity in respect of the EAGF and EAFRD funds in shared management is calculated to be EUR 798.459 million. This amount is DG AGRI's best estimate of what will be recovered to the EU budget via net financial corrections and recoveries in respect of 2022 expenditure.

DG AGRI total estimated future corrections for the corrective capacity 2022			
million EUR			
	EAGF	EAFRD	Total
from financial corrections	464.675	138.748	603.423
from recoveries	93.506	101.530	195.036
Total	558.181	240.278	798.459

Table 2.1.1.3.1-4

Benefits of control

The quantifiable benefits of the delivery costs in the Member States (see Table 2.1.1.4-2 in the section "Economy") mainly relate to the detection and correction by Member States of undue amounts claimed and the recoveries by Member States from beneficiaries after payment. When assessing the effectiveness of detecting and correcting undue claimed amounts, Member States have reported, in their control statistics, an amount of EUR 524.52 million of undue claimed amounts detected and corrected prior to payments

(see table 2.1.1.3.1-6). Furthermore, Member States recovered (annual average for the period 2018-2022) an amount of EUR 195.04 million from beneficiaries.

In order to protect the EU financial interests, the Commission applies net financial corrections to Member States following DG AGRI's audit work. Taking into account the DG AGRI's estimated future financial corrections at EUR 603.42 million, the total quantifiable benefits for the corrective capacity consequently amount to EUR 1 322.99 million. This represents 2.36% of the expenditure paid in respect of the three ABBs.

	Average Financial Corrections¹ (EUR million)	Undue claimed amounts detected and corrected by Member States prior to payment² (EUR million)	Member States' average recoveries from beneficiaries after payment¹ (EUR million)	Total (EUR million)	Total in % of 2022 expenditure
ABB02	38.69	65.57	93.51	887.58	2.17%
ABB03	425.99	263.82			
EAGF	464.68	329.39			
ABB04	138.75	195.13	101.53	435.41	2.86%
Total	603.42	524.52	195.04	1322.99	2.36%

¹ See corrective capacity.

² As reported in the 2022 control statistics.

Table: 2.1.1.3.1-5

These quantifiable benefits for the corrective capacity amounting to EUR 1 322.99 million are calculated based on 5-year averages for the relevant for the future financial corrections and recoveries for shared management only. Moreover, the calculation of DG AGRI's corrective capacity excludes corrections and recoveries for cross-compliance, as it is not considered part of the legality and regularity of the expenditure. In addition, DG AGRI's calculation excludes corrections and recoveries for IPARD, old programmes (EAGGF Guidance) and other recoveries. The preventive and corrective measures for the CAP based **only on 2022 data** amount to EUR 1 477.91 as presented in section 2.1.1.

Also, based on Certification Bodies' findings, Member States made self-corrections in the annual declaration (i.e. correcting in the annual accounts the amounts declared during the year in the annual to reduce the amounts finally reimbursed from the EU budget) an amount of EUR 5.88 million for the two Funds. As these amounts are already deducted from the relevant amount of payments they are not included in the corrective capacity.

In addition, there are a number of benefits resulting from the controls operated throughout the various control stages which cannot be precisely quantified. This includes notably (but not exclusively) the deterrent effects of controls as well as the increased level of assurance resulting from, for instance, improvements in the management and control systems implemented at DG AGRI request and DG AGRI's adjustments to the error rates reported by Member States. Furthermore, the delivery costs also cover assistance to the beneficiaries of the CAP and is a prerequisite to ensuring that the CAP is delivered.

2.1.1.3.2 Interruptions, reductions and suspensions

In 2022, DG AGRI continued to apply the interruptions and reductions/suspensions of monthly payments (EAGF) and interim payments (EAFRD) in order to safeguard the EU financial interests. The Commission powers for this preventive mechanism are laid down in the CAP Horizontal Regulation (EU) No 1306/2013 (and the Common Provisions Regulation (EU) No 1303/2013).

Under EAGF, the reductions made in 2022 concerned 10 Member States and a total amount of EUR -11 675 349.03. The reductions concerned overruns of financial ceilings.

As regards suspensions for EAGF, there were no new suspensions of payments imposed for deficiencies in the management and control system.

Under EAFRD, interruptions and reductions/suspensions of EAFRD payments due to deficiencies in the management and control system concerned 2 out of 115 Rural Development Programmes from the 2014-2022 programming period.

Further details concerning interruptions and reductions/suspensions applied on EAGF and EAFRD payments in 2022 are presented in Annex 7.

b) Fraud prevention, detection and correction

DG AGRI has developed and implemented its own anti-fraud strategy (AGRI AFS) since September 2012, based on the methodology provided by OLAF. It has been updated four times, last in September 2020 with a view to align it to the most recent Commission anti-fraud strategy (CAFS) adopted in April 2019 and in particular to the action plan of the CAFS. Its implementation is monitored on an ongoing basis and reported to the management once a year. DG AGRI has contributed to the Commission anti-fraud strategy (CAFS) by aligning the AGRI AFS to the CAFS. Moreover, in 2022 DG AGRI has updated its 2016 horizontal Fraud Risk Assessment for the CAP so to have it aligned to the changes in the legal basis applicable as of 1 January 2023 for the new CAP. A new risk assessment will be conducted after the first years of application of the CAP reform in light of the experience gained.

A central aspect of the AGRI AFS is a robust implementation of OLAF's financial recommendations, which almost all aim at recovery of funds from final beneficiaries. Such recoveries are enacted by the CAP Paying Agencies in the Member States. It is also to be noted that such specific follow-up stems directly from the CAFS (Action Point 60).

The centralised procedure developed in DG AGRI for the transmission of OLAF final reports to the Paying Agencies and the monitoring of their implementation, works well and allows for a reliable follow-up. The fact that the CAP Paying Agencies report in a timely manner within specific deadlines and communicate details of the recovery procedures allows for an accurate monitoring of recoveries following OLAF recommendations. Following the closure of investigations in 2022, OLAF has issued 14 financial recommendations for recoveries of CAP funds from individual beneficiaries. This is stable compared to 2021 (16 financial recommendations) considering that in 2 further investigations OLAF issued administrative recommendations but no financial ones. DG AGRI is in the process of following up these

recommendations with the competent authorities in the Member States concerned, as only these are responsible to enact recoveries from beneficiaries. 9 recommendations already transmitted to the Member States are still under analysis by the relevant authorities in the Member States in view of starting recovery procedures. 5 financial recommendations received by DG AGRI late in 2022 were processed early 2023.

OLAF recommendations issued in previous years (2018-2022) have mostly been implemented by the Member States. However, the amounts recommended by OLAF for recovery have actually not been recovered in all cases from beneficiaries. In some cases, beneficiaries have appealed recovery orders in court and have obtained (partial) success; in other cases, beneficiaries had become insolvent. In one case, the amount recommended for recovery by OLAF was marginal.

From a more general perspective, in the period of the 5 years between 2018 and 2022, OLAF has issued a total of 45 final reports to DG AGRI with financial recommendations, mostly for recoveries from final beneficiaries. Considering the total amount for which recovery was recommended, 100% was returned to the EU budget through the application of financial corrections following DG AGRI audits. The amount of those financial corrections have gone beyond the scope of some of the OLAF investigations. However, when it comes to the individual files, about 75% of them are still being implemented by the Paying Agencies in the Member States even if the related amounts are relatively small, in line with the principles of shared management. DG AGRI constantly monitors the recovery procedures carried out by the Member States to ensure they are implemented in a timely and diligent manner also through the application of the so-called 50/50 rule after 4 years have elapsed without recovery (or 8 years in case of judicial challenges). Situations in which the recovery is not possible remain therefore limited to successful judicial challenges or cases of insolvency declared in line with national laws.

In conclusion, the results achieved during the year thanks to the anti-fraud measures in place can be summarised as follows: the risk of fraud against CAP funds continues to be low. Since its inception, the AGRI AFS has heavily relied on capacity building in the relevant authorities of the Member States to prevent, detect and correct fraud and other serious irregularities as foreseen for a budget implemented under shared management. To this end, all Member States (and candidate countries) have received specific training in this area in the past as well as written guidance as appropriate. Moreover, the number of cases of (suspected) fraud detected and reported by Member States is overall relatively low. According to the latest PIF Report⁷⁰ available (2021), irregularities reported as fraudulent in the CAP account for 0.06% of the payments made, for an amount of about EUR 30 million. This must be seen in relation to the annual CAP budget, which amounts to almost EUR 56 billion.

On the basis of the available information, DG AGRI has reasonable assurance that the anti-fraud measures in place are effective overall.

⁷⁰ Report on the protection of the EU's financial interests ("PIF" report).

Details regarding the objective on minimisation of the risk of fraud through application of effective anti-fraud measures can be found in Annex 7 – Part 11 (Table 11-1).

c) Other control objectives: safeguarding of assets and information, reliability of reporting (if applicable)

DG AGRI has set up a full range of measures to ensure the adequate safeguarding of Information Systems:

- An IT Governance is in place. It includes an IT Governance Framework, the list of the DG AGRI IT Governance roles and an annual IT Master Plan that describes the IT investments and activities for year N and N+1. It is presented to the DG AGRI Senior Management and approved by the Director-General. Twice a year, the DG AGRI Information Systems are subject of a Steering Committee meeting when progress is assessed and priorities and activities are re-defined with more precision with regard to the recent circumstances. The Information Systems are also registered in GovIS2, the EC centralised repository of Information Systems. The IT Master Plan reports also on the implementation of the IT budget during the previous year. In 2022, 98% of the IT budget that was made available has been implemented.
- The DG AGRI Information Systems are also subject to security measures. They are protected from unauthorized access through advanced access rights mechanisms that deactivate users who move from one organisational entity to another or when they are inactive during a long period. New versions of the IT applications are deployed on the Production servers after approval of the related System Owner and by a different team than the developer's team who cannot change directly the IT applications and neither the data. Following the adoption of Commission Decision (EU, Euratom) 2017/46, security plans are elaborated for all DG AGRI Information Systems by following the ITSRM⁷¹ methodology⁷¹ and compliance with EC IT Security legal base is assessed using the GRC⁷² tool. On a total of 12 DG AGRI operational Information Systems, 10 Information Systems have up-to-date Security Plans which have been reviewed positively by DIGIT. Those Information Systems have reported also on the Governance Risk and Compliance. Moreover, all external Information Systems have a multi-factor authentication (MFA) using EU Login. The c-LISO⁷³ is informed each time security incidents occur. He provides semestrial IT security reports to the DG AGRI Director R. This report is presented to the DG AGRI Security Committee.
- All the DG AGRI Information Systems are hosted by DG DIGIT. Disaster recovery relies now on DG DIGIT.
- Given the proven efficiency of this model, development and maintenance of the Information Systems are provided through "Time&Means" contracts, with the large

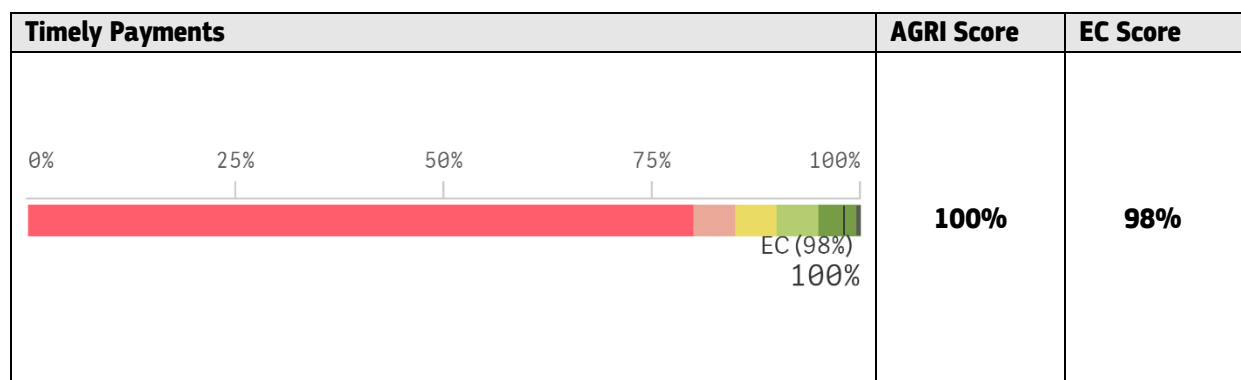
⁷¹ IT Security Risk Management Methodology.

⁷² Governance-Risk-Compliance.

⁷³ Centralised Local Informatics Security Officer.

majority of Service Providers providing services remotely, as required by the Corporate Management Board. For such contracts, DG AGRI reuses Framework Contracts shared by other Directorates-General. DG AGRI collaborates with other DGs, also by reusing digital solutions developed by other Directorates-General and by developing digital ecosystems in cooperation with them.

Efficiency of controls



This indicator measures the amounts paid on time. As far as timely payments are concerned, DG AGRI shows an excellent rate of 100%. The large part of its budget is operated under shared management, but there is also a small budget under direct management.

Shared management

99.3%⁷⁴ of DG AGRI's total expenditure is executed under shared management mode. The table below shows DG AGRI's performance for EAFRD and EAGF:

	2017	2018	2019	2020	2021	2022
EAFRD average time to pay*	34 days	31 days	24 days	19 days	25 days	25 days
EAGF average time to pay**	N/A	N/A	N/A	N/A	N/A	N/A
EAFRD % of payments made on time	100	100	100	100	100	100
EAGF % of payments made on time	100	100	100	100	100	100
* Deadline is 45 days.						
** According to the legislation in force, the payments are executed on the 3 rd working day of each month.						

As regards Member States, for financial year 2022 all Paying Agencies were accredited.

Indicator	2016	2017	2018	2019	2020	2021	2022
% of Paying Agencies accredited	100%	100%	100%	100%	100%	100%	100%

⁷⁴ This percentage is calculated on the total payments executed in financial year 2022 (actual payments).

Since the creation in 2017 of a single unit in DG AGRI for the financial management of the EAGF and the EAFRD, efforts have been made in the past to obtain efficiency gains and economy of scale, like the use of a single system (SFC) for submitting declarations of expenditure for EAGF and EAFRD. These efforts will continue in 2023, with a focus on greater convergence and rationalisation of the IT tools used and alignment of the procedures used for both pillars.

Example of efficiency in shared management: Financial flows

Further standardisation of EAGF financial flow is pursued in cooperation with DG BUDG, now linked to the introduction of SUMMA. This will lead to efficiency gains in financial reporting.

Direct management

Time to inform and Time to grant

In accordance with Article 194(2)(a) of the Financial Regulation⁷⁵, applicants shall be informed of the outcome of the evaluation of their application within a maximum of six months from the final date for submission of complete proposals. In accordance with Article 194(2)(b) of the Financial Regulation, grant agreements shall be signed with applicants within a maximum of three months from the date of informing applicants that they have been successful.

DG AGRI has informed applicants of the outcome of the evaluation on average within five months of the final date for submission of proposals. As next step, DG AGRI signed the respective grant agreements within two to three months from the date of informing successful applicants.

Time to pay

Article 116(1) of the Financial Regulation fixes the time limits for payments for contribution agreements, contracts and grant agreements.

For direct management, the **performance** regarding payments remained excellent with 99.67% processed within the binding deadlines imposed by the Financial Regulation.

Number of payments	Financial year / performance %											
	2017	%	2018	%	2019	%	2020	%	2021	%	2022	%
Total	914	100	928	100	881	100	847	100	721	100	900	100
Paid on time	898	98.2	920	99.1	874	99.2	845	99.76	718	99.58	897	99.67
Payment delayed	16	1.8	8	0.9	7	0.8	2	0.24	3	0.42	3	0.33

Monitoring of timing indicators in days	2017	2018	2019	2020	2021	2022
N° of days between receipt of invoice and "pass for payment"	10	8	7	8	7	9,5
N° of days between receipt of invoice and "bank date"	14	13	12	12	11	13,5

⁷⁵ Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union.

Conclusion on the control efficiency

In view of the indicators mentioned above, DG AGRI considers that the relative level of efficiency of the controls operated is adequate.

Economy of controls

For the EAGF and the EAFRD, the two main funds managed by DG AGRI representing 99.6%⁷⁶ of the CAP budget, the following indicators can be reported:

Indicator	2022
Cost of management and control of the Commission (as a % of 2022 payment appropriations executed by the Commission for shared management)	0.11%
Cost of management and control of the Member States –i.e. the 'delivery cost' (as a % of 2022 total public expenditure)	3.5%

Table: 2.1.1.4-1

The annual overall **Commission** cost for managing the management and control systems in place for shared management is estimated at around **EUR 61.24 million** or 0.11 % of total payments in 2022. A comparison of the results indicates that the results are in line with those obtained for earlier reporting exercises (financial years 2016-2021).

DG AGRI considers this overall cost to be very reasonable and very cost effective.

The costs have been calculated using the common methodology developed by the Commission to measure the cost of controls. The data used result from a survey performed in the services in 2022, following the 2022 re-organisation, and the calculation has been updated accordingly. Nevertheless, DG AGRI's cost of management and control remained stable and are well below the target set in the 2022 Management Plan (Overall estimated cost of controls remains below 0.5% of funds managed). The data relate, for nearly one third, to the staff involved in audit activities. The remaining costs relate to staff in the operational directorates dealing with programme management, and to staff involved in the financial management of the funds, budget and accounting, coordination, anti-fraud or ICT.

The detailed figures (only at Commission level) are reported in Annex 7 - Part 7 (see Table 7.1 on "Overview of AGRI's estimated cost of controls at Commission (EC) level").

The **delivery costs at the level of the Member States** and ABBs are related to all the activities of the Paying Agencies for managing and controlling the CAP expenditure, such as providing to all potential beneficiaries the necessary means to lodge an application and including controls, payments, accounts and their reporting to the Commission.

DG AGRI carries out a survey on the delivery cost in the Paying Agencies every two/three years. On the basis of the latest survey carried out for the 2021 AAR, taking into account

⁷⁶ This percentage is calculated on the total payments executed in financial year 2022 (Policy area 01 / 08 / 14 / 15).

the budget of the Member States and the UK⁷⁷ for financial year 2022, the overall delivery cost of managing and controlling CAP expenditure for the Member States is estimated at around EUR 2 256.3 million, corresponding to 3.5% of the CAP expenditure for financial year 2022. As indicated in table 2.1.1.4-2, the % of delivery costs in 2022 expenditure is at a slightly lower level than in 2021 (3.6%). The delivery costs are borne by the Member States.

Activity	2021		2022	
	Member States Management and Control Costs ¹ (EUR million)	in % of 2021 expenditure	Member States Management and Control Costs ² (EUR million)	in % of 2022 expenditure
Market measures ABB02	240.4	9.6%	240.4	8.3%
Direct payment ABB03	783.2	2.1%	783.2	2.1%
Rural development ABB04 ⁽³⁾	1 232.7	5.7%	1 232.7	5.4%
Total⁽⁴⁾	2 256.3	3.6%	2 256.3	3.5%
⁽¹⁾ As provided by Member States in 2021				
⁽²⁾ As provided by Member States in 2021				
⁽³⁾ In % of 2022 expenditure including total public expenditure				
⁽⁴⁾ In % of 2022 CAP expenditure (including total public expenditure)				

Table 2.1.1.4-2

Conclusion on the cost effectiveness of the Member States' controls

DG AGRI considers that the delivery costs as presented in Table 2.1.1.4-2 represent a reasonable amount, especially when taking into account the high number of CAP beneficiaries (5.9 million beneficiaries in 2022), the relatively small size of most payments to individual beneficiaries, the necessity of protecting the EU financial interests and the overall performance of the policy. Still, DG AGRI considers there is a momentum for improving the cost-effectiveness at the level of the Member States and in particular when designing the delivery systems for the new CAP. For example, new technologies have been successfully used during the COVID-19 pandemic to replace the traditional on-the-spot controls and this trend should continue in the future. Another example are simplified cost options, which are now used by an increasing number of Paying Agencies.

Overall, the CAP support is delivered to beneficiaries in a way that protects the EU financial interests as confirmed by the Director-General's conclusion that he has assurance for more than 98% of the resources assigned to him, with the remaining overall financial risk, after all corrective actions will have taken place, being significantly below materiality (see sub-section 2.1.4.3 of this report).

⁷⁷ As of 1 February 2020, the United Kingdom is no longer a member of the European Union. In accordance with [Article 137\(1\) second subparagraph](#) of the Withdrawal Agreement between the EU and the UK, as from claim year 2020 the EU market measures and direct payment legislation does not apply to the UK.

CONCLUSIONS ON THE COST-EFFECTIVENESS OF CONTROLS

Based on the most relevant key indicators and control results, DG AGRI has assessed the effectiveness, efficiency and economy of its control system and reached a positive conclusion on the cost-effectiveness of the controls for which it is responsible.

Just like in 2021, the DG AGRI control environment and control strategy have remained stable. In view of the result indicators mentioned above, DG AGRI considers that the relative level of cost-effectiveness, economy and efficiency of the controls operated is adequate.

2.1.2 Audit observations and recommendations

This section sets out the observations, opinions and conclusions reported by auditors – including the limited conclusion of the Internal Auditor on the state of internal control. Summaries of the management measures taken in response to the audit recommendations are also included, together with an assessment of the likely material impact of the findings on the achievement of the internal control objectives, and therefore on management's assurance.

2.1.2.1 Internal Audit Service (IAS)

In 2022, the IAS finalised three audits, two reviews and one follow-up audit involving DG AGRI.

<i>Title</i>	<i>Final report / Closure note</i>
Gap analysis review of the new 2023-2027 Common Agricultural Policy in DG AGRI	13/06/2022
Limited review on the reporting of the Commission's preventive and corrective measures ('corrective capacity')	04/10/2022
Audit on DG AGRI's management of the wine market	10/11/2022
Audit on the implementation of bilateral trade agreements in DG AGRI, DG TRADE and DG ENV	30/01/2023
Audit on the European Commission actions against food fraud in DG AGRI, DG SANTE and OLAF	30/01/2023
Follow-up of outstanding recommendations from past audits in the Directorate General for Agriculture and Rural Development (DG AGRI)	17/01/2023

As a result of its work, IAS did not issue any "critical" recommendation, but reported six "very important" recommendations and 4 "important" recommendations.

In the audit on DG AGRI's management of the wine market, the IAS identified one "very important" and two "important" recommendations. The very important recommendation pointed at some significant weaknesses in the process for monitoring the implementation and performance of the wine National Support Programmes based on Member States' Annex III notifications under the current five-year programme (EU) 2016/1150. This recommendation notably called for the development of guidance to Member States on the applicable requirements as regards the data to be reported on interventions in the wine sector under the CAP Strategic Plans (by means of Annex V to Implementing Regulation

(EU) 2022/1475) and for a systematic analysis and consistent documentation of Member States' Annex III notifications under the current National Support Programmes.

The IAS issued four very important recommendations for DG AGRI in the audit on European Commission actions against food fraud.

The first very important recommendation pointed at the fact that there has been no memorandum of understanding or written working arrangements between DG AGRI and DG SANTE covering the audits in Member States, third countries and control bodies as regards the organic sector since end 2019. The number of audits performed on the control systems for organics has also decreased due to resources constraints. Therefore, the IAS recommended that DG AGRI, in collaboration with DG SANTE, should lay down in writing the agreed allocation of tasks as regards the above-mentioned audits, to ensure sufficient coverage of the risks identified both in Member States and third countries.

Moreover, the auditors found that there is no written arrangement in place between DG AGRI and DG SANTE to coordinate the review of notifications in the Organic Farming Information System (OFIS)⁷⁸ and DG SANTE's integrated Rapid Alert System for Food and Feed (iRASFF) and the follow-up actions to be taken. Furthermore, there is no process in place for systematically checking that notifications which are supposed to be made in the two systems are indeed registered in the two systems. Therefore, the IAS recommended that DG AGRI should, in collaboration with DG SANTE, establish a procedure or automated solution for coordinating the screening of notifications and ensuring that notifications are made in both IT systems. The second very important recommendation pointed at DG AGRI's procedures for screening notifications and monitoring detected potential issues. The auditors found that DG AGRI did not screen the OFIS EU alert notifications and stopped the screening of the intra-EU notifications (INEU) in OFIS in 2021 in order to focus on notifications on imported products (INTC) due to resource constraints. Furthermore, there are no practical guidelines on how to communicate with Member States in case of persistent non-compliance with the organic regulation. Therefore, the IAS recommended that DG AGRI should regularly screen both the intra-EU and third country notifications and systematically document the identification, and follow-up of potential organic food fraud cases on a risk basis, based on documented risk criteria.

The third very important recommendation pointed to the fact that many manual steps remain necessary to create, manage and screen notifications in OFIS. In addition, OFIS contains only a limited number of mandatory fields and the data entry input controls (e.g., dropdown menus, data type/length/format checks) are not comprehensive. Furthermore, data is often entered as free text fields. The IAS recommended that DG AGRI improves the functionalities in OFIS, in particular to reduce the need for manual intervention and improve data quality.

The fourth very important recommendation pointed at the quality of the data encoded in OFIS due to their current structure and format, which is not conducive to data analytics and

⁷⁸ The IT tool supporting the implementation of organics regulation.

statistics. In addition, despite the overlap between the legal obligations for registering notifications on potential food fraud stemming from the legal basis for iRASFF (managed by DG SANTE) and the legal basis for OFIS (managed by DG AGRI), there is no interlink between the two systems. The IAS recommended that DG SANTE and DG AGRI jointly assess the possibility of using artificial intelligence and data mining tools including required data quality improvements in the current IT systems as well as explore the possibility to introduce links between iRASFF and OFIS.

The limited review on the reporting of the Commission's preventive and corrective measures ("corrective capacity") covered 6 DGs (DG BUDG, DG AGRI, DG EMPL, DG INTPA, DG REGIO and DG RTD) and one executive agency (REA). IAS issued 10 recommendations of which one 'very important' was addressed to DG AGRI. This recommendation identified differences in the terminology used in DG AGRI's AAR and in the Annual Management and Performance Report (AMPR) as well as differences in the amounts of implemented corrections reported in the AARs and the AMPR, including as regards CAP expenditure, and asks DG AGRI to agree with DG BUDG on a way to align the reporting of the corrections implemented in DG AGRI's AAR and the AMPR; to report in DG AGRI's AAR on the EAFRD recoveries not reimbursed to the Commission but reused by the Member States; and to align the terminology used in the AAR for the "corrective capacity" with the terminology used in the AAR instructions.

In the audit on the implementation of bilateral trade agreements in DG AGRI, DG TRADE and DG ENV, the IAS identified two "important" recommendations.

The result of the gap analysis review on the CAP 2023-2027 was that the IAS identified issues for consideration, i.e. environmental and climate objectives, social conditionality, fair distribution of CAP funds and other issues (performance indicators and Arachne). Issues for consideration are not followed-up by the IAS.

Overall, DG AGRI accepted all recommendations from the IAS (important and very important) and submitted the respective action plans that were assessed as satisfactory to mitigate the risks identified by the IAS or is in the process of submitting the action plans for the last two audits that have been issued by the IAS. These action plans are being implemented as planned. There are no overdue critical or very important IAS audit recommendations nor delays in the implementation of the agreed recommendations.

At the start of 2023, all recommendations covered by the IAS follow-up audit have been closed.

DG AGRI management closely monitors the implementation of the audit recommendations and the respect of the action plans agreed with the IAS for all audits. DG AGRI has not rejected any recommendations during the year.

IAS conclusion on the state of the internal control

Apart from its participation in the peer review process and in line with its mission charter, the contribution of the IAS to the 2022 AAR process consists of providing a limited conclusion on the state of internal control for each DG. The limited conclusion on the state

of internal control draws on the audit work of previous years and lists all "critical" and "very important" IAS recommendations which have not been implemented.

On this basis, the Internal Auditor concluded in February 2023 that the internal control systems in place for the audited processes are effective, except for the observations giving rise to the 'very important' recommendations as listed in the appendix to the IAS conclusion. These recommendations need to be addressed, in line with the agreed action plans or by the submission and implementation of an agreed action plan.

Conclusion on IAS audits and recommendations

DG AGRI is taking action to implement the recommendations that were addressed to the Directorate-General. The follow-up of IAS audit recommendations is a well-established element of internal control in DG AGRI, which includes regular requests for updates for all open recommendations throughout the year, regardless of their qualification or implementation deadlines.

DG AGRI's management therefore considers that the current state of play regarding the follow-up of IAS recommendations does not lead to assurance-related concerns and concludes that it has **reasonable assurance**.

2.1.2.2 European Court of Auditors: 2021 Annual Report

In the ECA's **2021 Annual Report**, the activities relevant for DG AGRI are considered together with other policy areas relevant to "Natural Resources" (MFF heading 2) under one single Chapter 6. CAP spending accounts for 97.5% of the budget under this heading (EUR 56.8 billion), which corresponds to 31.3% of the total EU expenditure.

The level of error estimated by the ECA for Chapter 6 "Natural Resources" was 1.8%, **for the third time close to the materiality threshold of 2%** and lower than in financial year 2020 (2%). **EAGF direct payments**, which account for 67% of spending under MFF heading 3, remained **free of material error for the sixth year in a row**. The audit conclusion of the ECA was again consistent with the error rates reported by DG AGRI in its 2021 AAR (1.84% for the whole CAP and 1.44% for direct payments).

As in the previous years, the Court underlined the positive contribution from the Integrated Administration and Control Systems (IACS), including the Land Parcel Identification System (LPIS), to limit the level of error in EAGF direct payments. The ECA reiterated that IACS, and the LPIS in particular, form an effective management and control system to ensure that these payments as a whole are not affected by material error.

Market measures are considered, together with rural development, environment, climate and fisheries, as higher risk spending areas. Most spending in these areas is reimbursement-based and subject to complex eligibility conditions, which increases the risk of errors according to the ECA. The error rate for this part of the expenditure was estimated to be material, which is also in line with DG AGRI's conclusions, but this has to be interpreted in the wider context of the policy. In pursuing lower levels of error, it is

necessary to balance legality and regularity with the achievement of policy objectives while bearing in mind the delivery costs.

The ECA also found that the checks by monitoring are a good tool for preventing overpayments, by providing farmers with more opportunities to rectify their claims before they are finalised. This is indeed a very good example of how technology can be applied to make management and control systems more effective and keep the error rate low. In 2021, the uptake of the checks-by-monitoring approach in Member States doubled with respect to that of 2020, thus exceeding the Commission's interim milestone of 10% of the utilized agricultural area by 2022. At the end of 2021, the area of the main direct aid schemes (basic payments and single area payments) subject to checks by monitoring was 13.1%.

This year, the ECA also examined the **quality and the coherence of the control statistics and payment data reported** by 13 Paying Agencies. The ECA achieved a very high level of accuracy for the recalculation of payment data and found that the **selected Paying Agencies' systems reliably calculated the aid payments**.

The ECA also examined the implementation of the **EAFRD Measure 21 (M21)** 'Exceptional temporary support to farmers and SMEs particularly affected by the COVID 19 crisis' in a sample basis for four Member States. The ECA concludes that in general, **the conditions for support laid down in the Regulation (EU) 2020/872⁷⁹ were respected**. It also identified a limited number of cases where beneficiaries who did not meet the criteria for support received funds.

The ECA made **two recommendations** for improvements to DG AGRI.

The first recommendation concerns the **Commission's support for the use of new technologies for preventing errors in CAP payments. The Commission accepted this recommendation**. The Commission will provide a forum for facilitating the sharing of best practices among Member States in the use of new technologies. As from 2023 onwards, the mandatory Area Monitoring System (AMS) will cover area-related interventions across all Member States for the purpose of preventing errors and assessing policy performance focussing on agricultural activities.

The second recommendation refers to **checks of payments under EAFRD Measure 21 (M21)** that have to be performed by the Commission. **The Commission accepted the recommendation**. Measure M21 was adopted and implemented by administrations in record time in view of the urgency of the COVID-19 crisis situation. The measure is subject to Commission audits as well as the monitoring and evaluation system for the EAFRD, and the Commission will encourage Member States to cover this measure in their *ex-post* evaluations of the CAP.

⁷⁹ [Regulation \(EU\) 2020/872](#) amending Regulation (EU) No 1305/2013 as regards a specific measure to provide exceptional temporary support under the European Agricultural Fund for Rural Development (EAFRD) in response to the COVID-19 outbreak.

Moreover, the ECA assessed that the **2019 recommendation**, concerning some weaknesses identified in **CAP anti-fraud policies and procedures**, was **implemented in some respects** by the Commission. Parts of this recommendation have been included in the **ECA' Special Report 14/2022 – "The Commission's response to fraud in the common agricultural policy - Time to dig deeper"**, with **target implementation dates for 2023 and 2024 respectively**.

2.1.2.3 European Court of Auditors: report on the performance of the EU budget

For the financial year 2021, the European Court of Auditors (ECA) continued with its three-year pilot project, i.e. splitting its annual report into two separate parts, and published on 14 November 2022, for the third time in a row, a stand-alone "Annual Report on Performance" which focuses on the performance of spending programmes under the EU budget as at the end of 2021.

Each year, the Annual report on Performance (ARP) examines a different aspect of the performance framework. The main audit question the ECA selected for the 2021 report was the mainstreaming of five horizontal policy priorities into the EU budget: climate change, biodiversity, gender equality, the UN Sustainable Development Goals (SDGs) and the digital transition.

The ARP report is divided into three chapters; in the ARP 2021, chapter 1 and chapter 2 touched upon some elements of the CAP.

In chapter 1 the ECA examined whether the horizontal priorities have been incorporated throughout selected EU spending programmes. The ECA assessed the Commission's overall approach and methodologies, and the performance information in the AMPR relating to the horizontal policy priorities. The ECA based its assessment on a sample of 11 out of the total of 47 spending programmes established for the 2021-2027 period, representing around 90 % of the period's total budget, and including the CAP, both the EAGF and EAFRD.

In chapter 2 the ECA examined whether the Commission applied an appropriate performance framework to measure the EU budget's contribution to these horizontal priorities. The ECA assessed the methodologies applied by the Commission to track expenditure under the programmes covered in chapter 1, as well as relevant performance information, including related indicators, reported in the Commission's programme statements.

Chapter 3 presents the results of the follow-up of audit recommendations the ECA made in special reports published in 2018. The vast majority of recommendations were accepted by the Commission and of those, only very few have not been fully implemented yet.

ECA conclusions in the ARP

The ECA concluded that the priorities of climate, biodiversity, gender, SDGs and the digital transition had indeed been incorporated into the selected spending programmes. However,

the extent of this incorporation differs significantly between priorities, gender being the least well integrated priority. Moreover, the ECA found that the Commission produced a pilot methodology to measure expenditure on gender equality, which is not as advanced as the methodology for climate and biodiversity spending. In the ECA's view, overall, the Commission applied an appropriate performance framework to measure the EU budget's climate and biodiversity contribution. The performance framework for measuring its contribution to gender equality has improved but has limitations, and the framework for measuring the Commission's contribution to the SDGs and the digital transition remain to be developed.

The Commission welcomed the ECA's work on the performance of the EU budget and its focus on policy mainstreaming. Mainstreaming is an essential tool for the Commission to pursue horizontal goals, such as the fight against climate change or the pursuit of a more gender-equal society, while keeping its spending programmes sharply focused on the pursuit of specific EU goals in the respective policy areas. For the 2021-2027 Multiannual Financial Framework (MFF), mainstreaming has been discussed with the co-legislators, and the resulting agreement has been enshrined in the Inter-Institutional Agreement (IIA). This guides the Commission's implementation of the 2021-2027 MFF.

As regards a methodological perspective, the performance framework of any given EU spending programme does not need to feature either specific objectives or indicators directly linked to horizontal (as opposed to programme-specific) priorities. In any case, the final sets of both specific objectives and key performance indicators in the basic acts of individual EU spending programmes are the outcome of the negotiation process with the co-legislators.

2.1.2.4 European Court of Auditors: Special Reports

There are no recommendations regarding financial management and internal control stemming from **ECA 2022 Special Reports**. An overview of the ECA Special Reports delivered in 2022 can be found in Annex 7 - Part 12.

Follow-up of open recommendations

DG AGRI management closely monitors the implementation of the audit recommendations stemming from ECA annual and special reports or discharge requests from Council and the European Parliament issued in the course of the discharge procedure. By the end of 2022, 30 recommendations stemming from the ECA's special reports remained open for which DG AGRI is chef de file. In 2022, there were no substantially overdue (> 12 months) recommendations stemming from the ECA Special reports for which DG AGRI is chef de file.

Conclusion on ECA audits and recommendations

The 2021-2025 strategy of the European Court of Auditors and the ECA's 2022+ work programme tasks and recommendations on agriculture are welcome and contribute to important improvements in the CAP. However, the workload generated by the large number

of ECA special reports and other products, often coinciding with periods of a high workload such as the CAP Strategic Plans approval process, is still a matter of concern.

In 2022, there was one Corporate Management Board meeting and one meeting of the Group of Resource Directors (GDR) devoted to increasing the impact of and simplifying the Commission communication on special reports. Under DG BUDG's guidance, a new approach for preparing Commission replies and organising the adversarial process had been piloted on 8 ECA special reports with 16 Services/Directorates-General' participation, including DG AGRI. In view of the positive results and following the endorsement of the Corporate Management Board, the new approach applies to all draft special reports received by the Commission from 1 November 2022 onwards.

Following these quality improvements, proactivity in the Commission's communication is expected. The Corporate Communication Steering Committee (CCSC) supported DG AGRI's proposal to share Commission replies under embargo with selected journalists and once published, make them available on Commission webpages to increase their visibility.

DG AGRI is taking action to implement the recommendations that were addressed to the Directorate-General and which have been accepted. These recommendations fall within the limits of DG AGRI competencies, under the overall framework of shared management. The follow-up of ECA audit recommendations is a well-established element of internal control in DG AGRI, which includes yearly updates for all open recommendations, regardless of their qualification or implementation deadlines.

DG AGRI management therefore considers that the current state of play and timely follow-up of ECA recommendations is a well-established process that does not lead to assurance-related concerns and, in conjunction with the absence of significant delays, justifies the conclusion on its **reasonable assurance**.

2.1.3 Assessment of the effectiveness of internal control systems

The Commission has adopted an Internal Control Framework based on international good practice, to ensure the achievement of its policy and management objectives. Compliance with the internal control framework is a compulsory requirement.

DG AGRI uses the organisational structure and the internal control systems suited to achieving its policy and internal control objectives in accordance with the internal control principles and has due regard to the risks associated with the environment in which it operates.

The internal control **self-assessment for 2022** was carried out following the methodology established in the 'Implementation Guide of the Internal Control Framework of the Commission' and following the general principles included in the [Communication on the revision of the internal control framework](#).

DG AGRI self-assessment is based on the following main sources of information:

- The assessment of DG AGRI internal control **monitoring indicators** and the specific actions implemented by the services contributing to each internal control principle;
- The review of the **management supervision reports** submitted by Directors and Heads of Unit on the qualitative assessment of the operational performance of the services during the year 2022 and on certain internal control aspects related to ethics, exceptions to procedures or non-compliance events, data protection and document management;
- The evaluation of IAS and ECA **audit findings and follow-up of recommendations** (see section 2.1.2), especially recommendations that may highlight systemic problems with internal controls;
- The results of the **risk assessment exercises**;
- The analysis of registered **non-compliance and exception cases** that may reveal underlying deficiencies;
- The ex-ante scrutiny of the new and modified **internal procedures**.

In addition, the annual results of the ten standard **financial indicators** (see [Annex 4](#) for more information) are in general very good. For all indicators, DG AGRI reached good results for the targets set at Commission level. In particular, for the indicator 'timely payments', which concerns the budget in shared management, but also a small budget under direct management, DG AGRI achieved 100% which is above the EC average.

The assessment also considered the **IAS limited conclusion** on the state of internal control and audit recommendations in DG AGRI for the year 2022.

During the period 2018-2022, the Internal Audit Service did not issue any 'critical' recommendation for DG AGRI. However, six 'very important' recommendations, issued between 2022 and January 2023 and related to three audits, are to be addressed.

Of these six 'very important' recommendations, one is related to the reporting on corrective capacity (due by 30/04/2023 together with DG BUDG), one is related to the monitoring of performance in the wine sector (due by 30/06/2023) and four are related to the EU Commission actions against food fraud. On these four recommendations related to food fraud, two are due together with DG SANTE (one on 30/06/2023 and one on 30/06/2025) and two are addressed only to DG AGRI (one due by 30/06/2023 and one due on 30/06/2025).

Based on the elements above, IAS concluded that the internal control systems in place for the audited processes are effective in DG AGRI, except for the observations giving rise to the six 'very important' recommendations which are detailed in section 2.1.2.

DG AGRI assessment is that these six 'very important' recommendations are very specific recommendations and have no impact on the assurance.

More detailed information on the internal control system in DG AGRI is reported in Annex 8.

Conclusions on the internal control system

Based on the methodology and information sources described above, DG AGRI has assessed its internal control system during the reporting year and has concluded that it is effective and that **the components and principles are present and functioning well overall**, but **some improvements are needed** as a minor deficiency was identified related to Principle 3.

Under Principle 3, "Establishes structure, authority and responsibility", the assessment noted a minor deficiency as the list of sensitive functions is still to be finalised. Following the reorganisation of DG AGRI on 16 January 2022 and the mobility of staff, job descriptions and objectives of the personnel were aligned and the exercise of the revision of sensitive functions was launched accordingly. Interviews with selected units intended to assess current or potential future sensitive functions. Verification of mitigating controls has begun and work is in progress with the aim to finalise the list by end of 2023. In the meantime, the regular exchange continues between the Director-General and the HR Correspondent (HR C) on appointments and mobility issues, and staff issues are carefully followed-up to mitigate the absence of an updated list.

This minor deficiency has a low impact on the presence and functioning of the principles, considering the extent of the problem and the existing controls in place. Therefore, it is possible to conclude that the deficiency found **does not affect** negatively the functioning of the internal control system in DG AGRI.

No critical weaknesses were found in any of the components that could jeopardise the achievement of operational, financial or control objectives and prevent the Director-General from signing his declaration of assurance.

2.1.4 Conclusions on the assurance

In conclusion, based on the elements reported above, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director-General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance, albeit qualified by reservations.

This section reviews the assessment of the elements already reported above (in Sections 2.1.1, 2.1.2 and 2.1.3), and the sub-conclusions already reached. It draws an overall conclusion to support the declaration of assurance and whether it should be qualified with reservations.

2.1.4.1 Review of the elements supporting assurance

The information reported in Part 2 stems from the results of management and auditor monitoring contained in the reports. These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness

and reliability of the information reported and results in a complete coverage of the budget delegated to the Director-General of DG AGRI.

The Commission gives the highest priority to the exercise of its responsibilities for implementing the budget under Article 317 of the Treaty for the Functioning of the European Union (TFEU).

DG AGRI has assessed the effectiveness of its key internal control systems during the reporting year (Part 2.1.3) and identified areas for improvements, although in no case the weaknesses identified were of a nature to call into question the reasonable assurance.

In addition, DG AGRI has systematically examined the available control results and indicators, including the results of the assessment of the Certification Bodies and its own audits, those aimed to supervise entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by internal auditors and the European Court of Auditors. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives (Part 2).

Follow-up of 2021 reservations

In the 2021 AAR, DG AGRI issued 48 reservations at the level of Paying Agency or measure.

Member States were requested to submit action plans to remedy the weaknesses underlying the reservations where necessary. Those action plans were then assessed to check whether they would, if properly implemented, actually remedy the identified deficiencies in due time.

Member States are responsible for the actual implementation of an action plan. DG AGRI monitors the implementation on the basis of the reporting done by Member States, i.e. verifies that the Member State is providing its progress report in a complete manner and on time. The Certification Bodies are also requested to report on progress on action plans. The Assurance and Audit Directorate of DG AGRI offers its opinion and checks on the spot at appropriate times the implementation of an action plan in accordance with its audit work programme.

The risk for the EU budget is systematically covered by the conformity clearance procedures and the net financial corrections.

Sound Financial Management

With 99.28% of the CAP budget⁸⁰ being implemented in shared management, its sound management is based on Member States' compliance with the rules set down in the legislation, which is then audited by DG AGRI. The CAP legislation imposes compulsory administrative structures (Paying Agencies) in the Member States with strict accreditation criteria applying in particular to control and payment functions. Annual accounts are

⁸⁰ This percentage is calculated on the total payments executed in financial year 2022.

required to be sent to the Commission and the Certification Body is required to certify them. The Certification Body is required to certify whether it has gained reasonable assurance that the accounts transmitted to the Commission are true, complete and accurate and to give an opinion on the legality and regularity of the expenditure.

In general, the Paying Agencies carry out ex-ante administrative checks on each payment as well as on-the-spot checks for at least 5% of beneficiaries of Direct Payments and Rural Development expenditure. For Market Measures, the level of on-the-spot checks is higher with up to 100 % control rates required for certain schemes. The CAP legislation also imposes strict payment deadlines on the Paying Agencies. Those, which do not respect these deadlines, are subject to penalties where a significant part of payments are made late.

Weaknesses detected by DG AGRI via its own audits are systematically subject to net financial corrections through the clearance of accounts procedures in order to protect the EU financial interests.

Resources used for the intended purposes

While deficiencies are found in the management and control systems of some Paying Agencies, no audit observations have come to light that significant resources have been diverted from the intended purpose. In particular, while DG AGRI identified a number of deficiencies and errors, in most cases these errors concerned formal and procedural mistakes while the funds were still effectively used for the stated objectives.

Legality and regularity

Part 2 sets out in detail the processes in place to ensure the management of the risk relating to legality and regularity of the funds managed under the CAP. It demonstrates that overall the risk at payment is below 2% and that when taking into account the corrective capacity, i.e. the estimated amount related to the CAP expenditure in 2022 that will be reimbursed by Member States to the EU budget by net financial corrections as well as by the recoveries effected by the Member States, there is sufficient assurance that the remaining risk to the EU budget is significantly below 2%.

In the framework of shared management, the detection and correction of errors is the direct responsibility of the Member States.

Despite some uncertainty caused by COVID-19 in claim year 2021 which affect financial year 2022, DG AGRI continues to have a solid basis for obtaining assurance on the CAP expenditure.

Three reservations are made on each of the ABB activities in shared management, covering 47 reservations at Paying Agency level or Member States. This careful examination enables the Director-General to consider that he has reasonable assurance as to the legality and regularity of the expenditure effected in 2022 with a qualification in respect of the three reservations made for ABB activities as detailed in the following section.

2.1.4.2 Conclusion on assurance and reservations

The Director-General for Agriculture and Rural Development considers it necessary to enter three reservations⁸¹ (i.e. for ABB02, ABB03 and ABB04) in respect of 2022 expenditure in shared management with the Member States.

Reservation Title	Financial Impact (in m EUR)		Residual error rate 2022	Evolution
	2021	2022		
Shared management – EAGF Market measures (ABB02)	EUR 36.38 million	EUR 47.27 million	See individual PAs Annex 9	Maintained
Shared management – EAGF Direct payments (ABB03)	EUR 170.44 million	EUR 179.18 million	See individual PAs Annex 9	Maintained
Shared management – EAFRD Rural development (ABB04)	EUR 331.06 million	EUR 329.04 million	See individual PAs Annex 9	Maintained

Table: 2.1.4.2-1

2.1.4.3 Overall Conclusion

In order to assess the overall risk relating to the legality and regularity of transactions, DG AGRI has calculated an adjusted error rate for the annual expenditure and the resulting amount at risk.

Direct management

Titles 08 and 15	Agriculture and rural development	Direct management payments made (EUR)	Error rate	Amount at risk at payment (EUR)
0801	Administrative expenditure	334 652	1.00%	3 347
1501	Instrument for Pre-accession Assistance	199 800	1.00%	1 998
0803, 080299	Rural development	13 733 678	1.00%	137 337
080206	Policy strategy and coordination	194 100 505	1.00%	1 941 005
0820	Other actions	4 173 801	1.00%	41 738
Total		212 542 436	1.00%	2 125 424

Table 2.1.4.3-1

For the EUR 212.54 million managed directly by DG AGRI, the maximum amount at risk is estimated at EUR 2.125 million indicating an adjusted error rate of 1.00%.

⁸¹ As from 2019, a 'de minimis' threshold for financial reservations is introduced. Quantified AAR reservations, related to residual error rates above the 2% materiality threshold, are deemed not substantial for segments representing less than 5% of a DG's total payments and with a financial impact below EUR 5 million. In such cases, quantified reservations are no longer needed. The implementation of this 'de minimis' threshold applies at the level of the AAR reservations, i.e. not at all affecting the detailed reservations at the level of the Paying Agency/aid scheme. Considering the conditions described above, for the 2022 financial year this "de minimis" threshold has **no impact** on AAR reservations of DG AGRI.

Indirect management

Title 15	Agriculture and rural development	Payments made (EUR)	Prefinancing paid (EUR)	Cleared prefinancing (EUR)	Relevant expenditure (EUR)	Adjusted error rate	Amount at risk (EUR)
1502	Instrument for Pre-accession Assistance	193 553 171	-	-	193 553 171	0.41%	793 293
Total		193 553 171				0.41%	793 293

Table: 2.1.4.3-2

For the EUR 193.55 million in indirect management under the pre-accession programmes, the maximum amount at risk is estimated at EUR 0.79 million indicating an estimated adjusted error rate for relevant expenditure of 0.41%.

Shared management

Title 08	Agriculture and rural development	Shared management payments made (EUR)	Adjusted error rate	Amount at risk (EUR)
080203, 080299	Interventions in agricultural markets	2 879 990 914	2.90%	83 640 722
080205, 080299	Direct aids	37 963 705 870	1.31%	498 079 375
0803, 080299	Rural development	15 220 091 637	2.68%	407 627 824
Total		56 063 788 421	1.76%	989 347 921

Table: 2.1.4.3-3

The amount at risk for the funds under shared management is estimated at EUR 989.35 million, corresponding to an adjusted error rate of 1.76%. This amount at risk is the Director-General's best, conservative estimate of the amount of expenditure authorised in 2022, which may relate to underlying transactions made by the Member States which are not in conformity with the applicable regulatory provisions. This overall adjusted error rate is below materiality, however the Director-General in order to ensure that there is sufficient assurance for all ABBs and to identify the areas where improvements should still be done is also making reservations.

Reservations are targeted at the Paying Agencies or aid schemes where the specific deficiencies have been identified. In total, there are 47 targeted reservations (4 for Market Measures, 14 for Direct Payments and 29 for Rural Development) in respect of 2022 expenditure. In all cases, there is a follow-up: conformity clearance procedures to ultimately protect the EU budget, monitoring of the implementation of remedial actions to be taken by Member States and, where necessary, interruption or reduction/suspension of payments to the Member States. This systematic and precisely targeted approach enables the Director-General to state that he has sufficient assurance that the situation is under control for all Member States and Paying Agencies: there are some problems in the payments to the beneficiaries, but they have been identified, are being tackled and ultimately the EU budget is protected.

CAP

The overall situation for the CAP is as follows:

		Payments made	Prefinancing paid	Cleared prefinancing	Relevant expenditure ¹	Adjusted error rate	Estimated amount at risk at payment	Average financial corrections	Average recoveries	Average recoveries and corrections (in % of relevant expenditure)	Corrective capacity	Estimated final amount at risk ⁽²⁾
		million EUR	million EUR	million EUR	million EUR	%	million EUR			%	million EUR	million EUR
1		2	3	4	5	6	7	8a	8b	8	9	10
					= 2 - 3 + 4		= 5 x 6				= 5 x 8	= 7 - 9
Title 01 Research and Innovation												
0101	Administrative expenditure	0.00	0.00	0.00	0.00	1.00%	0.00	0.00	0.00	0.00%	0.00	0.00
Title 02 European Strategic Investments												
0203	Connecting Europe facility (CEF)	0.22	0.00	0.00	0.22	1.00%	0.00	0.00	0.00	0.00%	0.00	0.00
Title 03 Single Market												
0302	Single Market Programme	0.12	0.00	0.00	0.12	1.00%	0.00	0.00	0.00	0.00%	0.00	0.00
Title 05 Regional Development and Cohesion												
0502	European Regional Development Fund (ERDF)	0.43	0.00	0.00	0.43	1.00%	0.00	0.00	0.00	0.00%	0.00	0.00
0503	Cohesion Fund (CF)	0.03	0.00	0.00	0.03	1.00%	0.00	0.00	0.00	0.00%	0.00	0.00
Title 11 Border Management												
1101	Administrative expenditure	0.03	0.00	0.00	0.03	1.00%	0.00	0.00	0.00	0.00%	0.00	0.00
Title 14 External Action												
1420	Other Actions	4.06	0.00	0.00	4.06	1.00%	0.04	0.00	0.00	0.00%	0.00	0.04
Chapter 20 Administrative Expenditure of the European Commission												
2002	Administrative expenditure	0.00	0.00	0.00	0.00	1.00%	0.00	0.00	0.00	0.00%	0.00	0.00
2004	ICT expenditure	1.56	0.00	0.00	1.56	1.00%	0.02	0.00	0.00	0.00%	0.00	0.02
Title 08 Agriculture and Maritime Policy and Title 15 Pre-Accession Assistance												
SHARED MANAGEMENT												
080203, 080299	Interventions in Agricultural Markets	2 879.99	0.00	0.00	2 879.99	2.90%	83.64	38.69	0.00	0.00%	0.00	0.00
080205, 080299	Direct payments	37 963.71	0.00	0.00	37 963.71	1.31%	498.08	425.99	0.00	0.00%	0.00	0.00
	EAGF total	40 843.70	0.00	0.00	40 843.70	1.42%	581.72	464.68	93.51	1.37%	558.18	23.54
0803	Rural development	15 220.09	0.00	120.83	15 340.92	2.68%	410.87	138.75	101.53	1.57%	240.28	170.59
INDIRECT MANAGEMENT												
1502	Pre-accession Measures	193.55	0.00	0.00	193.55	0.41%	0.79	0.00	0.00	0.00%	0.00	0.79
DIRECT MANAGEMENT												
0801	Administrative expenditure	0.33										
1501	Instrument for Pre-accession Assistance	0.20										
0803, 080299	Rural development	13.73	6.78	6.70	212.46	1.00%	2.12	0.00	0.00	0.00%	0.00	2.12
080206	Policy strategy and coordination	194.10										
0820	Other actions	-4.17										
Total CAP		56 469.88	6.78	127.52	56 597.09	1.76%	995.51	603.42	195.04	1.41%	798.46	197.05
Total DG AGRI		56 476.35	6.78	127.52	56 597.09	1.76%	995.57	603.42	195.04	1.41%	798.46	197.11
												0.35%
												0.35%

Footnote (1): relevant expenditure includes the payments made, subtracts the new pre-financing paid out and adds the previous pre-financing actually cleared during financial year 2022.

Footnote (2): The estimated final amount at risk corresponds to the overall risk at closure in the Annual Management and Performance Report.

Table: 2.1.1.2.2-15

For both EAGF and EAFRD, action plans by Member States have proven to be an effective tool to remedy the weaknesses identified in management and control systems. The Commission will continue to encourage and support Member States in their implementation in all areas of the CAP, and to reduce or suspend payments in cases where Member States fail in implementing them.

The overall CAP adjusted error rate is for the third year below materiality at 1.76%.

For Direct Payments, the adjusted error rate, already below the materiality threshold in the past three years, was 1.31% in 2022 (1.44% in 2021, 1.57% in 2020 and 2019). The number of Paying Agencies under reservation (14) is the same as in previous AAR and the estimated amount at risk is lower compared to last year. The overall result confirms that, even in continued challenging circumstances with higher inherent risks, the Integrated Administration and Control System (IACS), when implemented in accordance with applicable rules and guidelines, limits effectively the risk of irregular expenditure.

Rural Development remains an area which merits closer scrutiny with an error rate of 2.68% albeit remaining below 3% (for comparison, it was 2.85% in 2021, 2.92% in 2020 and 2.70% in 2019). Although the error rate has declined over the years, taking into account the need to balance legality and regularity with the achievements of policy objectives while bearing in mind the delivery costs, it cannot be expected with any real certainty that an error rate for payments to beneficiaries below 2% would be attainable with reasonable efforts for Rural Development. However, when taking into account the corrective capacity, there is assurance that the remaining final risk to the EU budget is below materiality.

With the adjusted error rate for the CAP being below materiality at 1.76%, it allows the Director-General to conclude with sufficient assurance that the risk at payment is below materiality. Furthermore, for the overall CAP expenditure, the corrective capacity from net agri_aar_2022

financial corrections by the Commission and recoveries by the Member States is estimated at EUR 798.46 million or 1.41% of 2022 expenditure. This allows the Director-General to conclude with sufficient assurance that, the remaining overall financial risk to the EU budget, after all corrective action will have taken place, is well below materiality at 0.35%.

Overall conclusion

Management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director-General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance albeit qualified by reservations.

2.1.5. Declaration of Assurance and reservations

Declaration of Assurance

I, the undersigned, Wolfgang Burtscher,

Director-General of the Directorate-General for Agriculture and Rural Development,

In my capacity as authorising officer by delegation,

Declare that the information contained in this report gives a true and fair view⁸².

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls, the work of the Internal Audit Service and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.

Confirm that I am not aware of anything not reported here which could harm the interests of the institution.

However the following reservations should be noted:

- **ABB02 – Payments made on Market Measures:** 3 aid schemes comprising 2 Member States and 1 horizontal (4 reservations): Czech Republic, France (one horizontal reservation for 3 aid schemes) and Italy (2 aid schemes);
- **ABB03 – Payments made on Direct Payments:** 14 Paying Agencies, comprising 11 Member States: Germany (1 Paying Agency), Croatia, Estonia, France (2 Paying Agencies), Greece, Hungary, Italy (2 Paying Agencies), the Netherlands, Portugal, Slovakia and Spain (2 Paying Agencies);
- **ABB04 – Payments made on Rural Development:** 29 Paying Agencies, comprising 16 Member States: Austria, Belgium (1 Paying Agency), Bulgaria, Croatia, Denmark, Germany (7 Paying Agencies), Estonia, France (2 Paying Agencies), Hungary, Italy (2 Paying Agencies), Portugal, Romania, Sweden, Slovakia, Spain (5 Paying Agencies) and the United Kingdom (2 Paying Agencies).

More details are provided in Annexes 7 and 9.

Brussels, 24 April 2023

(e-signed)

Wolfgang Burtscher

⁸² True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG/Executive Agency.

2.1 Modern and efficient administration – other aspects

2.1.1 Human resource management

DG AGRI's new organisation chart entered into force on 16 January 2022, aligning the DG's structure with the changes in the Common Agricultural Policy. As a follow-up to the reorganisation, a mobility exercise was conducted for three senior managers on 1 November 2022. The selection procedure for a vacant Deputy Director-General post (DDG F, I) was finalised with an appointment made on 1 January 2023. An interinstitutional transfer was decided for a director position with a start date of 1 of January 2023. For one of the remaining two vacant Director posts (Directorates H and R), a selection procedure was launched and has reached its final phase in January 2023. The HR Correspondent team also prepared for the reorganisation of the Assurance and Audit Directorate in early 2023, the final step in restructuring the DG.

The reserve list of DG AGRI's specialised AD competition was published on 12 July 2022. It comprised 56 laureates, and DG AGRI actively started to recruit from the list during the course of the second half of the year and finalised the recruitments of 52% of the laureates so far. The HR Correspondent team carefully monitored the job quota, it oversaw all staff allocation decisions, including the follow up of temporary allocations, to ensure that resources are used efficiently in relation to the DG's policy and its operational priorities. The team also continued to advise managers and AGRI colleagues to ensure that talent is used at its best in 2022.

At the end of 2022, the female representation at middle management level was at 53%. DG AGRI made 1 first female middle management appointment in 2022; one more needs to be made to reach the target for the 2020-22 period.

Twelve female and male colleagues took part in the 5th round of AGRI's Management Talent Development Programme. They will nurture the pool of potential deputy heads of unit.

The corporate HR strategy was published in April 2022. The HR Correspondent team has continued to identify actions which address the challenges ahead and which are adapted to the latest developments in the HR area. The 2021 staff survey results are very useful in this regard. Overall the results for DG AGRI were good with 76% staff engagement index. They were presented both to management and staff in an all-staff meeting.

DG AGRI's internal communication team continued to facilitate communication flows, to build staff commitment and better cooperation within DG AGRI. The team started to reflect and work on the challenge of migrating to a new, modern intranet as part of the corporate "Future EC Intranet" project.

Meetings with staff took place on 24 March 2022 (on the staff survey results) and on 20 September 2022 (Welcome back to the office). On the more social side, the first AGRI Apéro took place in June 2022, where colleagues could finally get together after a long time without face-to-face events. On 16 December, a staff meeting was held at which the working modalities and processes in the DG were discussed. This was part of the

reorganization process and staff members were encouraged to freely express their views on these matters. The results will feed into further discussions in 2023. The event was combined with a social get-together of a 'Glühwein' gathering on the same day.

2.1.2 Digital transformation and information management

Digital transformation: Digital transformation automates business tasks and/or contributes to them with data intelligence. Data is now considered as a primary asset in DG AGRI, and one unit is specially dedicated to the data governance. But data needs to be accessed, processed, turned into intelligence and shared inside and outside by IT-systems. In this regard, coordinating data-related activities with IT-related activities goes hand in hand.

In 2022, DG AGRI made use of digital solutions for better policy-shaping, information management and administrative processes in line with the strategic objectives of the new European Commission digital strategy. Details on these digital solutions can be found in Annex 10.

Information and IT security rules: Details on actions related to the objective "Green, secure and resilient infrastructure" are provided in the 2022 [European Commission Digital Strategy](#).

Information management: DG AGRI manages a large amount of data, namely as a result of the CAP design, implementation and monitoring. The new CAP approved end 2021 triggered the need for the use of further data and more advanced data technologies, given the focus on performance and the links with the [Farm to Fork](#) and [Biodiversity](#) Strategies. The new Data Governance structures put in place in DG AGRI (Data Governance Board, Data Management Working Group, Data Governance Unit) has allowed to further improve the way data are managed and used. The rolling DG AGRI Data Management Work Programme provides the framework for the implementation of the Commission's targets on data, information and knowledge management. The more relevant results achieved during 2022 have been the deployment of 2 key dashboards (Food security and supply, Impact of war in Ukraine on the agricultural sector) under the [Agri-Food Data Portal](#). Other relevant initiatives have been the assessment of the data policies' implementation for the data assets managed by the AGRIVIEW datawarehouse, the reinforcement of the data skills through dedicated training actions and the ongoing revision of key data regulations (ex. Regulation 2022/2379 - Statistics on Agricultural Inputs and Outputs).

Data protection and document management: In relation to **data protection**, DG AGRI continued to implement the Commission's Data Protection Action Plan (C(2018) 7432 final) and the corporate guidelines. Numerous actions have been undertaken in 2022 to ensure compliance with the rules. Detailed information about the different activities can be found in Annex 10.

As far as **document management** is concerned, DG AGRI continued to apply the principles of the Commission's Digital Preservation Strategy and participated in a number of SG-lead projects aimed at implementing this Strategy. More details can be found in Annex 10

2.1.3 Sound environmental management

The series of "Green and Healthy Initiatives" continued in 2022, with a particular action being promoted on DG AGRI's internal webpage every couple of weeks.

Mission requests were carefully monitored in 2022. Reflections on the allocation of the reduced mission budget and ways to further reduce CO2 emissions started. At the beginning of 2023 guidance at DG level will be given.

In 2022, DG AGRI continued to support corporate actions, such as VeloMai, the Walking Challenge and the energy saving initiative at the end of each year. The plogging excursion (plogging = jogging + picking up litter) took place on 19/05/22 in Park Royal, where DG AGRI colleagues were joined by members from DG HR and Swedish Embassy staff.

Waste sorting stations were installed in L130 in July 2022. In the context of the 2022 European Week for Waste Reduction, the first AGRI Clothes Swap took place in December 2022, with great success. Many clothes were exchanged and the clothes that were not swapped were given to charity organisations. Finally, the group of volunteers who take care of AGRI's 'potager' in the L130 courtyard welcomed new colleagues. Colleagues continue the activity with a lot of enthusiasm.

2.1.4 Examples of economy and efficiency

Digital-based governance

Modernisation and uptake of technological developments contribute greatly to reducing costs in policy implementation and facilitating farm management, also increasing the sector's competitiveness. DG AGRI is actively supporting Member States in their transition to digital-based governance systems, using automation and AI solutions. Notably the use of new technological tools based on earth-observation (satellite information) or geo-localised photos is encouraged through update of the relevant legislation and guidance offered in management committees or bilateral meetings.

Revision of EU marketing standards for agricultural products

In its [Farm to Fork Strategy](#), the Commission envisages the revision of EU marketing standards for agricultural products to ensure the uptake and supply of sustainable products, which complements the action foreseen in its Work Programme 2020 to assess the coherence between the various pieces of legislation on marketing standards and to identify the potential for simplification. Marketing standards are a proven tool to reduce transaction costs in the food supply chain and to create a better level playing field for operators in the single market, and any revision will ensure that also for future marketing standards, benefits outweigh related costs, in line with the Commission's Better Regulations guidelines. Modernisation and simplification will allow in particular facilitating the work of actors in the food supply chain by making the legislative framework more secure, ensuring easier access to the regulatory provisions and adapting the provisions applicable to specific agricultural products to the more innovative practices of food supply chain actors.