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European Commission

Annual Activity Report 2023

Directorate-General for Agriculture and Rural Development

Foreword

Dear Reader,

This Annual Activity Report 2023 illustrates how the Directorate-General for Agriculture and Rural Development (DG AGRI) delivered on its policy objectives of supporting the farmers and the Member States in the implementation of the CAP, in line with the priorities of the von der Leyen Commission. It equally highlights how DG AGRI dealt effectively with many unforeseen challenges that came our way in 2023. These results clearly illustrate that we are delivering for the benefit of farmers across the EU, and contributing to food security and prosperity globally.

The report gives a fair and comprehensive overview of DG AGRI's activities and achievements in 2023, and I am confident that it will provide valuable information about the performance of the CAP and its practical and administrative functioning. In the chapter on key results, you will find an overview of the challenges faced, an analysis of the lessons learned and the actions DG AGRI has taken to take those lessons on board, as well as the impact observed on the ground. By definition, it is impossible for a foreword to capture the full scope of our activities, so I refer here to a selected number of tasks and achievements.

2023 saw the first year of implementation of the CAP 2023-2027. In that period, DG AGRI put substantial efforts into providing the necessary support to Member States to ensure that the implementation of the new CAP gets on track in all Member States so that farmers can continue benefiting from CAP support. At the time of writing this foreword in April 2024, the Commission has taken steps to simplify the CAP in response to concerns expressed by farmers and Member States, demonstrating our dedication to making the reformed CAP a success. DG AGRI also reported on Member States' efforts and ambitions in their Strategic Plans.

Further on the implementation side, DG AGRI was very active in several other areas. For instance, the DG supported Member States in modernising their agricultural sector and in the uptake of new technologies. We worked closely with Member States on the implementation and enforcement of the UTP Directive to make sure that it delivers on strengthening the position of farmers in the supply chain. Strong efforts were put also in achieving effective implementation of the organic farming legislation.

We were successful also on the legislative side. Political agreement for the proposal to strengthen Geographical Indications systems was reached, and the regulation for the establishment of a Farm Sustainability Data Network was adopted by the co-legislators. Furthermore, DG AGRI proposed a revision of EU marketing standards for agricultural products (including the Breakfast Directives).

The EU agri-food trade balance saw another successful year as it substantially still increased, with EU trade surplus reaching 70 billion EUR. Several Free Trade Agreements (FTA) have been finalised or implemented in 2023, and our policy cooperation with developing countries was further enhanced. 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 were also part of our key activities. In this area, DG AGRI continued to address generational renewal as well as job creation and maintenance of jobs.

Against all these successes, 2023 was marked also by several challenges and continued to be overshadowed by the repercussions of the Russian war of aggression in Ukraine. Natural disasters were another cause strongly impacting on the EU decision-taking. Exceptional market measures and derogations were adopted with a view to address the consequences of those factors on the farmers in the short term and to build a resilient agricultural sector in the longer term.

DG AGRI accomplished the above outputs with another year of robust assurance framework, which has successfully ensured the protection of the EU's financial interests.

Let me close by expressing my respect and gratitude to all DG AGRI staff for their excellent work and unwavering commitment, in particular in these very challenging times. European farming is in very competent hands!

Wolfgang Burtscher
Director-General

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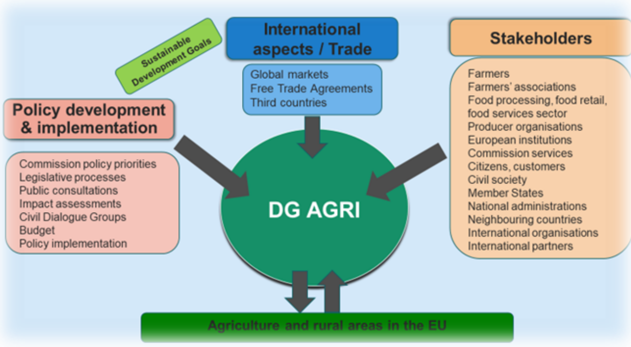
The DG IN BRIEF

The **mission** of the Directorate-General for Agriculture and Rural Development (DG AGRI) is to support and promote a knowledge and evidence-based green and digital transition towards a sustainable, competitive, and resilient EU agriculture, rural areas and food systems. To achieve this, it develops, implements, monitors, and evaluates the Common Agricultural Policy (CAP) so that its specific economic, environmental, and social objectives, building on the Treaty objectives, notably to ensure food security at all times, are jointly met.

The importance of agriculture for society extends beyond its role as a source of sufficient supply of safe, healthy and affordable food and 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. In 2023, most of the support provided under the CAP moved from a compliance-based policy to a performance driven one that grants more flexibilities to Member States in tailoring CAP interventions to their needs.

Fulfilling the Treaty 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) who 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:

- Management of the **European Agricultural Guarantee Fund** (EAGF) and the **European Agricultural Fund for Rural Development** (EAFRD).

- DG AGRI manages the **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; 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 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 2023, the DG AGRI related **budget** was around EUR 56.1 billion in voted payment appropriations ([1]) (which accounts for around 35% of the overall EU budget ([2]), out of which MFF subheadings 3.1.11 (EAGF) and 3.2.12 (EAFRD), both implemented almost entirely under shared management, accounted for 99.4%. More details can be found in section 2.1.

Concerning its **implementation**, the CAP has **6.2** ([3]) **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**

([1]) 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).
([2]) Execution 2023: 34.8% for CAP.
([3]) There were more than 5.6 million beneficiaries under direct support schemes, around 3.4 million beneficiaries under rural development measures and some 0.05 million beneficiaries of market measures in financial year 2023. Lower number of beneficiaries of market measures stems from the fact that only beneficiaries of measures under CAP 2014-22 are included in the presented numbers. 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.

procedure. In the performance-based CAP as of 1.1.23 (under which there is limited spending in financial year 2023), expenditure declarations from Member States are reimbursed if having a corresponding output and based on the functioning of the governance systems. The declared expenditure will be subject to the financial and performance clearance, combined with the conformity procedure. The details of the CAP management and control systems under both CAP 2014-2022 and CAP 2023-2027 are described in Section 2 of the AAR.

EXECUTIVE SUMMARY

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

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**

2023 was still very much overshadowed by the repercussions of the Russian invasion of Ukraine, less so by the COVID-19 pandemic. Natural disasters were also an important factor to be tackled. The Commission took necessary measures to mitigate the impact of these crises on the EU agri-food sector and to assist in its recovery. Exceptional 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 conditionality obligations in 2023 to optimize the use of EU arable land potential and to bring additional agricultural land into production.

As far as the agricultural policy of the EU is concerned, the DG AGRI actively supported Member States in the implementation of their national Strategic Plans and assessed a number of requests for amendments, whereby particular attention was given to climate change, the protection of natural resources and biodiversity.

On the legislative domain, the co-legislators adopted the Farm Sustainable Data Network and reached a political agreement on the revision of the GI system for wine, spirit drinks and agricultural products. The Commission adopted a number of proposals for a revision of EU marketing standards for agricultural products. The implementation of the Organic Action Plan was another of DG AGRI's key activities during 2023.

The Commission also supported Member States in the modernisation, digitalisation and uptake of technological developments in the agricultural sector.

- **A Stronger Europe in the world**

International trade is a key component of the CAP. Accordingly, in 2023, DG AGRI pursued trade interests and international outreach with all key trading partners.

Although its agri-food trade slowed down in 2023, the EU agri-food trade balance still increased. A number of Free Trade Agreements (FTA) have been finalised or implemented in 2023. The Commission engaged actively with key international partners in discussing the implications of the aggression against Ukraine on food security and the joint cooperation in mitigating these challenges. At the same time, the EU further enhanced its policy cooperation with developing countries.

DG AGRI also continued its active involvement in key international fora bearing on agri-food policy. Furthermore, DG AGRI pursued 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 continued to act 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 areas like research and innovation for rural communities, producer organisations, geographical indications, LEADER or Smart Villages.

The CAP aims to facilitate job creation and maintenance of jobs in rural areas. It continued to provide support to all entities operating in rural areas to foster sustainable and inclusive growth in the EU, and to address the rural/urban divide.

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	159.33 (2023)
2. EU commodity prices compared to world prices (see Specific Objective 3)	1.13 (2017)	To bring EU prices closer to the world prices	1.19 (2023)
3. Minimum share of land with specific environmental practices/commitments (4) (5) - Share of agricultural area under greening practices (see Specific Objective 6)	75% (2015)	To maintain	79.3% (calendar year 2022)
4. Number of young farmers setting up a farm (see Specific Objective 12)	102 150 (2018)	To increase	200 412 (2022)

(4) 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.

(5) 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

Table X : Estimated risk at payment and at closure (amounts in EUR mios) - For AGRI - Performance-Based

DG AGRI	Payments made	Relevant expenditure	Estimated risk (error rate %) at payment		Estimated future corrections and deductions		Estimated risk (error rate %) at closure	
	m EUR	m EUR	m EUR	%	m EUR	%	m EUR	%
ABB02 Market Measures	2 521.08	2 521.08	57.68	2.29%	31.61	1.25%	26.07	1.03%
ABB03 Direct Payments	38 163.41	38 163.41	562.91	1.48%	478.54	1.25%	84.37	0.22%
ABB04 Rural Development	15 725.31	15 823.01	438.62	2.77%	250.49	1.58%	188.13	1.19%
Direct Management	150.67	149.58	1.50	1.00%	0.00	0.00%	1.50	1.00%
Indirect Management - Pre-accession measures	119.69	173.42	3.02	1.74%	0.00	0.00%	3.02	1.74%
Total without contribution to Performance-based	**56 680.15**	**56 830.51**	**1 063.73**	**1.87%**	**760.64**	**1.34%**	**303.09**	**0.53%**
Types of interventions in certain sectors under the CAP Strategic Plans	204.72	204.72						
Rural development types of interventions under the CAP Strategic Plans	670.82	10.80						
Sub-total contributions (performance-based)	**875.54**	**215.52**						
Total DG (with contributions to Performance-based)	**57 555.70**	**57 046.04**						

C. Key conclusions on internal control and financial management

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 functioning as intended. Please refer to annual activity report section 2.3 for further details.

In addition, DG AGRI has systematically examined the available control results and indicators, including those from supervised 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 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 3 Member States and 1 horizontal (2 elements of reservation): France (one horizontal reservation for 2 aid schemes), Italy (2 aid schemes) and Portugal (1 aid scheme);
- **ABB03 – Payments made on Direct Payments**: 12 Paying Agencies, comprising 11 Member States: Bulgaria, Germany (1 Paying Agency), Croatia, Estonia, France (2 Paying Agencies), Greece, Italy (1 Paying Agency), Latvia, the Netherlands, Portugal, and Romania;
- **ABB04 – Payments made on Rural Development**: 21 Paying Agencies, comprising 17 Member States and the UK: Austria, Belgium (1 Paying Agency),

Bulgaria, Croatia, Czechia, Denmark, Finland, France (1 Paying Agency), Germany (1 Paying Agency), Greece, Hungary, Italy (1 Paying Agency), Portugal, Romania, Sweden, Slovakia, Spain (4 Paying Agencies) and the United Kingdom (1 Paying Agency).

- **ABB05 – Payments made on pre-accession (de minimis):** 1 Candidate country in IPARD II: Albania

D. Provision of information to the Commissioner(s)

In the context of the regular meetings 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.

1. KEY RESULTS AND PROGRESS TOWARDS ACHIEVING THE COMMISSION'S GENERAL OBJECTIVES AND SPECIFIC OBJECTIVES OF THE DEPARTMENT [6]

General objective "A European Green Deal"

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

The approval of the 28 CAP Strategic Plans paved the way for the implementation of the Common Agricultural Policy (CAP) 2023-2027, introducing a **new way of working** to modernise and simplify the EU's policy on agriculture, as of 1 January 2023.

These plans provide considerable flexibility to Member States, operate on tried and trusted CAP management tools and systems, while relying on a streamlined reporting system in 28 annual performance reports. DG AGRI works with Member States to ensure effective implementation of this new policy. The novelty, the need for Member States to develop new integrated data systems and the implementation of the new plans resulted in a considerable burden in the first year, but this is expected to decline in the coming years (learning curve), also aided by ongoing work to ease implementation without affecting policy objectives.

During 2023, the Commission closely cooperated with the Member States to assist them in the approval process of the CSP amendments. The Commission received 32 requests for amendments of CSPs from all Member States, out of which 26 have already been approved. Amendments allow the Member States to flexibly respond to emerging needs, also correcting or adjusting their initial plan. The Commission also paid a lot of attention to timely disseminate complete information and data on the CAP Strategic Plans in the Agri-food data portal. For the first time, the online Catalogue of CAP interventions provides a transparent overview for all CAP Strategic Plans and related interventions. In addition, the Commission and the European evaluation Helpdesk provided continued assistance to Member States for the monitoring and evaluation on all CAP areas, by providing comments to 19 Member States on their evaluation plan, through guidelines linked to the provision of data for monitoring and evaluation [7], or through capacity building, an evaluation platform, guidance, methodological support and dissemination of evaluation-related information and Member States' good practices. The synthesis study of ex ante evaluations of the CAP post 2020 found that, overall, the recommendations from evaluators to the managing authorities had a positive impact on the design of the CSP, although it highlighted several weaknesses and potential areas for improvement.

[6] An Executive Agency uses as heading: "Implementation of the Agency's Annual Work programme - Highlights of the year".
[7] Reg. (EU) 2022/1475

In November 2023, the Commission presented a report (8) on the joint effort of all CAP Strategic Plans in addressing the 10 sustainability objectives of the CAP to the European Parliament and to the Council. It analyses the intended impact of the Strategic Plans on the goals of the CAP, particularly those linked to environment, climate and societal expectations such as animal welfare. The report confirms the important role of the CAP Strategic Plans (CSP) for maintaining farmers' income and food security, while supporting EU agriculture's transition to a sustainable farming model in the 2023-2027 period. It also confirms that the CSP aim to deliver the most ambitious CAP ever from an environmental and climate perspective.

DG AGRI has implemented a robust system to ensure the reliability of performance information on CAP financing. Most of CAP expenditure benefits from the quality and control systems implemented by Member States (9), the use of sentinel satellite imagery and geo-tagged photos as well from a solid reporting system. In addition, DG AGRI relies heavily on public data from ESTAT and EEA notably (10). Last but not least, DG AGRI is processing some data to add value (11). There are clear indicator fiches for the performance data, which together with the related guidance were regularly updated to address Member States questions. In addition, DG AGRI is investing in automation to increase accuracy and timeliness.

Modernisation and uptake of technological developments contribute greatly to reducing costs in policy implementation, facilitating farm management, also increasing the sector's competitiveness. DG AGRI continued to actively support Member States in their transition to digital-based governance systems, using automation and AI solutions (i.e. new technological tools based on earth-observation, e.g. Copernicus satellite imagery; geotagged photos; centralised acquisition of very high-resolution satellite data). The Integrated Administration and Control System (IACS) is the main tool to administer CAP support to farmers at Member State level; it also delivers for the Commission the information on the area-related interventions, needed to assess if Member States' performance is as stipulated in the approved CSPs. In 2023, the Commission further developed the Union-Level methodology (ULM) that Member States have to follow for the fulfilment of the IACS quality assessments.

EU added value: IACS

To enhance consumers' information, to encourage a smooth implementation of the new labelling requirements in the wine sector and to clarify new rules on dealcoholised wines, the Commission adopted a number of new rules aiming to cover the previous gap between wine and other food in terms of information provided to consumers (list of ingredients and nutrition declaration) and to adapt the wine sector to new market trends with regard to increasing consumption of low or no-alcohol beverages.

(8) Built on the Commission's overview of the approved CAP Strategic Plans and draws on a study that maps and analyses the Plans.
(9) Criterion B.2 of Criteria for reliability of EU budget performance information
(10) Criterion E of Criteria for reliability of EU budget performance information
(11) Criterion A of Criteria for reliability of EU budget performance information

In her 2023 State of the Union address, the Commission President announced two important initiatives which are relevant for DG AGRI: the strategic dialogue on the future of agriculture in the EU and the Commission's commitment to reduce reporting obligations at EU level by 25% (without undermining policy objectives). DG AGRI contributed to this exercise with a set of measures adopted with the Commission Work Programme for 2024. It also prepared a rationalisation plan for 2024 with further measures to reduce burdens by rationalising reporting requirements.

With a view to guarantee a balanced representation and equal status of a wide range of interest groups, representing, as broadly as possible, different stakes and viewpoints regarding developments in the CAP/DG AGRI policy area, the new civil dialogue group governance became operational in 2023.

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

2023 continued to be marked by the long-term economic impacts of the pandemic followed by the invasion of Ukraine that resulted in a general increase in e.g. input prices, partly offset by high food prices for certain sectors, reinforcing the need to build a **resilient sector**. DG AGRI ensured and facilitated the consistent planning, adaptation and subsequent implementation of interventions set in the CAP Strategic Plans (CSP) supporting viable farm income and resilience. DG AGRI supported Member States in the process of developing coherent strategies with the aim that interventions ([12]) work effectively for farmers across the Union, and it also ensured that rules are well understood by Member States. DG AGRI also continued preparations to effectively monitor the implementation of the policy and to analyse its effectiveness and monitored implementation of 2014-2022 rural development programs. Complementing the above structural responses, the Commission adopted exceptional measures allowing sectoral interventions to better respond to the crisis situation by providing flexibilities.

In the light of extreme weather events and geopolitical tensions, the expert group on the **EFSCM** ([13]) has been stepping up preparedness and resilience to crises in the EU. In 2023, the Group focused its work on contributing to identifying risks and vulnerabilities in the EU food supply chain, resulting in the publication of a report, and adopted two sets of recommendations on ways to reinforce the diversity of sources of supply and guidelines for crisis communication.

The Commission is monitoring very closely the import into the EU of agricultural products from Ukraine. In April 2023 and in relation to the effect of excessive imports of cereals, oilseeds and related products from Ukraine, the Commission adopted a support measure worth EUR 56,3 million, financed from the agricultural reserve, dedicated to Poland, Bulgaria and Romania. In May 2023, the Commission adopted an additional EUR 100

([12]) Interventions such as allocations of direct payments to farmers according to their different income needs, depending on their physical size and sector, or payments in areas with natural constraints and risk management interventions.
([13]) European Food Security Crisis preparedness and response Mechanism

million support measure directed to farmers producing cereals and oilseeds in Bulgaria, Hungary, Poland, Romania and Slovakia. The support helps the Member States neighbouring Ukraine to partially compensate the impact of logistical bottlenecks resulting from the imports of certain agri-food products from Ukraine. Another EUR 330 million have been made available in July 2023 as an emergency financial support for the agricultural sectors of the remaining 22 Member States affected by specific problems impacting on the economic viability of agricultural producers. To support farmers affected by natural disasters in Greece and Slovenia during summer 2023, the Commission adopted a new emergency financial package worth EUR 51.7 million in December 2023. Furthermore, the Commission adopted several **exceptional market measures** to address an accumulation of excessive wine stocks in certain EU producing regions, including support for crisis distillation of surplus in wine stocks in regions where Member States justified the need. The Commission also authorised a number of Member States to complement these measures with national payments for crisis distillation. The measures helped to ease the market situation which, however, remains under pressure and requires further close monitoring.

An evaluation of the **POSEI** and **SAI** schemes will assess how successfully the schemes worked in the programming period 2014-2022, including their relevance for and coherence with the CAP 2023-2027.

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

Research and innovation (R&I), digitalisation and technological tools are seen as major enablers to foster the **transition to a greener and more competitive agriculture** and can support the viability of rural areas. Member States are implementing the digital strategies in their CAP Strategic Plans, which integrate digital solutions in support of the different CAP-specific objectives. DG AGRI has taken steps to further reinforce and harmonise the necessary actions into a digital strategy for agriculture and rural areas at EU level, in synergy with other EU programmes such as Horizon Europe and the Digital Europe Programme (DEP). Important inputs realised in 2023 are a foresight exercise on the implications of the digital transition for farmers and rural communities and the AGRI-digital conference as part of the EU Agri-Food days. Moreover, DG AGRI has closely followed the various Commission legislative initiatives [14] on the area of data sharing and digitalisation, to assess their implications and opportunities for the agricultural and rural domain. DG AGRI has contributed to the preparatory action for the set-up of the Common European Agricultural Data Space, the Horizon Europe partnerships Agriculture of Data and Forestry, and has brought forward actions to improve data sharing and interoperability between main agricultural databases, in support of the 'Interoperable Europe Portal'.

([14]) Data Act; Artificial Intelligence Act

In 2023, DG AGRI organised the third edition of the AgriResearch Conference, which reinforced the EU's global role in agricultural R&I by extensively discussing how R&I can best contribute to achieve the **Sustainable Development Goals** with major international actors.

DG AGRI has also continued ensuring the programming and monitoring of topics and projects under the Research and Innovation framework programmes (**Horizon 2020**, **Horizon Europe** (HE)). It is an active party 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, Bioeconomy, Natural Resources, Agriculture and Environment" research actions together with DG ENV and RTD. 2 co-funded Partnerships with the Member States in key policy areas (agroecology; animal health and welfare) leveraging several 100 million Euros of additional R&I funding from national sources were set up. DG AGRI also dedicated particular attention to the deployment of R&I solutions by CAP beneficiaries, for example with the support of thematic and advisory networks' setting up. The preparation of HE 2025-2027 Strategic Planning progressed in 2023 with the identification of the main strategic orientations on key areas such as climate change, sustainable management of land, soil, water, plants, livestock, forestry, or rural areas.

DG AGRI, as the Mission manager and secretariat of Horizon Europe Mission **'A Soil deal for Europe**', ensured the successful implementation of the initiative also in 2023. DG AGRI organised the first Soil Mission week with the Spanish Presidency. The Soil Mission demonstrated its relevance and effectiveness and received the green light and substantial financial support to continue. DG AGRI also strongly supported the preparation of the Commission Soil Directive proposal and launched the Soil Manifesto. The latter is a large success with already more than 2 500 signatories, including municipalities, research centres, private companies and natural persons who engage for soil health, in the EU and globally.

In 2023, DG AGRI helped Member States in planning and implementing effective interventions under the CAP Strategic Plans enhancing competitiveness and particularly productive investments in synergy with other economic interventions and advised them on overcoming difficulties linked to high inflation that often made the finalization on important investments difficult. DG AGRI continued to undertake analytical and market-oriented work in relation to access to finance for EU farmers and the use of financial instruments under the CAP Strategic Plans (i.e. surveys for EU agriculture and EU agri-food SMEs, publications on the new market gap estimates, case studies of existing and running financial instruments under the Rural Development Programmes 2014-2022).

EU added value: Market observatories

In 2023, DG AGRI reported on the functioning of the Union Market Observatories which fulfil their role effectively in helping to improve market transparency in the food supply chain, informing choices of economic operators and public authorities and facilitating the monitoring of market developments and threats of market disturbance.

The EAFRD has made an important contribution to support broadband infrastructure and various ICT ([15]) solutions in rural areas. This had positive effect on the quality of life of EU citizens, i.e. many people living in rural areas could benefit from improved access to ICT services and infrastructure. In 2023, DG AGRI continued to further develop the network of Broadband Competence Offices (BCOs) in Member States and their regions (i.e. training activities, annual meeting).

To facilitate the area monitoring system (AMS) implementation, DG AGRI provided, with the support of the JRC, tailor-made guidance to Member States in 2023. As of 2023, Member States are obliged to execute quality assessments on IACS elements (AMS, LPIS ([16]) and GSA ([17])) based on the common union methodologies provided by the Commission. Finally, the possibilities to use IACS and its functionalities for other land use-related issues, such as use of Plant Protection Products, were explored.

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

The CAP Strategic Plan Regulation provides support for farmers to help them organise themselves, invest and modernize. In 2023, DG AGRI continued to support Member States in implementing and adapting **effective sectoral programmes/interventions** in the fruit and vegetables, wine, olive oil, apiculture, hops sectors as well as other sectors. It promoted the setup of Producer Organisations by elaborating a handbook and holding a conference as part of a Pilot Project "Establishing an operational programme: supporting the producer organisations to contribute to strengthening farmer's position in the agri-food supply chain".

To support combatting **unfair trading practices** in the food-supply chain and thus strengthen the position of farmers in the chain, cooperation and coordination between national enforcement authorities has been strengthened in 2023. Moreover, the third edition of a Forum on Best Practices in the Agri-Food Supply Chain has been dedicated to the cost-of-living crisis and the way different actors of the agri-food value chain, from producers to consumers, have responded to it. An evaluation of the Directive on unfair trading practices, launched in 2023, will assess the degree to which the Directive has achieved its objectives in the years since it entered into force.

New **antitrust Guidelines for sustainability agreements** published in December 2023 aim at clarifying how operators active in the agri-food sector can design joint sustainability initiatives in the field of agriculture.

In October 2023, the co-legislators reached a political agreement on the Commission's legislative proposal on the **revision of the GI system** for wine, spirit drinks and agricultural products. The new regulation should enter into force in spring 2024. It aims to increase the uptake of GIs across the Union by providing a higher level of protection for GIs, notably as ingredients and online, strengthening the position of

([15]) Information and Communication Technologies
([16]) Land Parcels Identification System
([17]) Geo-spatial aid application

producer groups in the value chain and encouraging them to valorise their actions regarding environmental, economic or social sustainability. It also strengthens and improves the existing GI system by introducing a single legal framework and a shortened, simplified registration procedure.

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

CAP Strategic Plans (CSP) provide measures that promote and provide financial support to farmers committing to **animal-friendly** herd management practises and to use **less antimicrobials**. For animal welfare, Member States have prioritised support aiming at anticipating the future for egg production with non-cage farming. CSP integrate actions improving the welfare of pigs, in particular addressing the avoidance of tail-docking practices and increasing the biosecurity of farms in relation to African swine fever.

To reach the target of 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 to implement in 2023 the Action Plan for the Development of Organic Production. The implementation of this Action Plan is in full swing. Key actions in 2023 included assessing proposed amendments to national Strategic Plans as regards organics, holding meetings on specific issues with the EU network of national organic ambassadors, organising the annual EU organic day and EU organic awards, or ensuring maximum support for research and innovation on organic production via the Horizon Europe Framework Programme. Additional secondary legislation associated with the basic regulation on organic production and labelling of organic products was adopted in 2023. This secondary legislation includes rules for production and labelling, control and trade and harmonises and clarifies several aspects of the organic legislation while simplifying certain control rules to attract small farmers to the scheme.

In July 2023, the Commission published a complementary evaluation support study on the **EU school fruit, vegetables and milk scheme**. The study assessed the EU school scheme with respect to nutrition, health and education. Its main conclusion is that the scheme has been effective overall in increasing the consumption and demand for fruit, vegetables, milk and milk products and in fostering in the short-term healthy eating habits (behaviours) among the participating children, both inside and outside school, and reconnecting them with agriculture. The findings of the study also show that the core dimensions of sustainability, as well as its key areas, are prioritised differently by Member States in their implementation of the EU school scheme. The scheme covered health (social sustainability) to a greater extent than environmental sustainability.

The Commission's 2023 proposals for a revision of **EU marketing standards** for agricultural products aim to facilitate 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. In particular the proposal to review the so-called Breakfast Directives aims at enhancing information to consumers as regards i.e. origin of honey, and promoting innovation and healthy diets with new categories of sugar-reduced fruit juices and with the increase of the minimum fruit content in jams. The Commission also adopted a report on possible new standards for cider and dried leguminous beans.

DG AGRI (in co-leadership with DG SANTE, DG ENV and DG MARE) continued its contribution to the impact assessment for and preparation of a proposal for Framework legislation for a Sustainable Food System, as included in the Farm to Fork Strategy.

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 (CSP) will be crucial to guarantee that the CAP can successfully contribute to address **climate change**, the protection of **natural resources** and **biodiversity**, through adequate prevention and restoration measures, complemented with risk management tools. In this respect, DG AGRI closely followed the first year of implementation, accepting certain amendments in the Plans where necessary. Furthermore, support is available to the forestry sector, bioeconomy and carbon farming. Via the afforestation measure under EAFRD, agricultural land is being converted into forest, helping sequestering carbon and increasing biodiversity. DG AGRI was closely associated to, the elaboration of various Green Deal initiatives ([18]). DG AGRI also continued to cooperate in the development of the delegated acts under the Taxonomy Regulation (EU) 2020/852 establishing the environmental sustainability criteria related to climate change mitigation and adaptation in the agriculture, forestry and bioenergy sectors, and closely followed the works of the experts in the Taxonomy Platform in 2023.

In November 2023, the European Parliament and the Council adopted the legislative proposal transforming the Farm Accountancy Data Network (FADN) into the **Farm Sustainable Data Network** (FSDN). The FSDN expands the scope of the current network collecting data on EU farms to include data on their environmental and social practices. With this new data collection, it will be possible to benchmark farm performance and give farmers tailored advice and guidance. The related secondary legislation is under preparation, with the view to start collecting the new data as of 2025.

The **EU CAP Network** continued to be a key platform for involving a broad range of stakeholders, sharing information and facilitating exchanges between stakeholders covering all aspects of the CAP, in particular through facilitating the implementation of the CSP objectives.

([18]) I.e. Soil Monitoring Law, Forest Monitoring Law, Nature Restoration Law, Industrial Emissions Directive, Sustainable Use of Pesticides Regulation, Green Claims Directive, Packaging and Packaging Waste Directive, Carbon Removals Certification Regulation

On the international side, DG AGRI participated in the 28th Conference of the Parties (**COP28**) of the UNFCCC (Dubai, November 2023). 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 COP28 contain explicit references to greenhouse gas reduction in agriculture, sustainable agricultural production and the links between climate change and animal welfare.

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

In line with the **New EU Forest Strategy for 2030**, a flagship initiative of the European Green Deal, the Commission published in 2023 three guidelines: 1) Guidelines on Biodiversity-Friendly Afforestation, Reforestation and Tree Planting, 2) Guidelines on Closer to nature forestry practices and 3) Guidelines on Defining, Mapping and Strictly Protecting EU Primary and Old growth forests". Moreover, the Commission published a Guidance document on the development of public and private payments schemes for forest ecosystem services.

Furthermore, the Commission (DG AGRI and DG ENV as co-leads) established a single stakeholder platform, the expert group 'Forest and Forestry Stakeholder Platform', which shall assist the Commission services in the implementation of the EU Forest Strategy for 2030.

Regarding the engagement with Member States, the Commission (DG AGRI and DG ENV as co-leads) adopted in November 2023 a proposal to amend the 1989 Council Decision establishing the **Standing Forest Committee**. The Commission proposes to update the legal basis, the policy references, clarify the membership and broaden the tasks of the current Standing Forestry Committee.

Finally, the Commission (DG ENV and CLIMA co-leading) adopted in November 2023 a proposal for a Regulation for an EU Forest Monitoring framework for resilient forests.

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Key external communication activities in 2023

In 2023, 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 2023 to achieve the delivery of the different objectives can be found in Annex 2.

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General objective "A stronger Europe in the world"

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

Throughout 2023, DG AGRI's work continued to be impacted by the effects of Russia's illegal **war of aggression against Ukraine** that had pushed global food prices to new record levels and severely aggravated the situation of net food importing countries highly dependent on grain exports from Ukraine and Russia. In addition, the invasion impacted fuel and energy prices which in turn dramatically increased the price of agricultural products and reduced their affordability. Although prices declined in the course of 2023, they remained at historically high levels. In the agricultural sector, DG AGRI has therefore monitored trade in agricultural products under the **Autonomous Trade Measures** that were extended until 5 June 2024, giving all Ukrainian goods duty-free access to the EU market. It has contributed to the exceptional and temporary preventive measures on four agricultural products originating in Ukraine to address serious logistical bottlenecks in Member States neighbouring Ukraine. The implementation of the EU-Ukraine Solidarity Lanes initiative aimed at facilitating the export of Ukrainian goods via alternative trading routes, which enabled the export of over 60 million tonnes of grain oilseeds and related products from March 2022 to the end of 2023. This has contributed to stabilising global food prices.

DG AGRI continued to be actively involved in key **international and multilateral fora** and International Commodity Bodies bearing on agri-food policy ([19]), in particular in the WTO work. DG AGRI actively supported FAO to deliver on the mandate to combat food insecurity and move towards the goal of reaching the "Zero Hunger" target of UN Sustainable Development Goal No. 2. At UNFCCC COP28, DG AGRI actively contributed to the negotiation of a Leaders' Declaration on Sustainable Agriculture, Resilient Food Systems and Climate Action which is a step towards the integration of global food systems into the climate agenda, and supporting food security.

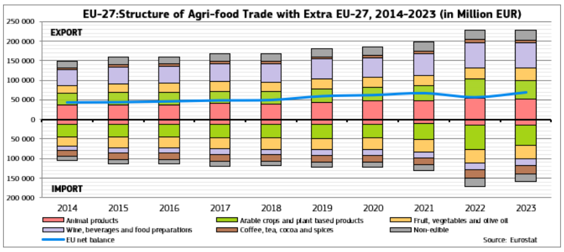
DG AGRI continued to actively engage with the EU's trading partners in order to ensure progress towards the conclusion of trade agreements with the addition of reinforced sustainability chapters, in line with the objectives of the EU's Green Deal (and the Farm to Fork Strategy).. Leading discussions on the agricultural part of successful **negotiations** with bilateral and multilateral partners ([20]), DG AGRI also continued efforts to ensure proper implementation and enforcement of existing Free Trade Agreements and Economic Partnership Agreements ([21]).

DG AGRI also contributed to the finalisation of various agreements with the **UK**, and made good progress by formally concluding and implementing agreements with a number of countries ([22]) as regards the apportionment of **WTO tariff rate quotas**.

As regards the **EU-African Union** (AU) relations, the political dialogue and partnership on agriculture between the two continents was deepened by the fifth AU-EU Agriculture Ministerial Conference (Rome, 30 June 2023). The Conference was a valuable contribution to the joint vision for a renewed partnership agreed at the sixth AU-EU Summit held in 2022. It was also an opportunity to review progress made in implementing the Rural Transformation Action Agenda, such as the implementation of the AU Continental Strategy on Geographical Indications (GIs) ([23]).

([19]) Fora such as the Food and Agriculture Organisation of the United Nations (FAO), 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); International Sugar Organisation (ISO), International Grains Council (IGC) and International Olive Council
([20]) Such as New Zealand, Chile, Australia, Indonesia, Eastern and Southern Africa, India and Kenya.
([21]) In particular with Canada, the Andean Community, Central America, Japan, Korea, Singapore, Vietnam, the South African Development Community (SADC), Cameroon, Ivory Coast and Ghana as well as of the GI Agreement with China.
([22]) Out of 24 negotiating partners, negotiations have been fully finalized with 19 partners: 14 agreements have been formally signed and implemented (Argentina, Australia, Brazil, Chile, Cuba, Indonesia, Malaysia, Mexico, New Zealand, Norway, Switzerland, Taiwan, Thailand and USA). Agreements are pending signature with China, Pakistan, Egypt, Argentina (2nd agreement) and Norway (2nd agreement). They are now subject to the EU internal approval procedure. With Costa Rica, a technical letter will conclude the process. The outstanding partners with which negotiations have not progressed to date are Canada, India, Russia and Uruguay. The negotiations with Russia were well advanced, but they are now "on hold" due to the Russian aggression against invasion of Ukraine.
([23]) Among other actions showcased from the Action Agenda: the cooperation with African Farmers' Organisation and the Pan-African Network for economic Analysis of Policies (PANAP).

Overall, agri-food trade slowed down in 2023 compared to a very dynamic year in 2022. The EU's **agri-food exports** slightly declined in 2023 as well as EU imports. All in all, the EU continued to benefit from agri-food trade and the EU agri-food trade balance increased significantly (+19% compared to 2022) to reach EUR 68 billion. EU exports to neighbouring countries accounted for close to 40% of EU agri-food exports, despite some hindrances to trade. EU exports to sub-Saharan Africa increased, notably for cereals and oilseeds, which contributed to ensuring food security in these countries.



In the field of organics, contacts were pursued with the 11 third countries [24] with which the EU currently has equivalences based on unilateral recognitions, with a view to concluding international agreements on trade in organic products. Such equivalences will expire on 31 December 2026. The resulting trade agreements will provide further export opportunities to EU organic operators.

As regards the EU internal rules for the practical application of these agreement, the alignment of remaining trade mechanism provisions currently spread in different Commission Regulations was finalised in 2023. It also allowed to repeal certain obsolete Commission Regulations, among others on export refunds.

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

In 2023, 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 2023. Furthermore, several measures at the Commission's own initiative were implemented, such as high-level missions, promotion campaigns, EU pavilions at international fairs or the production of market entry handbooks.

The **Lisbon system** [25] is a multilateral instrument for the international registration of Appellations of Origin and Geographical Indications offering protection, as of end of 2023, in 43 Contracting Parties, covering up to 72 countries, through a single registration procedure and one set of fees. A series of amendments adopted in 2023 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

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(24) Argentina, Australia, Canada, Costa Rica, India, Israel, Japan, New Zealand, South Korea, Tunisia and the United States.

(25) 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).

register for GIs. In 2023, the EU submitted 91 applications for registration of GIs under the Geneva Act to the WIPO Secretariat.

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** remained very much at the forefront of the European agenda during 2023. In the course of 2023, DG AGRI contributed to the **analytical reports** on Ukraine, Moldova and Georgia, the progress reports on all ten enlargement countries, and co-ordinated the screening exercise of the agriculture and rural development chapter of the *acquis* with Albania and North Macedonia. DG AGRI continued to provide advice to the administrations of the enlargement countries on aligning their legislation with the CAP and building the structures for its future implementation.

As regards IPA II **rural development programmes**, Albania, Montenegro, North Macedonia, Serbia and Türkiye have made good progress in funding projects supporting farms as well as establishments in primary processing. All five countries were granted in 2023 an extension of the de-commitment rule to N+4 for their 2020 budgetary allocations. In 2023, DG AGRI worked with the countries in further addressing weaknesses in the implementation of the IPARD II programmes. Most of the respective legal basis for the implementation of five **IPARD III programmes** was finalised in 2023. All countries have submitted requests for roll-over of budget implementation tasks. Those requests were successfully addressed by the Commission for North Macedonia and Türkiye, which meant entrustment of 10 measures for IPARD III. Entrustments for the other countries are pending. **North Macedonia** has already launched and closed the first call for applications. Over 1 000 applications for a budget of roughly EUR 90 million were received; assessment is pending.

General objective "A new push for European democracy"

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 continued to cooperate with relevant Commission entities, other EU institutions and stakeholders. 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.

Moreover, DG AGRI continued being a partner to Member States in implementing, monitoring and evaluating the rural development programmes for 2014-2022 programming period and following up the N+3 principle, and contributed to networking, developing, and communicating the Common Agricultural Policy.

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

Generational renewal as well as **job creation and maintenance of jobs** are among the main challenges facing European agriculture in the coming years and one of the priorities of the CAP 2023-2027. When modifying CAP Strategic Plans in 2023, DG AGRI ensured that the level of ambition was increased or maintained in this field.

In 2023, Rural Development Programs continued to support 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 EU´s rural areas. Various **rural development interventions** contribute 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. These interventions can also contribute to addressing 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 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. Member States were encouraged and requested to improve the participation of women and youth in local action group governance structures.

In 2023, the Final report ([26]) on the **first Preparatory Action on Smart Rural Areas in the 21st century** (Smart Rural 21), was published. Based on the local experience of 21 villages across Europe, it provides important insights on how to support rural communities in developing Smart Village Strategies and focus on the usefulness of setting up such strategies, the need for further capacity building for rural communities and policy makers, the technical support required for launching smart projects, the collaboration between rural communities through networking activities, the full development of the future policy framework, and the commitment of Member States and Regions to take more actions to support local communities to become Smart Villages.

Other key deliverables of this initiative include a Guidebook, an online platform to inform participating villages, the smart solutions database or the roadmap toolbox. These tools provide rural communities with practical ideas, methods and approaches for designing and implementing smart village strategies and solutions and **Networking activities** for smart

([26]) Final Report of the first Preparatory Action on Smart Rural Areas in the 21st century - European Commission (europa.eu) villages supporting rural communities to develop this new approach in their local context. Around 1 200 participants and 149 rural communities have benefited.

The **second Preparatory Action on Smart Rural Areas in the 21st century,** (Smart Rural 27) was ongoing in 2023 and will be completed in 2024. The key deliverables of this initiative include the online platform of the Smart Rural 27 project, the online geomapping tool which presents smart rural communities in the EU Member States who have smart village strategies and at least one smart solution and a pilot European Smart Villages Observatory.

In November 2023, the Commission published an evaluation support study on the costs and benefits of the implementation of LEADER. The study examined costs and the added value of LEADER, and the extent to which the increased costs of LEADER are justified by its additional benefits. The study concludes positively on the added value of LEADER, improving governance and social capital and providing better results in comparison with non-LEADER measures aimed to promote local development or supporting cooperation activities. Study's findings suggest that the additional costs resulted in reduced administrative burden for beneficiaries and should be partly considered as an investment on participation and mobilisation of local actors.

Executive Agency:

2023 was the eighth 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 of activities 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 50 simple programmes with participants from 11 Member States and with a total EU co-financing of EUR 88 685 523 have been selected. 58 % of the budget of the simple call is dedicated to promotion programmes targeting 14 different third countries. In addition, 18 multi programme proposals with a total EU co-financing of EUR 54 309 644 were awarded. Participants from 13 Member States will implement the selected multi programmes in the course of the next three years.

REA continued to organise numerous events, such as High-Level Missions, EU pavilions at trade fairs, as well as campaigns and market access handbooks. REA showed overall good implementation of own initiatives activities and responsiveness in adapting to the planning of activities requested by DG AGRI.

In 2023, REA worked very efficiently to carry out its research activities for the implementation of the programmes Horizon Europe and Horizon 2020 legacy, including communication, dissemination and exploitation of project results, as well as to provide administrative and logistical support services.

In 2023, REA continued the implementation of the grants of Horizon 2020 Societal Challenge 2 legacy, signed new grant agreements and implemented running projects for Horizon Europe Cluster 6 and the Mission 'A Soil Deal for Europe'. In 2023, REA managed 283 projects of which 139 were programmed and funded by DG AGRI for the H2020 legacy; 118 under HE Cluster 6 in the area of agriculture, forestry and rural areas; and 26 under Mission Soil. The evaluations of the 2023 calls under HE Cluster 6 and Mission Soil were completed. To support Mission Soil activities, REA also ensured the administrative and financial management of the Mission Implementation Platform and the management of the contracting of the Soil Mission Board. This includes resolution and renewal of contracts and periodic payments for activities carried out by the Mission Board members and approved by the Mission Secretariat. In terms of communication, REA organised the Info Days for Cluster 6 for the 2024 calls. REA also organised a very successful cluster event to support the networking of Mission Soil-funded projects. In 2023, REA furthermore continued to implement the Feedback to Policy collaborative framework, by implementing the 2023 Plan and by starting the preparation of next year Plan.

2. INTERNAL CONTROL AND FINANCIAL MANAGEMENT

Assurance is provided on the basis of an objective examination of evidence of the effectiveness of risk management, internal 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.

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 Control results, 2.2 Audit observations and recommendations, 2.3 Effectiveness of internal control systems, and resulting in 2.4 Conclusions on the assurance.

2.1. 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) ([27]). 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).

([27]) 1) Effectiveness, efficiency and economy of operations; 2) reliability of reporting; 3) safeguarding of assets and information; 4) prevention, detection, correction and follow-up of fraud and irregularities; and 5) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 36.2). The 2nd and/or 3rd Internal Control Objective(s) (ICO) only when applicable, given the DG's activities.

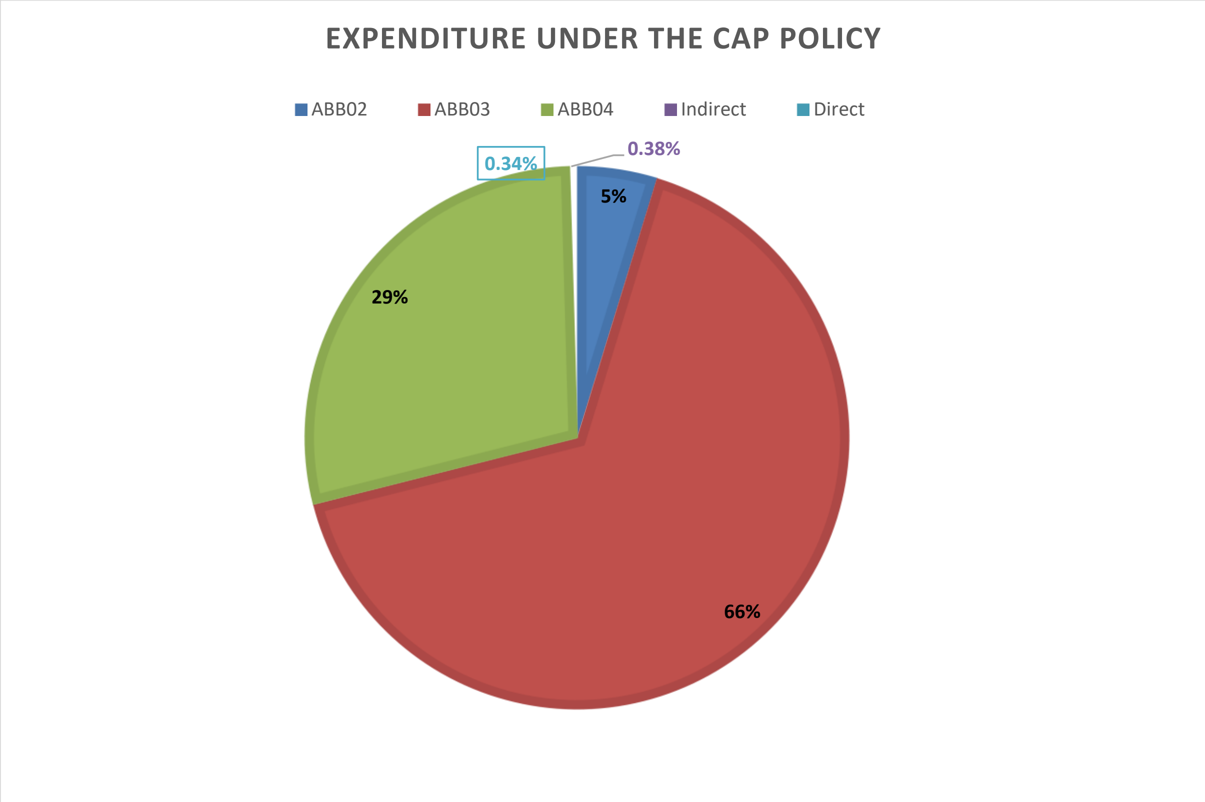

Chart: 2.1.-1

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.

2.1.1. 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.

1) *Control objective*

The control objective of DG AGRI is to provide the Commission with reasonable assurance that expenditure financed by the EU in the area of agriculture and rural development has been effected in conformity with EU rules and, where is not the case, to exclude the expenditure concerned from the EU financing as to protect the EU financial interest. DG AGRI aims at increasing the assurance by ensuring that the various components and building blocks of the CAP management and control systems function properly and by detecting the risks of irregular payments in a timely manner.

In order to adequately manage the risks relating to the legality and regularity of expenditure, the co-legislators set up a system consisting of accreditation of administrative control structures in the Member States, controls and checks before payment (Paying Agencies), audits by Certification Bodies and DG AGRI. Detailed description of control system building blocks and procedure to fulfil materiality criteria can be found in Annex 5 to this report.

2) *Assessment of the control results*

2.1.1.1. Payments executed in 2023 for the CAP

In 2023, total EU outturn on payment appropriations ([28]) in respect of Title 08 'Agriculture and Maritime Policy' and Title 15 'Pre-Accession', under DG AGRI responsibility was EUR 57 548.64 million. Of this, EUR 57 285.34 million (99.54% of CAP budget ([29]) was under shared management. Payments executed under the EAGF (shared management) amounted to EUR 40 889.22 million. Payments executed under the EAFRD (shared management) amounted to EUR 16 396.12 million. Direct management and indirect management accounted altogether for only around 0.46% 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)	% of CAP budget
0801	Administrative expenditure		343 259		**343 259**	0.00%
080203, 080299	Interventions in agricultural markets	2 725 801 554			**2 725 801 554**	4.74%
080205, 080299	Direct aids	38 163 413 638			**38 163 413 638**	66.32%
0803	Rural development	16 396 123 182	15 813 164		**16 411 936 346**	28.52%
1501, 1502	Instrument for Pre-accession Assistance		-	119 692 063	**119 692 063**	0.21%
080206	Policy strategy and coordination		124 764 618		**124 764 618**	0.22%
0820	Other actions		2 692 633		**2 692 633**	0.00%
Total		**57 285 338 374**	**143 613 675**	**119 692 063**	**57 548 644 112**	100.00%

Table: 2.1.1.1-1

([28]) Including assigned revenue.
([29]) This percentage is calculated on the total payments executed in financial year 2023 (actual payments, titles 08 and 15).

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 99.6% ([30]) of the CAP spending in 2023.

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 CAP 2014-2022 applicable in financial year 2023

With 6.2 million beneficiaries of the CAP in financial year 2023, EAGF and EAFRD expenditure is implemented under **shared management**, where implementation of tasks are shared between the Commission and the Member States -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 75 such Paying Agencies at the end of financial year 2023.

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.

([30]) This percentage is calculated on the total payments executed in financial year 2023.

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 CAP ([31]).

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.

Their opinion is the key element of the assurance model of the CAP expenditure. Under the **single audit approach**, the conformity audits performed by the Commission 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 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 corrections ([32]) to be decided by the Commission resulting from DG AGRI own audit activities pursuant to the conformity procedure.

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% (see details of the risk calculation in Annex 5). The Commission is also 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 Commission must also be considered for the complete picture of the risk to the EU budget.

As the three principal ABB activities (ABB02 – Market Measures, ABB03 – Direct Payments and ABB04 – 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. 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

([31]) 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 2023.
([32]) Net financial corrections are explained in Annex 7.

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

In 2023, DG AGRI carried out 85 audits and opened 27 conformity procedures after desk audits 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 those conformity clearance procedures, the Commission, where relevant, imposes net financial corrections on the Member States by which they reimburse to the EU budget the amounts corresponding to those corrections.

Based on the findings of the Certification Body, as well as on DG AGRI's own findings from new and ongoing audits, it emerged that there are a number of ongoing cross-cutting issues with the Paying Agency GR01-OPEKEPE that have not been resolved by the Member State's authorities. As a result, the adjusted error rates for ABB03 and ABB04 for GR01 are above the materiality threshold of 2%. Therefore, DG AGRI is entering a reservation on the 2023 expenditure. The Member State should put in place targeted remedial actions to address the deficiencies (see part 3.4 of Annex 7).

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. Following the discussions between the Member States and the European Commission, the Guidance document on avoidance and management of conflicts of interest under the Financial Regulation was adopted on 7 April 2021 and published in the Official Journal on 9 April 2021 ([33]). The document was presented 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.

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, LT01, IT27, BG01 and GR01 were followed up in 2023.

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 (see Annex 7, section 2.1.4.).

([33]) 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))

In addition, 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 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 2023, there was no procedures launched under the above-mentioned Regulation in relation to the CAP funds. The Commission continuously monitors 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 2023. DG AGRI used all the resources and tools above to respond to the ongoing challenges and had a solid basis for obtaining sufficient assurance.

CAP 2023-2027: New Delivery Model (NDM)

Whilst the new performance-based CAP applies as of 1 January 2023, there was limited expenditure under the new CAP in financial year 2023. The new model will be reflected in full as of financial year 2024 (Annual Activity Report in 2025).

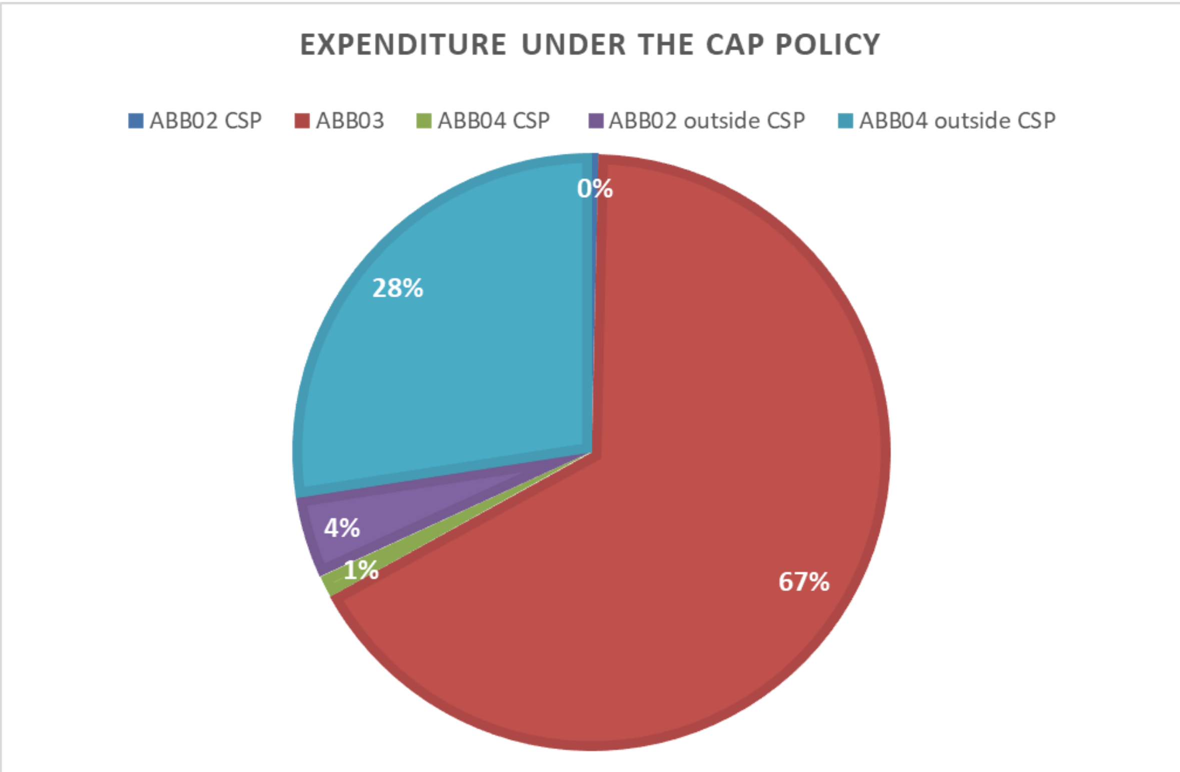

Chart: 2.1.1.2.1-1

The general institutional framework for implementation of the CAP and general financial management and control rules were maintained. Assurance building is based on the functioning **of the governance systems** set up by the Member States, which comprise governance bodies, the Basic Union Requirements, the CAP Strategic Plans as approved and the reporting systems for the purposes of performance monitoring.

The CAP Strategic Plans prepared by every Member State, which were approved by the Commission, mark the shift to a **performance-based model** of the CAP. The **CAP Strategic Plans** are one of the main building blocks of the now-in-force CAP. The aim of the establishment of the CAP plans is so that, following a SWOT analysis of their territory and agri-food sector, Member States would design targeted interventions addressing specific needs ([34]) assessed on the basis of a common **set of indicators for a performance, monitoring and evaluation** framework. The indicators related to outputs and results will be monitored by the Commission through annual performance reports to assess the progress of Member States in reaching their targets and the objectives of the CAP ([35]).

Eligibility rules in the CAP for the reimbursement of Member States expenditure have changed. According to Article 37 of Regulation (EU) 2021/2116, to be eligible, expenditure must be effected by a Paying Agency that has to be accredited in accordance with the policy framework. In addition, the Regulation requires that expenditure i) is matched by a corresponding reported output; and ii) has been effected in accordance with the applicable governance systems, the latter including the CAP Plan as approved. For the expenditure that remains outside the CAP Strategic plans, the legal framework in force remains very similar to the one of the CAP 2014-2022.

Well-functioning governance systems constitute the basis for **assurance building** and comprise several governance bodies in each Member State (similarly to the 2014-2022 CAP). Although most of the institutional framework continues as previously, the Commission has undertaken pre-emptive steps to ensure that the preparations for implementation and reporting on the new CAP progress well. The most important initiatives comprise a series of preventive systems audits in calendar year 2023 and continuing in the first quarter 2024 (see details below in section 2.1.1.2.2). Other initiatives include updating the guidelines for Certification Bodies, drafting guidelines on financial corections for the expenditure under the CAP Strategic Plans and reviewing of the Certification Bodies' audit strategies for the year 2024.

Paying Agencies, accredited in compliance with criteria set at Union level, continue to be in charge of the management and control of expenditure ensuring the **legality and regularity** of the expenditure declared to the Commission. To that end, Paying Agencies need to put in place effient control and penalty systems with the view to effectively protecting the Union financial interests. The Paying Agencies will no longer report to the

([34]) Strategic Plans are regulated by Title V of Regulation (EU) 2021/2115 which lists the general requirements, the content of the plan, and the approval and amendment procedure.
([35]) Title II of Regulation (EU) 2021/2115 contains the provisions regarding objectives and indicators. Article 5 lists CAP General Objectives, whose achievement shall be pursued through the Specific Objectives listed in Article 6 of the same Regulation.

Commission on the results of their checks in the control statistics. However, the Paying Agencies will report detailed data on performance for monitoring and evaluation purposes.

Certification Bodies will issue opinions on accounts giving a true and fair view, on the properly functioning Member States' governance systems and, in particular, on the correctness of the performance reporting for expenditure under the CAP Strategic Plans and on legality and regularity of expenditure outside of Strategic Plans. Certification Bodies also verify the Paying Agencies' compliance with accreditation criteria and their management declarations.

The audit work of the Certification Bodies continues to be a key element of assurance for the CAP expenditure, providing the basis for the subsequent audit work of the Commission under the single audit approach. The Commission may carry out **risk-based audits**, in particular, on the work of the Certification Bodies and where the Certification Bodies' work is not reliable, on the work of the Paying agencies. In the autumn 2023 DG AGRI reviewed the audit strategies of all the Certification Bodies to assess their preparedness to audit their respective Paying Agencies under the new legal framework and to align their audit opinion with the new rules for CAP 2023-2027. DG AGRI provided recommendations on the areas of the audit strategies that required improvement – details on results can be found in Annex 7, part 2.5.

Every year, Member States will have the obligation to send their **"assurance packages"**, which will contain a number of documents including the new Annual Performance Reports (APRs), annual accounts on the expenditure, annual summary of the final audit reports and of controls carried out, an analysis of the nature and extent of errors and weaknesses identified in governance systems, as well as corrective actions taken or planned, Management declaration by the Paying Agency or by the Coordinating Body and Certification Body's opinions and reports ([36]).

In addition, the Commission will perform:

- **an annual financial clearance** to check the completeness, accuracy and veracity of the Paying Agencies' annual accounts, as under the previous system;
- **an annual performance clearance** to check if the expenditure declared by the Paying Agencies have a corresponding output reported in the APR, i.e., the unit amounts as approved in the CAP Strategic Plans are not exceeded and if so, there are acceptable justifications provided by the Member State. Where no acceptable justifications are provided the corresponding expenditure will be reduced in a performance clearance decision;
- **a multi-annual conformity procedure** where the Commission may exclude expenditure from financing in case of serious deficiencies in the functioning of the goverance systems.

In financial year 2023, EUR 63.65 million (30%) out of the total declared expenditure under the CAP Strategic Plans of EUR 215.52 million under sectoral interventions and rural development were not advances and thus, had generated outputs. This expenditure is

([36]) To be prepared in line with Article 134 of Regulation (EU) 2021/2115 and Implementing Regulation (EU) 2023/130.

subject to the performance clearance pursuant to Article 54 of Regulation (EU) 2021/2116. For EUR 57.50 million (90%) out of the EUR 63.65 million mentioned above, there were either: no deviation between the planned unit amount and the realised unit amounts for the outputs, or the Member State did not have to provide justifications as the maximum average values were not exceeded, or the Member Sate presented justifications in the Annual Performance Report, which could be accepted by DG AGRI. For the remaining EUR 6.15 million (10%), DG AGRI is still assessing the justifications provided. Where the justifications provided at this stage are not conclusive, DG AGRI will request additional information from the Member State concerned [37] before adoption the performance clearance decision pursuant to Article 54 of Regulation (EU) 2021/2116 (see also section 3.1.3.2 and 3.3.7 of Annex 7).

In conclusion, the protection of the Union financial interests pursuant to Article 59 of Regulation (EU) 2021/2116 is central for the legal framework designed by the Commission for the implementation and control of the new performance-based CAP.

For more information on the implementation of the CAP Strategic Plan expenditure in financial year 2023, refer to Annex 7, section 3.

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 2023 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, with expenditure at EUR 2 725.80 million, accounted for 4.7% of the CAP budget in 2023. EUR 204.72 million are declared under the new CAP 2023-2027, which accounts to almost 8% of the whole ABB02 payments. The remaining amount of EUR 2 521.08 million is the expenditure under the market measures under CAP 2014 – 2022 (see table 2.1.1.2.2-1). It is split over 11 sectors, the most important of which are wine and fruit and vegetables:

(37) Article 36(2) of Regulation (EU) 2022/128.

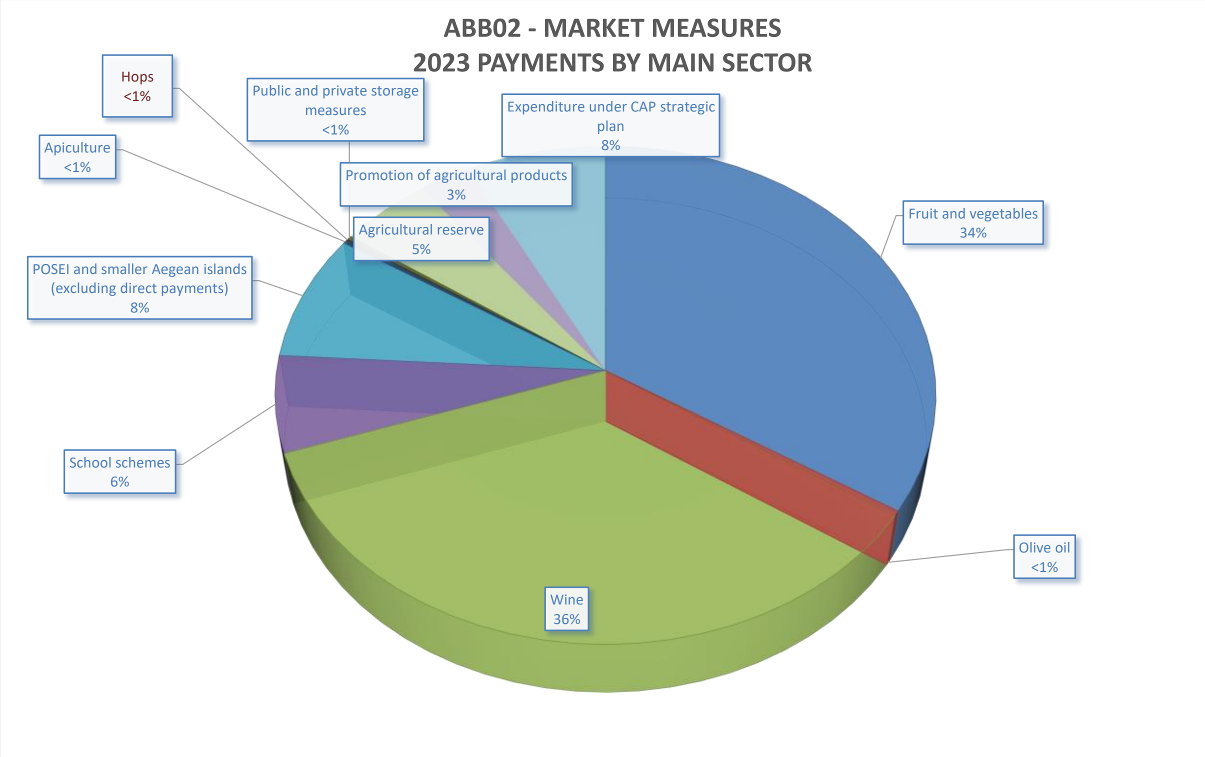

Chart 2.1.1.2.2-1

The following table sets out the expenditure in 2023 for ABB02 outside the CAP Strategic Plans 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 2.29 %	
						Expenditure(1)	Risk	Expenditure(1)	Risk
08 02 01 00	Crisis Reserve (Exceptional Measures)	134 493 055			134 493 055	14 184 117	-	120 308 939	2 752 966
08 02 03 05	Olive Oil	7 838 308	7 838 308	46 446	-			-	-
08 02 03 06	Fruit and Vegetables	928 472 457	928 472 457	17 611 123	-			-	-
08 02 03 07	Wine (2)	963 764 528	963 764 524	30 183 343	-			-	-
08 02 03 02	Promotion (shared management only)	76 891 657	76 891 657	1 173 232	-				
08 02 03 01	POSEI and Smaller Aegean Islands	222 693 598	222 693 599	2 615 711	-			-	-
08 02 03 10	Public and Private storage	6 249 966			6 249 966			6 249 966	143 015
08 02 03 09	Hops	2 188 000	2 188 000	-	-			-	-
08 02 03 08	Apiculture	7 157 905			7 157 905		4 089	7 157 905	163 791
08 02 03 04	School scheme	170 917 620	170 917 620	2 985 374	-			-	-
	Total	**2 520 667 093**	**2 372 766 166**	**54 615 228**	**147 900 927**	**14 184 117**	**4 089**	**133 716 810**	**3 059 771**
						Expenditure	Amount at risk	% coverage	Error rate
Expenditure covered by control statistics						2 372 766 166	58 615 228	98.13%	
Expenditure for which there are no statistics but for which risk assessment carried out						14 184 117	4 089	0.56%	
Risk for expenditure covered by statistics and by risk assessment						2 386 950 283	58 619 317	98.70%	
*Error rate used on expenditure covered by statistics and risk assessed									2.29%
Extrapolated risk for non-risk assessed expenditure						133 716 810	3 059 771		
ABB02 - shared management - monthly declaration						2 520 667 093	57 679 088		
08029901	Completion of previous measures under the 'European Agricultural Guarantee Fund (EAGF)' — Shared management					410 005			
ABB02 - shared management - payments made						**2 521 077 098**	**57 679 088**		**2.29%**
ABB02 - direct management - payments made on Promotion measures - direct payments by the Union							-		
Total ABB 02 - payments made						**2 521 077 098**	**57 679 088**		**2.29%**

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 94.13% of the expenditure covering EUR 2 373.77 million. For a further EUR 14.18 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.

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 20 cases the adjusted error rate is above (or equal) 2%. In line with its materiality criteria in Annex 5, **2 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 **4 cases**, reservations were made.

Finally, for **14 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.

As regards the ABB02 expenditure under the CAP Strategic Plans, based on the Certification Bodies' audit reports, DG AGRI's audits and the Member States' performance reporting, no reservation is made for financial year 2023.

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 (Italy);
- Wine sector (France, Italy, Portugal);
- EU School scheme (France);
- Horizontal reservation for France (Agrimer) comprising two elements: 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 provides the full details per main sector.

Member State	N° of Aid schemes subject to reservation	Relevant Expenditure[1] in 2023	Reservations (by aid schemes) - shared management	Adjusted error rate	Amount under reservation EUR	Amount at Risk EUR	2023 Expenditure managed by Paying Agencies with reservation
AT	0	24 660 709		1.72%		425 283	
BE	0	54 106 255		0.28%		149 893	
BG	0	34 724 256		1.94%		674 235	
CY	0	5 527 248		0.22%		12 381	
CZ	0	17 962 171		2.32%		416 704	
DE	0	120 891 856		0.88%		1 067 032	
DK	0	16 102 225		4.98%		801 550	
EE	0	1 341 661		10.74%		144 040	
ES	0	583 807 625		0.92%		5 390 429	
FI	0	9 036 967		3.67%		331 665	
FR	2	553 812 791	School scheme	4.09%	1 356 471	22 643 364	9 207 862
FR20			Wine		17 247 946		269 627 941
GR	0	53 337 785		1.54%		823 270	
HR	0	12 661 806		0.01%		1 255	
HU	0	34 609 147		1.43%		493 937	
IE	0	4 580 235		1.30%		59 555	
IT	2	596 935 029	Wine	3.25%	8 872 732	19 427 147	275 800 402
			F&V Producer organisations		9 206 116		255 117 125
LT	0	12 511 257		1.82%		227 876	
LU	0	539 058		-		0	
LV	0	3 095 471		0.07%		2 149	
MT	0	24 754		-		0	
NL	0	61 349 438		0.22%		131 956	
PL	0	111 799 436		1.56%		1 747 046	
PT	1	107 646 815	Wine	1.85%	1 760 295	1 987 061	62 669 998
RO	0	68 161 316		0.68%		465 601	
SE	0	13 579 793		1.80%		245 068	
SI	0	6 159 406		0.01%		334	
SK	0	11 702 584		0.09%		10 257	
Total	**5**	**2 520 667 093**					
Completion of previous measures under the "European Agricultural Guarantee Fund (EAGF)" — Shared management		410 005					
Total ABB02 - paymens made		**2 521 077 098**		**2.29%**	**38 443 560**	**57 679 088**	**872 423 328**

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 57.68 million corresponding to an error rate of 2.29%.

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 38.44 million.**

ABB03 – Direct Payments

Direct payments constitute the largest area of expenditure in the CAP (66%) and amounted to EUR 38 163.41 million in 2023. The Basic payment scheme, greening and the Single area payment scheme account for 51% of this amount.

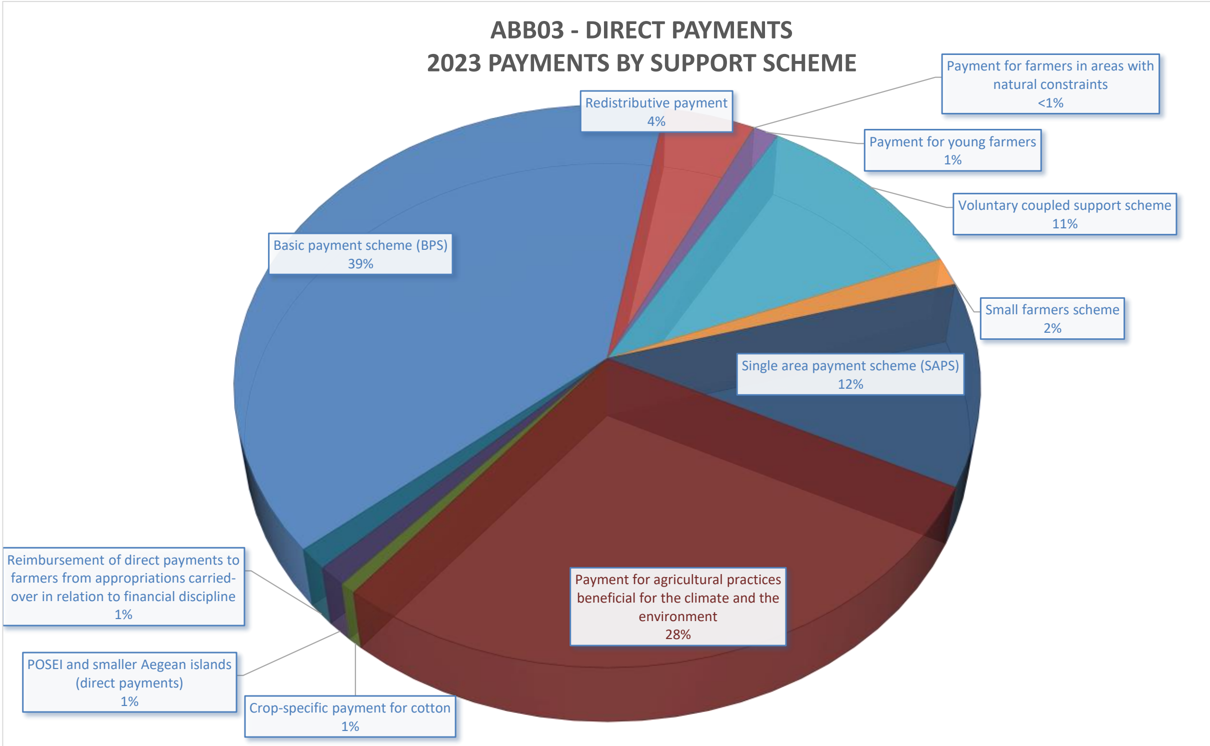

Chart 2.1.1.2.2-2

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 2.1.1.2.1 above have been extrapolated to the entire expenditure of the ABB in order to cover the remaining expenditure for which control statistics were not provided.

As a result, an adjusted error rate of 1.48% has been calculated with 12 Paying Agencies 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 9 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 underway culminating in a financial correction) and that it is protected for the future (the deficiencies have been addressed by the Paying Agency).

In 7 cases (1 German Paying Agency, 2 Spanish Paying Agencies, Hungary, 2 Italian Paying Agencies and Slovakia), it was not considered necessary to carry over reservations from the 2022 AAR with regard to 2023 expenditure. The reasons for each decision are detailed in Annex 7, Part 3.2.

The overall outcome of this exercise is that 12 reservations are necessary at Paying Agency level: Bulgaria, Germany (1 Paying Agency), Croatia, Estonia,

France (2 Paying Agencies), Greece, Italy (1 Paying Agency), Latvia, the Netherlands, Portugal, and Romania.

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] 2023	N° of Paying Agencies	N° of Paying Agencies under Reservation [2]	Adjusted Error Rate	Amount at Risk	Amount at Risk Covered by Reservation	2023 Expenditure managed by Paying Agencies with a Reservation
AT	685 193 889	1	0	0.36%	2 483 267	0	0
BE	478 436 871	2	0	0.82%	3 912 266	0	0
BG	803 493 011	1	1	2.13%	17 102 571	17 102 571	803 476 911
CY	47 828 600	1	0	0.86%	413 495	0	0
CZ	854 590 619	1	0	0.92%	7 840 785	0	0
DE	4 552 327 449	13	1	0.67%	30 655 377	6 031 215	199 062 198
DK	810 082 769	1	0	0.19%	1 570 954	0	0
EE	194 866 392	1	1	2.34%	4 563 789	4 563 789	194 866 392
ES	5 073 651 892	17	0	0.89%	45 204 242	0	0
FI	523 401 372	1	0	0.90%	4 727 882	0	0
FR	6 903 069 499	2	2	1.30%	90 086 879	45 014 825	140 564 197
GR	1 985 273 619	1	1	6.38%	126 638 669	126 638 669	1 985 273 640
HR	399 117 634	1	1	2.29%	9 132 178	9 132 178	399 081 447
HU	1 282 920 506	1	0	1.20%	15 365 446	0	0
IE	1 185 031 845	1	0	0.32%	3 831 481	0	0
IT	3 552 031 657	10	1	1.36%	48 285 021	1 485 285	19 628 095
LT	582 978 217	1	0	0.83%	4 849 499	0	0
LU	32 777 218	1	0	0.47%	152 857	0	0
LV	320 365 435	1	1	2.46%	7 876 601	7 876 601	320 365 247
MT	5 021 610	1	0	1.51%	75 835	0	0
NL	616 462 954	1	1	3.45%	21 260 825	21 260 825	616 462 954
PL	3 374 272 209	1	0	0.98%	33 083 789	0	0
PT	775 920 847	1	1	3.27%	25 348 504	25 348 504	775 921 740
RO	1 926 940 648	1	1	2.12%	40 768 520	40 768 520	1 926 924 905
SE	687 049 075	1	0	1.43%	9 800 160	0	0
SI	131 964 260	1	0	1.77%	2 341 509	0	0
SK	392 636 546	1	0	1.41%	5 539 202	0	0
Total	**38 177 706 646**	**66**					
	-16 055 271	Amounts reimbursed to DG AGRI by Coordinating Bodies					
	1 762 264	Completion of previous measures under the European Agricultural Guarantee Fund (EAGF) — Shared management			-		
Total ABB 03 - Payments made	**38 163 413 638**	**66**	**12**	**1.48%**	**562 911 604**	**305 222 981**	**7 381 627 727**
Footnote:	[1] Monthly declaration of expenditure affected by Paying Agencies.						
	[2] FR19 POSEI scheme adjusted error rate is 10.95% with EUR 1.4 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 562.91 million corresponding to an error rate of 1.48 %.

Table 2.1.1.2.2-3 above 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 305.22 million.**

ABB04 – Rural Development

In 2023, EUR 16 411.94 million was paid to Member States in respect of rural development which represents 29% of the CAP spending. Expenditure was paid and financed under the CAP 2014-2022 programming period and under the 2023 – 2027 CAP Strategic Plans. Of this, EUR 15 706.46 million was paid as interim payments and an amount of EUR 15.81 million was paid in respect of technical assistance. As regards the 2023 – 2027 CAP Strategic Plans expenditure, EUR 660 million was paid as prefinancing to the Member States and EUR 11 million as advance payments to beneficiaries.

Payments reimbursed by DG AGRI to the Member States and the UK in 2023				
Management type	**Chapter**	**Budget item**	**Description**	**Payments (EUR)**
Shared Management	0803	**080301**	**Promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector**	**15 725 306 362**
			Interim payments for promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector 2014-2020	15 706 464 334
			Reimbursements following Court cases	18 842 028
		08030101	CAP Strategic Plans expenditure (2023-2027)	670 816 820
		Sub-Total Shared Management		16 396 123 182.42
Direct management		08 03 02	Operational technical assistance	15 118 257
		08 03 03	Operational technical assistance prior to 2021	694 907
		Sub-Total Direct Management		15 813 164
Grand Total 0803				**16 411 936 346**

Table: 2.1.1.2.2-4

The following chart sets out 2023 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).

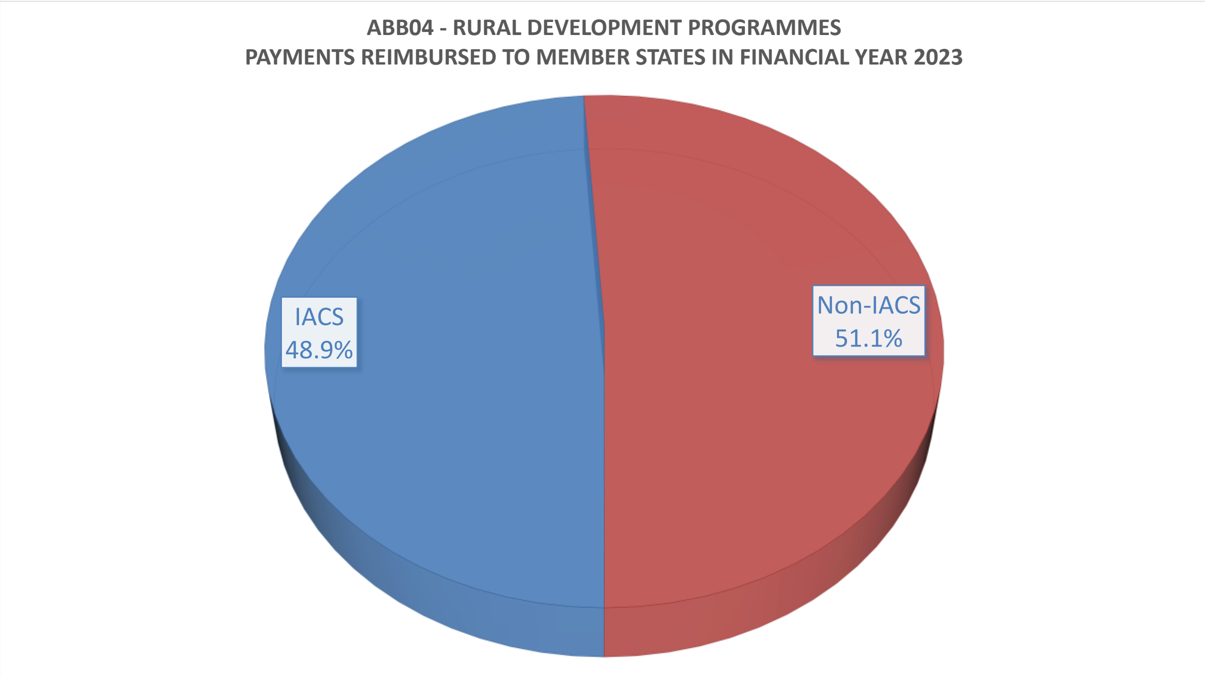

Chart 2.1.1.2.2-3

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 16 411.94 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 control statistics were not provided.

As a result, an adjusted error rate of 2.77% has been calculated with 25 Paying Agencies having an error above 2%.

25 out of 72 Paying Agencies have an adjusted error rate above 2%. Out of these 25, 5 were above 5%: Bulgaria, Czechia, France (1 Paying Agency) and Spain (2 Paying Agencies).

For the remaining 20 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 4 Paying Agencies (Cyprus, Spain (1 Paying Agency), France (1 Paying Agency), Italy (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 16 Paying Agencies, a reservation was deemed necessary.

In 10 cases (Estonia, Germany (6 Paying Agencies), Italy (1 Paying Agency) and Spain (2 Paying Agencies)), it was not considered necessary to carry over reservations from the 2022 AAR with regard to 2023 expenditure. The reasons for each decision are detailed in Annex 7, Part 3.3.

The overall outcome of this exercise is that 21 reservations are necessary at Paying Agency level: Austria, Belgium (1 Paying Agency), Bulgaria, Croatia, Czechia, Denmark, Finland, France (1 Paying Agency), Germany (1 Paying Agency), Greece, Hungary, Italy (1 Paying Agency), Portugal, Romania, Sweden, Slovakia, Spain (4 Paying Agencies) and the United Kingdom (1 Paying Agency).

The following table presents the situation at Member State level for ABB04 for the interim payments in financial year 2023. Annex 7, Part 3.3 provides the picture per Paying Agency:

Member States	Interim Payments FY2023	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 2023 with a reservation
AT	639 819 126.68	1	1	2.33%	14 906 411	14 906 411	613 162 817
BE	121 482 599.83	2	1	1.61%	1 951 566	1 031 754	39 806 704
BG	277 386 716.94	1	1	5.65%	15 662 844	15 662 844	230 084 003
CY	20 988 577.61	1	0	2.34%	491 114	0	0
CZ	373 485 851.13	1	1	5.30%	19 808 846	19 808 846	370 873 169
DE	1 683 234 167.09	14	1	1.35%	22 673 577	3 772 535	93 754 626
DK	117 931 275.58	1	1	2.76%	3 255 592	3 255 592	99 938 832
EE	125 155 574.32	1	0	2.00%	2 503 976	0	0
ES	1 384 358 331.46	18	4	1.81%	25 093 446	17 456 304	587 616 461
FI	206 275 011.06	1	1	2.44%	5 040 513	5 040 513	464 142 911
FR	1 990 987 546.24	2	1	7.27%	144 680 319	143 990 403	1 951 549 703
GB	71 227 574.34	4	1	2.17%	1 830 546	1 782 561	83 079 582
GR	904 908 619.44	1	1	2.81%	25 403 173	25 403 173	864 101 188
HR	340 751 959.68	1	1	4.81%	16 383 166	16 383 166	375 269 953
HU	865 967 261.99	1	1	2.70%	23 357 261	23 357 261	650 508 248
IE	305 465 971.23	1	0	0.57%	1 737 431	0	0
IT	1 740 648 044.39	10	1	1.08%	18 924 561	1 939 833	113 368 508
LT	237 842 049.37	1	0	0.72%	1 722 656	0	0
LU	9 054 997.45	1	0	1.85%	167 369	0	0
LV	150 297 089.94	1	0	0.82%	1 227 098	0	0
MT	13 832 616.25	1	0	1.08%	149 353	0	0
NL	164 462 421.47	1	0	0.42%	697 551	0	0
PL	1 548 300 555.05	1	0	1.27%	19 598 561	0	0
PT	617 499 537.43	1	1	3.42%	21 119 063	21 119 063	579 484 303
RO	1 207 857 711.70	1	1	2.81%	33 884 154	33 884 154	1 029 757 902
SE	282 581 164.52	1	1	3.15%	8 910 408	8 910 408	301 463 151
SI	146 195 875.82	1	0	0.56%	820 954	0	0
SK	158 466 106.24	1	1	2.47%	3 906 668	3 906 668	146 808 100
Grand Total	**15 706 464 334.25**	**72**	**21**	**2.78%**	**435 908 178**	**361 611 489**	**8 594 770 161**
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 2023, the adjustments made by DG AGRI led to **an adjusted error rate of 2.77%,** as presented in the table above, corresponding to an **amount at risk of EUR 435.91 million**.

Table 2.1.1.2.2-5 above 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 361.61 million.**

When taking into account all payments made by DG AGRI in 2023 for ABB04, the overall situation is as follows:

Payments reimbursed by DG AGRI to the Member States and the UK in 2023						
Management type	**Chapter**	**Budget item**	**Description**	**Payments (EUR)**	**Error rate (%)**	**Amount at risk (EUR)**
Shared Management	0803	**080301**	**Promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector**	**15 725 306 362**	**2.77%**	**435 908 178**
			Interim payments for promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector 2014-2020	15 706 464 334	2.78%	435 908 178
			Reimbursements following Court cases	18 842 028	0.00%	-
		Sub-Total Shared Management		15 725 306 362.13	2.77%	435 908 178
Direct management		08 03 02	Operational technical assistance	15 118 257	1.00%	151 183
		08 03 03	Operational technical assistance prior to 2021	694 907	1.00%	6 949
		Sub-Total Direct Management		15 813 164	1.00%	158 132
Grand Total 0803				**15 741 119 526**	**2.77%**	**436 066 310**

Table: 2.1.1.2.2-6

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 2022 i.e., **the relevant expenditure**. **This results in an overall estimated amount at risk at payment of EUR 436.07 million corresponding to an adjusted error rate of 2.77%**.

Overall assessment on the functioning of the management and control systems

Article 74 of the Financial Regulation ([38]) 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 2023, **DG AGRI shared the management of the CAP expenditure with 75 Paying Agencies in 27 Member States and the UK and reports in detail 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 Paying Agencies' continued compliance with the accreditation criteria ([39]). DG AGRI also, via

([38]) 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.
([39]) The last report was submitted in June 2022, covering financial years 2019, 2020 and 2021.

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 2023		
ASSURANCE DERIVING FROM THE FUNCTIONING OF THE PAYING AGENCIES		
Accreditation of Paying Agencies	Fully accredited Provisional accreditation On probation Total	73 0 2 (40) 75
Certificates and reports of Certification Bodies on functioning of Paying Agencies' internal control systems	Received Not received Effective (41) Not effective	75 0 74 1
Management Declarations signed by the directors of Paying Agencies	Received Not received Unqualified Qualified with reservation	75 0 74 (42) 1 (43)
Opinions of Certification Bodies on the Management Declarations	Received Not received Unqualified Qualified (44)	75 0 74 (45) 1 (46)

Table: 2.1.1.2.2-7

DG AGRI also carries out conformity clearance audit missions, during which the management and control systems in individual Paying Agencies are checked in order to provide valuable information on how effectively those systems protect the EU funds.

Conformity audit missions carried out in EAGF and EAFRD in financial years 2021-2023 (from 16/10/2020 until 15/10/2023)

	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 of audit missions	60	51	55	156	88	244
Member States covered[4]	All Member States, except LT, LV, SK (24 Member States)	All Member States except AT, CZ, FI, IE, NL (23 Member States)	All Member States except BE, CY, LV, PL, NL (23 Member States)	All Member States	All Member States except LV, NL, PT, PL	All 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

(40) At the beginning of the year Paying Agencies IT27 and DE17 were under probation. IT27 was restored by the end of the year, DE17 in January 2024.
(41) Effective means very good, good or adequate.
(42) 9 out of 74 with observations.
(43) BG01.
(44) The qualifications vary and may be for one population or all populations.
(45) 5 out of 74 with emphasis of matter.
(46) SK01 - material error in EAFRD Non-IACS.

In the past 3-year period, DG AGRI has carried out **244** conformity audit missions to Member States, of which **156** audits targeted the 3 main ABBs (audits targeting more than one ABBs are counted only once in the sub-total). Out of the 156 ABB audits, 17 preventive audits (including 2 IT systems audits) were performed in 2023 to check the stage of preparations for the implementation of the New Delivery Model in Paying Agencies and Certification Bodies for the new CAP 2023-27. The other **88** audits carried out in this period were not specific to a particular ABB area, including:

- 21 audits on cross-compliance;
- 23 audits in relation to information system security;
- 5 audits on debt management and accreditation;
- 36 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;
- 2 audits on Pre-accession countries;
- 1 audit on Scrutiny Chapter III of R. 1306/2013.

Conformity audit missions carried out in EAGF and EAFRD financial year 2023 (from 16/10/2022 until 15/10/2023)

	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	21	8	13	41	20	61
Member States covered[4]	All Member States except: AT, BE, GR, HR, HU, LU, , LT, LV, MT, NL, SE, SK	Member States (BE, CY, DK, EE, ES, MT, SI, SK)	Member States (DE, EE, ES, FR, GR, HU, IT, LT, RO, SI)	All Member States, except AT, HR, LU, LV, NL, SE	8 Member States	All Member States, except AT, HR, LU, LV, NL, SE
	(15 Member States)	(8 Member States)	(10 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]	242.04	1 100.25	3 517.27	4 859.56		

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).
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

In the period under financial year 2023, DG AGRI carried out **61** audits, which includes **41 conformity and preventive systems audits** targeting the three ABBs areas (audits covering more than one ABB area are counted only once in the sub-total). Apart from that, **20** other audits were carried out covering areas not specific to a particular ABB. They included:

- 8 audits on information system security;
- 6 audits on cross-compliance;

- 1 audit on Scrutiny Chapter III of R.1306/2013 and
- 3 audits on the Certification Bodies as regards legality and regularity;
- 2 audits on Pre-accession countries.

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 2023 and 2024 will, where relevant, also cover the 2022 expenditure ("24-month rule" ([47]).

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.

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.

([47]) 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).

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				Coverage: as % of aid schemes/Paying Agencies				Coverage: 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')	72	52	50	174	61.0%	80.0%	69.4%	68.2%	56.0%	80.5%	43.2%	69.0%
Reasonable assurance with low risk (= adjusted error rate between 2% and 5%, with mitigating factors, no reservation)	41	1	1	43	34.7%	1.5%	1.4%	16.9%	9.4%	0.1%	0.8%	0.7%
Limited assurance with medium risk (= adjusted error rate between 2% and 5%, no mitigating factors, with reservation)	3	8	16	27	2.5%	12.3%	22.2%	10.6%	23.5%	13.7%	38.8%	21.1%
Limited assurance with high risk (= adjusted error rate above 5%, with reservation)	2	4	5	11	1.7%	6.2%	6.9%	4.3%	11.1%	5.6%	17.2%	9.1%
Grand Total	**118**	**65**	**72**	**255**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Footnote: Total of ABB03: FR19 POSEI scheme is added to the total.

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: 12 Paying Agencies in 11 Member States.
- ABB04: 21 Paying Agencies in 17 Member States and the UK.

Tables 2.1.1.2.2-11, 2.1.1.2.2-12 and 2.1.1.2.2-13 set out the situation underlying the above table 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 2023 per level of assurance (shared management only)												2023
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 2023 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	11 230 583	2	13 430 126	2					24 660 709	4	425 283	1.72%	0
BE	53 948 279	3	157 977	1					54 106 255	4	149 893	0.28%	0
BG	17 900 131	3	16 824 125	1					34 724 256	4	674 235	1.94%	0
CY	5 494 053	3	33 195	1					5 527 248	4	12 381	0.22%	0
CZ	5 044 375	2	12 917 795	3					17 962 171	5	416 704	2.32%	0
DE	119 880 967	6	1 010 889	1					120 891 856	7	1 067 032	0.88%	0
DK	1 618 174	1	14 484 051	3					16 102 225	4	801 550	4.98%	0
EE	0		1 341 661	2					1 341 661	2	144 040	10.74%	0
ES	581 459 714	5	2 347 911	1					583 807 625	6	5 390 429	0.92%	0
FI	4 188 421	2	4 848 546	2					9 036 967	4	331 665	3.67%	0
FR	273 273 967	4	1 703 021	1			278 835 803	2	553 812 791	5	22 643 364	4.09%	2
GR	32 700 243	5	20 637 542	2					53 337 785	7	823 270	1.54%	0
HR	12 636 262	3	25 544	1					12 661 806	4	1 255	0.01%	0
HU	29 735 616	2	4 873 530	2					34 609 147	4	493 937	1.43%	0
IE	3 277 130	2	1 303 104	2					4 580 235	4	59 555	1.30%	0
IT	24 296 556	2	41 720 946	2	530 917 527	2			596 935 029	6	19 427 147	3.25%	2
LT	2 552 717	2	9 958 540	1					12 511 257	3	227 876	1.82%	0
LU	539 058	1	0	1					539 058	2		0.00%	0
LV	3 031 155	3	64 317	1					3 095 471	4	2 149	0.07%	0
MT	24 754	1	0	1					24 754	2		0.00%	0
NL	60 566 609	3	782 828	1					61 349 438	4	131 956	0.22%	0
PL	41 192 438	3	70 606 998	2					111 799 436	5	1 747 046	1.56%	0
PT	42 182 910	3	2 793 907	2	62 669 998	1			107 646 815	6	1 987 061	1.85%	1
RO	58 111 309	4	10 050 007	1					68 161 316	5	465 601	0.68%	0
SE	8 504 224	1	5 075 569	2					13 579 793	3	245 068	1.80%	0
SI	6 144 815	3	14 591	1					6 159 406	4	334	0.01%	0
SK	11 323 943	3	378 641	1					11 702 584	4	10 257	0.09%	0
Total - monthly declaration	**1 410 858 404**	**72**	**237 385 361**	**41**	**593 587 525**	**3**	**278 835 803**	**2**	**2 520 667 093**				
08029901	Completion of previous measures under the "European Agricultural Guarantee Fund (EAGF)" — Shared management								410 005				
ABB02 - shared management - payments made									**2 521 077 098**	**116**	**57 679 088**	**2.29%**	**5**

Footnote: [1] Monthly declaration of expenditure affected by Paying Agencies.

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 2023 per level of assurance** **2023**

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 2023 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	685 193 889	1							685 193 889	1	2 483 267	0.36%	0
BE	478 436 871	2							478 436 871	2	3 912 266	0.82%	0
BG					803 493 011	1			803 493 011	1	17 102 571	2.13%	1
CY	47 828 600	1							47 828 600	1	413 495	0.86%	0
CZ	854 590 619	1							854 590 619	1	7 840 785	0.92%	0
DE	4 353 265 251	12			199 062 198	1			4 552 327 449	13	30 655 377	0.67%	1
DK	810 082 769	1							810 082 769	1	1 570 954	0.19%	0
EE					194 866 392	1			194 866 392	1	4 563 789	2.34%	1
ES	5 028 177 239	16	45 474 653	1					5 073 651 892	17	45 204 242	0.89%	0
FI	523 401 372	1							523 401 372	1	4 727 882	0.90%	0
FR	6 762 505 302	1					140 564 197	2	6 903 069 499	2	90 086 879	1.30%	2
GR							1 985 273 619	1	1 985 273 619	1	126 638 669	6.38%	1
HR					399 117 634	1			399 117 634	1	9 132 178	2.29%	1
HU	1 282 920 506	1							1 282 920 506	1	15 365 446	1.20%	0
IE	1 185 031 845	1							1 185 031 845	1	3 831 481	0.32%	0
IT	3 532 399 402	9					19 632 255	1	3 552 031 657	10	48 285 021	1.36%	1
LT	582 978 217	1							582 978 217	1	4 849 499	0.83%	0
LU	32 777 218	1							32 777 218	1	152 857	0.47%	0
LV					320 365 435	1			320 365 435	1	7 876 601	2.46%	1
MT	5 021 610	1							5 021 610	1	75 835	1.51%	0
NL					616 462 954	1			616 462 954	1	21 260 825	3.45%	1
PL	3 374 272 209	1							3 374 272 209	1	33 083 789	0.98%	0
PT					775 920 847	1			775 920 847	1	25 348 504	3.27%	1
RO					1 926 940 648	1			1 926 940 648	1	40 768 520	2.12%	1
SE	687 049 075	1							687 049 075	1	9 800 160	1.43%	0
SI	131 964 260	1							131 964 260	1	2 341 509	1.77%	0
SK	392 636 546	1							392 636 546	1	5 539 202	1.41%	0
Subtotal	**30 750 532 803**	**54**	**45 474 653**	**1**	**5 236 229 120**	**8**	**2 145 470 070**	**4**	**38 177 706 646**				

Amounts reimbursed to DG AGRI by Coordinating Bodies	**-16 055 271**				
Completion of previous measures under the European Agricultural Guarantee Fund (EAGF) — Shared management	**1 762 264**		**0**		
TOTAL expenditure	**38 163 413 638**	**66**	**562 911 604**	**1.48%**	**12**

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

(2) FR19 POSEI scheme adjusted error rate is 10.95% with EUR 1.4 million amount at risk under reservation

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 2023 per level of assurance												2023
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 2023 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					639 819 127	1			639 819 127	1	14 906 411	2.33%	1
BE	81 225 328	1			40 257 271	1			121 482 600	2	1 951 566	1.61%	1
BG							277 386 717	1	277 386 717	1	15 662 844	5.65%	1
CY	20 988 578	1							20 988 578	1	491 114	2.34%	0
CZ							373 485 851	1	373 485 851	1	19 808 846	5.30%	1
DE	1 582 949 415	13			100 284 752	1			1 683 234 167	14	22 673 577	1.35%	1
DK					117 931 276	1			117 931 276	1	3 255 592	2.76%	1
EE			125 155 574	1					125 155 574	1	2 503 976	2.00%	0
ES	828 750 109	14			471 998 718	2	83 609 504	2	1 384 358 331	18	25 093 446	1.81%	4
FI					206 275 011	1			206 275 011	1	5 040 513	2.44%	1
FR	23 018 927	1					1 967 968 619	1	1 990 987 546	2	144 680 319	7.27%	1
GB	3 610 562	3			67 617 012	1			71 227 574	4	1 830 546	2.17%	1
GR					904 908 619	1			904 908 619	1	25 403 173	2.81%	1
HR					340 751 960	1			340 751 960	1	16 383 166	4.81%	1
HU					865 967 262	1			865 967 262	1	23 357 261	2.70%	1
IE	305 465 971	1							305 465 971	1	1 737 431	0.57%	0
IT	1 668 304 372	9			72 343 672	1			1 740 648 044	10	18 924 561	1.08%	1
LT	237 842 049	1							237 842 049	1	1 722 656	0.72%	0
LU	9 054 997	1							9 054 997	1	167 369	1.85%	0
LV	150 297 090	1							150 297 090	1	1 227 098	0.82%	0
MT	13 832 616	1							13 832 616	1	149 353	1.08%	0
NL	164 462 421	1							164 462 421	1	697 551	0.42%	0
PL	1 548 300 555	1							1 548 300 555	1	19 598 561	1.27%	0
PT					617 499 537	1			617 499 537	1	21 119 063	3.42%	1
RO					1 207 857 712	1			1 207 857 712	1	33 884 154	2.81%	1
SE					282 581 165	1			282 581 165	1	8 910 408	3.15%	1
SI	146 195 876	1							146 195 876	1	820 954	0.56%	0
SK					158 466 106	1			158 466 106	1	3 906 668	2.47%	1
Total	**6 784 298 869**	**50**	**125 155 574**	**1**	**6 094 559 200**	**16**	**2 702 450 692**	**5**	**15 706 464 334**	**72**	**435 908 178**	**2.78%**	**21**

Other payments							
Shared management	080299010056001	Completion of rural development financed by the EAGGF Guarantee Section - Programming period 2000 to 2006	-123 226		0	0.00%	
	080301	Reimbursement following Court cases	386 052				
Total shared management			15 706 727 161		435 908 178	2.78%	
Direct management	080302	Operational technical	15 118 257		151 183	1.00%	
	08039902	Operational technical assistance prior to 2021	694 907		6 949	1.00%	
Total direct management			**15 813 164**		**158 132**	**1.00%**	
Total ABB 04			**15 722 540 325**		**436 066 310**	**2.77%**	
Footnote:	**(1) Interim payments for programming period 2014-2022**						

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 payment* [48] for the 2023 expenditure is EUR 1 063.73 million. This is the AOD's best, conservative estimation of the amount of *relevant expenditure* [49] during the year (EUR 56 830.51 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 2023 *relevant expenditure*, the conservatively estimated future corrections/corrective capacity [50] of 1.34% results in an amount of EUR 760.64 million. This is the number 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 303.09 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.

While the error rate for the CAP as a whole is for the fourth year below the materiality level in 2023, the estimated overall risk at payment and the CAP adjusted error rate (1.87% for 2023; 1.76% in 2022) increased compared to 2022. While Member States are continuously improving their management and control systems, they reported overall higher error rates in their control statistics. The overall figure of 1.87% covers different error rates for the two CAP funds and the low error rate for direct payments (more than 66% of the expenditure) of 1.48% is the main reason for the overall CAP error rate below 2%.

The level of conservatively estimated future corrections of 1.34% is close to the previous year's estimate (1.41% in 2022), in line with the improvements in the management and control system in the Member States and the possibly lower future financial corrections the Commission still expects to apply under the 2014-2022 CAP.

The estimated final amount at risk [51] for the CAP is EUR 303.01 million or 0.53 % of the relevant expenditure (0.35% in 2022 and 0.3% in 2021).

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[48] In order to calculate the weighted average error rate (AER), the *adjusted* error rates have been used.
[49] 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.
[50] 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.
[51] 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	0.35	0.00	0.00	0.35	1.00%	0.00	0.00	0.00	0.00%	0.00	0.00
Title 02 European Strategic Investments												
0203	Connecting Europe facility (CEF)	0.27	0.00	0.00	0.27	1.00%	0.00	0.00	0.00	0.00%	0.00	0.00
Title 03 Single Market												
0302	Single Market Programme	0.21	0.00	0.00	0.21	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)	0.27	0.00	0.00	0.27	1.00%	0.00	0.00	0.00	0.00%	0.00	0.00
0503	Cohesion Fund (CF)	0.00	0.00	0.00	0.00	0.00%	0.00	0.00	0.00	0.00%	0.00	0.00
Title 11 Border Management												
1101	Administrative expenditure	0.00	0.00	0.00	0.00	0.00%	0.00	0.00	0.00	0.00	0.00	0.00
Title 14 External Action												
1420	Other Actions	4.37	0.00	0.00	4.37	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	0.01	0.00	0.00	0.01	1.00%	0.00	0.00	0.00	0.00	0.00	0.00
2004	ICT expenditure	1.58	0.00	0.00	1.58	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	2 521.08	0.00	0.00	2 521.08	2.29%	57.68	39.83	0.00	0.00%	0.00	0.00
080205, 080299	Direct payments	38 163.41	0.00	0.00	38 163.41	1.48%	562.91	377.28	0.00	0.00%	0.00	0.00
	EAGF total	40 684.49	0.00	0.00	40 684.49	1.53%	620.59	417.11	93.05	1.25%	510.16	110.44
0803	Rural development	15 725.31	0.00	97.71	15 823.01	2.77%	438.62	138.52	111.97	1.58%	250.49	188.13
INDIRECT MANAGEMENT												
1502	Pre-accession Measures	119.69	0.00	53.73	173.42	1.74%	3.02	0.00	0.00	0.00%	0.00	3.02
DIRECT MANAGEMENT												
0801	Administrative expenditure	0.34										
1501	Instrument for Pre-accession Assistance	0.00										
0803, 080299	Rural development	15.81	7.83	6.75	142.53	1.00%	1.43	0.00	0.00	0.00%	0.00	1.43
080206	Policy strategy and coordination	124.76										
0820	Other actions	2.69										
Total CAP		56 673.10	7.83	158.19	56 823.46	1.87%	1 063.66	555.63	205.02	1.34%	760.64	303.01
Total DG AGRI		56 680.15	7.83	158.19	56 830.51	1.87%	1 063.73	555.63	205.02	1.34%	760.64	303.09
												0.53%
												0.53%

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 2023.

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

		Payments made	Prefinancing paid	Cleared prefinancing	Relevant expenditure
		million EUR	million EUR	million EUR	million EUR
SHARED MANAGEMENT					
080202	EAGF Interventions CSP	204.72	0.00	0.00	204.72
08030101	EAFRD CSP	670.82	660.02	0.00	10.80
Total		**875.54**	**660.02**	**0.00**	**215.52**

Table: 2.1.1.2.2-15

2.1.1.2.3 Assessment of the amount at risk for indirect management

IPARD II for the EUR 119.69 million in indirect management under the pre-accession programmes, the maximum amount at risk is estimated at EUR 3.02 million indicating an estimated adjusted error rate for relevant expenditure of 1.74%.

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	119 692 063	-	53 731 935	173 423 998	1.74%	3 023 081
Total		**119 692 063**				**1.74%**	**3 023 081**

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 143.61 million managed directly by DG AGRI, the maximum amount at risk is estimated at EUR 1.44 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	343 259	1.00%	3 433
1501	Instrument for Pre-accession Assistance	-	1.00%	-
0803	Rural development	15 813 164	1.00%	158 132
080206	Policy strategy and coordination	124 764 618	1.00%	1 247 646
0820	Other actions	2 692 633	1.00%	26 926
Total		**143 613 675**	**1.00%**	**1 436 137**

Table: 2.1.1.2.4-1

2.1.1.2.5 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 and ensure access to financing needed for investments and liquidity during crisis periods.

By the end of 2023:

- 32 EAFRD managing authorities in 13 Member States have programmed financial instruments in their Rural Development Programmes (RDPs) 2014-2022.
- The total EAFRD allocation for financial instruments amounts to EUR 638 million and the total public allocation to EUR 819 million.
- The declared expenditure to the Commission for FIs under the respective RDPs amounts to EUR 433 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 and the energy crisis that followed the war in Ukraine. This continued to be the case in 2023 as economies are yet to fully recover from the negative impacts of the unfavourable economic environment resulting in high energy prices, rising inflation, reduced access to some main inputs like fertilisers, etc. EAFRD-supported financial instruments under RDPs 2014-2022 could be in implementation until the end of 2025 due to the transitional period.

Financial Instruments became integral part of the CAP Strategic Plans of 12 Member States, and in 2023 preparatory actions took place for some of them. Member States are paying attention to the use of the Financial Instruments under the old Rural Development Programmes before deciding when to activate them under the CAP Strategic Plans. By the end of 2023, the total programmed amounts for the period 2023-2027 equal EUR 627 million of EAFRD financing and a total public budget of EUR 999 million.

Under the technical assistance programme *fi-compass*, which now operates under a new contract and a work programme, in total, 41 cases of targeted coaching on financial instruments for EAFRD managing authorities were carried out in the period 2016-2023. In 2023, the flagship annual conference on EAFRD financial instruments took place in Brussels. The analytical work gained pace and two surveys with analytical reports and factsheets were completed (on access to finance for EU farmers and EU agri-food SMEs). A feasibility study analysing the market situation in an EU Member State was launched, alongside the preparation work for two studies and four surveys to be launched in 2024. The communication activities continued to promote financial instruments through social media announcements, newsletter articles, videos and a new case study developed for a newly launched financial instrument under an RDP.

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 2-3 conformity ad hoc decisions on a package of individual financial corrections. Following the withdrawal of the United Kingdom from the European Union, if the package contains financial corrections for the United Kingdom, they are adopted in a separate decision, at the same time as the one for the Member States. **In**

2023, the Commission adopted 3 decisions, published in the Official Journal ([52]), covering 73 individual financial corrections for a total gross amount of **EUR 253.532 million**, with a net decided amount of **EUR 239.798 million** ([53]) with the same amount in net financial impact ([54]).

Commission Conformity Decisions		EAGF	EAFRD	Total
ad hoc 71	EU 2023/1408	38.531 (37.953)	72.584 (60.748)	111.115 (98.702)
ad hoc 72	EU 2023/2494	90.792 (89.599)	50.729 (50.603)	141.521 (140.201)
ad hoc 72 UK	EU 2023/2492	0 (0)	0.895 (0.895)	0.895 (0.895)
Total		**129.323 (127.552)**	**124.209 (112.247)**	**253.532 (239.798)**

Table 2.1.1.3.1-1

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 2023, EUR 86.086 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 2023

million EUR

Case number	Commission Conformity Decisions		Member State	Reimbursed amount
T-221/21	ad hoc 71	EU 2023/1408	IT	67.368
T-33/21	ad hoc 71	EU 2023/1408	RO	18.717
Total				86.086

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.

([52]) Decision EU 2023/1408 of 3 July 2023, OJ L 170/46, 5.7.2023 (ad hoc 71, Member States)
Decision EU 2023/2494 of 15 November 2023, OJ L 17.11.2023 (ad hoc 72, Member States)
Decision EU 2023/2492 of 15 November 2023, OJ L 17.11.2023 (ad hoc 72, United Kingdom)
([53]) The net amount is after taking account of other financial corrections on the same expenditure.
([54]) The net financial impact is the actual cash effect and takes account of lifting of previous suspensions.

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 correctionsfed 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 2023 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 555.63 million as presented in the table below.

DG AGRI corrective capacity from financial corrections executed 2019-2023				
				net financial corrections, million EUR
	ABB02	**ABB03**	**ABB04**	**Total**
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
2023	53.864	304.840	138.318	497.022
Total	199.149	1 886.382	692.602	2 778.133
5-year average	**39.830**	**377.276**	**138.520**	**555.627**

Table: 2.1.1.3.1-3

As regards recoveries, the calculcation 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 cross-compliance recoveries. The estimated future corrections from recoveries only, to be taken into account for the corrective capacity amount to EUR 205.015 million as presented in the table below.

DG AGRI corrective capacity from recoveries 2019-2023			
			million EUR
	EAGF	**EAFRD**	**Total**
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
2023	95.397	149.213	244.611
Total	465.247	559.830	1 012.156
5-year average	**93.049**	**111.966**	**205.015**

Table 2.1.1.3.1-4

The actual amount of recoveries in financial year 2023 amount to EUR 134.51 million for EAGF and to EUR 195.12 million for EAFRD. Both these amounts include cross-compliance recoveries which are excluded from the estimated future corrections as cross-complaince is not part of the legality and regularity of the CAP expenditure. By contrast, the amounts of recoveries as part of the corrective measures presented in section 2.1.1.3.3 (EUR 230.46 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 2023, an amount of EUR 194.74 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 760.65 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 2023 expenditure.

DG AGRI total estimated future corrections for the corrective capacity 2023

million EUR

	EAGF	**EAFRD**	**Total**
from financial corrections	417.11	138.520	555.627
from recoveries	93.05	111.97	205.02
Total	510.16	250.49	**760.65**

Table 2.1.1.3.1-5

Benefits of control

The quantifiable benefits of the delivery costs in the Member States (see Table 2.1.3-1 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 466.00 million of undue claimed amounts detected and corrected prior to payments (see table 2.1.1.3.1-6 below). Furthermore, Member States recovered (annual average for the period 2019-2023) an amount of EUR 205.02 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 555.63 million, the total quantifiable benefits for the corrective capacity consequently amount to EUR 1226.65 million. This represents 2.17% of the expenditure paid in respect of the three ABBs (excluding the expenditure under the CAP Strategic Plans for financial year 2023).

	Average Financial Corrections[1] (EUR million)	Undue claimed amounts detected and corrected by Member States prior to payment[2] (EUR million)	Member States' average recoveries from beneficiaries after payment[1] (EUR million)	Total (EUR million)	Total in % of 2023 expenditure
ABB02	39.83	62.96			
ABB03	377.28	207.64	**93.05**	**780.76**	**1.92%**
EAGF	**417.11**	**270.60**			
ABB04	138.52	195.40	**111.97**	445.89	2.84%
Total	**555.63**	**466.00**	**205.02**	**1226.65**	**2.17%**

[1] See corrective capacity above.

[2] As reported in the 2023 control statistics.

Table: 2.1.1.3.1-6

These quantifiable benefits for the corrective capacity amounting to EUR 1 226.65 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 2023 data** amount to EUR 1 127.27 million as presented in section 2.1.1.3.3 below.

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 0.6 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 2023, 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 2023 concerned 8 Member States and a total amount of EUR -16 926 772.42. The reductions concerned only overruns of financial ceilings.

As regards suspensions for EAGF, there were no new suspensions of payments due to deficiencies in the management and control system in 2023.

Under EAFRD, interruptions and reductions/suspensions of EAFRD payments due to deficiencies in the management and control system concerned 1 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 2023 are presented in Annex 7, Part 10.

3) Supervision / Coordination of REA

The implementation of the agricultural research and of part of the promotion activity (MULTI programmes and Commission own initiatives, under direct management) has been entrusted to REA. The supervision of the delegated activities is ensured through DG AGRI's participation in the quarterly Steering Committee meetings, regular coordination meetings both at Director and at working levels, the annual planning and reporting cycle from the AWP to the AAR - including the interim reporting, the budget cycle and management reporting. Furthermore, DG AGRI participates in several inter-service groups.

As to the research activity, based on the AARs presented by REA, there are no identified reservations or critical risks to be reported and the monitoring activities did not reveal difficulties to be mentioned in this report.

As to the Promotion of agricultural products activity, REA includes in its AAR 2023 a reputational reservation based on known and suspected conflict of interest and underperformance in the multi-beneficiary grants part of the programme. A financial reservation is not required as the detected error rate of 2.86% and the residual error rate of 1.59% remains below the materiality threshold for the AGRIP programme.

In response to the difficulties encountered, REA reinforced the internal control strategy: implemented reinforced ex-ante controls and reinforced monitoring in specific cases. Project reviews and audits were launched. REA took the necessary steps to limit the financial impact suspending all payments to problematic projects in 2023 and taking steps to suspend and terminate projects.

Relevant, timely and appropriate quality information on the risks and reinforced control measures related to the AGRIP programme was provided by REA via the supervision and control mechanisms in place such as Steering Committee, interim reports and ad-hoc information and coordination meetings with the relevant REA services. Furthermore, in the Annual Work Programme 2023, REA mentioned the development of a detailed audit strategy specifically targeted to AGRIP programmes.

DG AGRI considers the supervision arrangements are reliable and sufficient to draw reasonable assurance conclusion and has not identified any supervision weakness linked to this reservation. DG AGRI will continue to closely monitor REA's reinforced control, audit and follow-up measures linked to AGRIP multi-grants.

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

4) Overview of DG AGRI's risk profile

DG AGRI's portfolio consists of segments with a relatively low error rate, i.e., direct payments (1.48%), segments with medium error rate like market measures (2.29%) and segments with a relatively high error rate, i.e. rural development (2.77%). 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 stem from varied reasons as weaknesses in on-the-spot checks, insufficient eligibility and control procedures, public procurement verifications or administrative checks of reasonableness of costs. 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 2023 already resulted in a lower error rate for market measures, for example (more details about root causes of high error rates, management actions taken to mitigate them, description of strengths and weaknesses and improvements to the financial management and to reduce the risks and the level of error can be found in Annex 7, parts 3.1, 3.2, 3.3 and 3.5).

5) Table (X): Estimated risk at payment and at closure

2.1.1.3.3 Protecting the EU budget – summary

Based on all the above, DG AGRI presents in the following table X estimated overall risk at payment, estimated future corrections and estimated final amount at risk ([55]) for the expenditure managed during the reporting year. The full detailed version of the table is provided in Annex 9.

([55]) The estimated final amount at risk corresponds to the overall risk at closure in the Annual Management and Performance Report.

Table X : Estimated risk at payment and at closure (amounts in EUR mios) - For AGRI - Performance-Based

DG AGRI	Payments made	Relevant expenditure	Estimated risk (error rate %) at payment		Estimated future corrections and deductions		Estimated risk (error rate %) at closure	
	m EUR	m EUR	m EUR	%	m EUR	%	m EUR	%
ABB02 Market Measures	2 521.08	2 521.08	57.68	2.29%	31.61	1.25%	26.07	1.03%
ABB03 Direct Payments	38 163.41	38 163.41	562.91	1.48%	478.54	1.25%	84.37	0.22%
ABB04 Rural Development	15 725.31	15 823.01	438.62	2.77%	250.49	1.58%	188.13	1.19%
Direct Management	150.67	149.58	1.50	1.00%	0.00	0.00%	1.50	1.00%
Indirect Management - Pre-accession measures	119.69	173.42	3.02	1.74%	0.00	0.00%	3.02	1.74%
Total without contribution to Performance-based	**56 680.15**	**56 830.51**	**1 063.73**	**1.87%**	**760.64**	**1.34%**	**303.09**	**0.53%**
Types of interventions in certain sectors under the CAP Strategic Plans	204.72	204.72						
Rural development types of interventions under the CAP Strategic Plans	670.82	10.80						
Sub-total contributions (performance-based)	**875.54**	**215.52**						
Total DG (with contributions to Performance-based)	**57 555.70**	**57 046.04**						

Table: 2.1.1.3.3-1

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 303.09 million, representing 0.53% of the DG's total relevant expenditure for 2023. 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.

The estimated overall risk at payment for 2023 expenditure, amounting to EUR 1 063.73 million and representing 1.87% of the DG's total relevant expenditure for 2023, 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 760.64 million corresponds to the conservatively estimated future corrections (including recoveries) for the corrective capacity for the 2023 expenditure.

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 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 **0.53%**. There is an increase of 0.18 percentage points compared to 2022 (0.35%). Explanations are provided under section 2.1.1.2.2.

6) Preventive and corrective measures

As regards the corrections carried out in 2023, DG AGRI has in place an effective mechanism for correcting errors, through ex-ante and ex-post controls, resulting in preventive and corrective measures, amounting to EUR 466.60 million and EUR 660.66 million respectively. Last year, the preventive and corrective measures were EUR 530.40 million and EUR 947.51 million respectively. This represents a decrease compared to 2022, with EUR 63.8 million and EUR 286.85 million respectively. This is mostly explained by the lower amount of corrective measures implemented by the Commission in terms of financial corrections in 2023.

Please see table below for details:

		Preventive Measures (m EUR)	Corrective measures (m EUR)	Total (m EUR)
Implemented by the Member States		**466.00**	**194.74**	**660.74**
	of which from Member States controls	466.00	194.74	660.74
	of which from EU controls **([56])**			
Implemented by the Commission		**0.60**	**465.93**	**466.53**
	of which from Member States controls	0.60	230.46	231.07
	of which from EU controls	-	235.46	235.46
DG AGRI total		**466.60**	**660.66**	**1 127.27**

Table: 2.1.1.3.3-2

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 was last updated in September 2020 with a view to aligning it to the most recent Commission anti-fraud strategy (CAFS) from April 2019. The CAFS 2019 ([57]) had its own Action Plan containing specific objectives and actions, which in 2022 were considered to have been largely completed. As a result of recommendations given by the Corporate Management Board, the **revised CAFS Action Plan** was adopted in July 2023 after a wide internal consultation to which DG AGRI has contributed with reference to actions 1, 2, 11a, 12, 14, 15, 16, 17, 18, 19 and 36.

In order to align the DG AGRI AFS to the revised 2023 Action Plan, DG AGRI has started working on the updated version of DG AGRI AFS, which should be finalised by July 2024. Moreover, in December 2022 DG AGRI has updated its 2016 horizontal Fraud Risk Assessment (FRA) for the CAP to align it with the legal basis for the CAP 2023-2027. An updated analysis of the risks related to the potential change in fraud patterns contained in the FRA after the first year of application of the new CAP has been conducted in December 2023.

([56]) As a result of Commission controls and audits, OLAF investigations or ECA audits.
([57]) New CAFS communication (COM(2023) 405 final) and action plan (SWD(2023) 245 final)

The implementation of DG AGRI AFS is kept under constant monitoring and once a year a specific assessment is made and reported to DG AGRI management. The assessment includes also the possible need to update the FRA in case there is evidence that fraud patterns have changed.

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 has to be noted that such specific follow-up stems directly from the CAFS.

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 2023, OLAF has issued 21 financial recommendations for recoveries of CAP funds from different beneficiaries. This is an increase compared to 2022 (14 financial recommendations). The increase in the number of financial recommendations is related to the fact that there are 2 clusters (one of 6 investigations and one of 3) related to issues of the same nature. Therefore, the figures for 2023 are actually in line with those of 2022. In 4 cases, administrative recommendations were also issued (this is in line with 2022 – 3 cases).

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. Eight recommendations have been transmitted to the Member States in order to activate the recovery procedures. 13 financial recommendations received by DG AGRI late in 2023 were processed early 2024.

OLAF recommendations issued in previous years (2019-2023) 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 (some beneficiaries have appealed recovery orders in court and have obtained (partial) success; some had become insolvent).

From a more general perspective, in the period of the 5 years between 2019 and 2023, OLAF has issued a total of 66 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 has 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.

Moreover, it is worth mentioning the important role of the European Public Prosecutor's Office (EPPO) in the fight against fraud and other financial crimes damaging the financial interests of the EU. In 2023, EPPO notified 61 files related to the CAP. DG AGRI is using this information in its risk assessment for its audit activities.

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 Member States' authorities 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 Report ([58]) available (2022), irregularities reported as fraudulent in the CAP account for 0.04% of the payments made, for an amount of about EUR 20 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.

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) Safeguarding of assets and information

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 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 to align to 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 2023, 100% 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

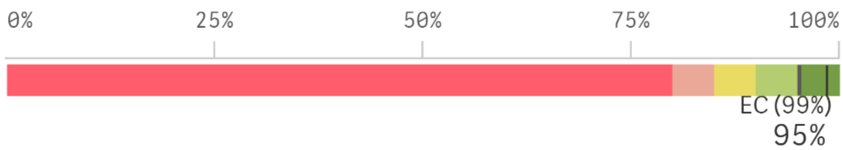
([58]) Report on the protection of the EU's financial interests ("PIF" report).

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 which cannot directly change the IT applications or the data. Following the adoption of Commission Decision (EU, Euratom) 2017/46, security plans are elaborated for all DG AGRI Information Systems following the ITSRM methodology ([30]), and compliance with EC IT Security legal base is assessed using the GRC ([31]) tool. All DG AGRI operational Information Systems have a security plan based on the ITSRM methodology and have reported on compliance in GRC. The Security Plans are updated regularly (85% were less than 2 years old at the end of 2023). Moreover, all external Information Systems have a multi-factor authentication (MFA) using EU Login. The c-LISO ([32]) is informed each time security incidents occur. He provides the Director Resources (AGRI.R) semestrial IT security reports, which are 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 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.

2.1.2. Efficiency of controls

Timely Payments	**AGRI Score**	**EC Score**
	**95%**	**99%**

This indicator measures the amounts paid on time. As far as timely payments are concerned, DG AGRI shows a rate of 95%. The large part of its budget is operated under shared management, but there is also a small budget under direct management.

It should be noted that this indicator in DG BUDG dashboard does not take into account non-budgetary payments (EAGF shared management , 40.35 billion Euro in 2023), for which all 300 payments were made in time, i.e. the 3rd working day of each month at the latest.

And regarding EAFRD payments in shared management:

- 51 out of the 55 payments appearing as late used for the calculation of this indicator in DG BUDG dashboard were indeed executed in time. In these 51 cases, the amounts declared by the Member States were partially deemed ineligible because the Member State had over-declared certain measures in the rural development programmes, so that the payment was only completed after the rural development programmes had been amended.
- The other 4 payments were executed by the bank beyond the deadline of 45 days ([59])

Taking into account what has just been explained above, the percentage of payments executed by the bank in time for DG AGRI would be 99.13% if we refer to number of payments and 98.66% if we refer to amount paid in time.

This manual recalculation is only relevant for DG AGRI and should not be needed anymore after the transition to SUMMA.

Shared management

99.3% ([60]) of DG AGRI's total expenditure is executed under shared management mode. The table below shows DG AGRI's performance for EAFRD and EAGF:

	2018	2019	2020	2021	2022	2023
EAFRD average time to pay*	31 days	24 days	19 days	25 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	99.2
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 3rd working day of each month.						

As regards Member States, for financial year 2023 all Paying Agencies were accredited, although 2 of them ([61]) on probation.

Indicator	2018	2019	2020	2021	2022	2023
% of Paying Agencies accredited	100%	100%	100%	100%	100%	100%

([59]) The payments were validated within the deadline by DG AGRI but close to the edge of 45 days.
([60]) This percentage is calculated on the total payments executed in financial year 2023 (actual payments).
([61]) DE20, IT27

Since the creation in 2017 of a single unit in DG AGRI for the financial management of the EAGF and the EAFRD, efforts are made to obtain efficiency gains and economy of scale. These efforts will continue in 2024, with a focus on increased convergence and rationalisation of the IT tools used.

Example of efficiency: Financial flows

A further standardisation of the EAGF financial flow and the planned integration with SUMMA, the new financial IT system, will lead to efficiency gains in financial reporting and rationalisation of IT tools at the level of the Commission.

Direct management

Time to inform and Time to grant

In accordance with Article 194(2)(a) of the Financial Regulation ([62]), 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% processed within the binding deadlines imposed by the Financial Regulation.

	Financial year / performance %											
Number of payments	2018	%	2019	%	2020	%	2021	%	2022	%	**2023**	**%**
Total	928	100	881	10%	847	100	721	100	900	100	975	100
Paid on time	920	99.1	874	99.2	845	99.76	718	99.58	897	99.67	964	99%
Payment delayed	8	0.9	7	0.8	2	0.24	3	0.42	3	0.33	11	1%

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**.

([62]) 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.

2.1.3. Economy of controls

For the EAGF and the EAFRD, the two main funds managed by DG AGRI representing 99.54% ([63]) of the CAP budget, the following indicators can be reported:

Indicator	2023
Cost of management and control of the Commission (as a % of 2023 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 2023 total public expenditure)	3.5%

Table: 2.1.3-1

The annual overall **Commission** cost for managing the management and control systems in place for shared management is estimated at around **EUR 64.12 million** or 0.11 % of total payments in 2023. A comparison of the results indicates that the results are in line with those obtained for earlier reporting exercises (financial years 2017-2022).

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 2023 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 the budget of the Member States and the UK ([64]) for financial year 2023, the overall delivery cost of managing and controlling CAP expenditure for the Member States is

([63]) This percentage is calculated on the total payments executed in financial year 2023 (Policy area 01 / 08 / 14 / 15).
([64]) 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.

estimated at around EUR 2 256.3 million, corresponding to 3.5% of the CAP expenditure for financial year 2023. As indicated in table 2.1.3-2, the % of delivery costs in 2023 expenditure is the same as in 2022. The delivery costs are borne by the Member States.

Activity	2022		2023	
	Member States Management and Control Costs[1] (EUR million)	**in % of 2022 expenditure**	**Member States Management and Control Costs[2] (EUR million)**	**in % of 2023 expenditure**
Market measures ABB02	240.4	8.3%	240.4	8.8%
Direct payment ABB03	783.2	2.1%	783.2	2.1%
Rural development ABB04 (3)	1 232.7	5.4%	1 232.7	5.1%
Total (4)	**2 256.3**	3.5%	**2 256.3**	3.5%

(1) As provided by Member States in 2021

(2) As provided by Member States in 2021

(3) In % of 2023 expenditure including total public expenditure

(4) In % of 2023 CAP expenditure (including total public expenditure)

Table 2.1.3-2

2.1.4. Conclusion on the cost-effectiveness of controls

DG AGRI considers that the delivery costs as presented in Table 2.1.3-2 represent a reasonable amount, especially when taking into account the high number of CAP beneficiaries (6.2 million beneficiaries in 2023), 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 was a momentum for improving the cost-effectiveness at the level of the Member States with the new 2023-2027 CAP that entered into force on 1.1.2023. Member States had a possibility to design their own control systems, also making an increased use of new technologies to replace the traditional on-the-spot controls. Simplified cost options are also to be used in the new CAP to an increased number of interventions. The Commission will assess the delivery cost after the first year of application of the new CAP in its next survey to be launched in the second half of 2024.

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 98.13% 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 2.4.3 of this report).

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 2022, 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.

2.2. 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.

2.2.1. Internal Audit Service (IAS)

In 2023, the IAS finalised two audits and one review in DG AGRI, namely:

Title	***Final report / Closure note***
Audit on Horizon Europe governance arrangements, preparation of the work programmes and budget planning, allocation and monitoring	13/10/2023
Audit on the financial clearance of accounts in DG AGRI	13/11/2023
Review of the Commission's risk at payment	19/01/2024

1. Audit on **Horizon Europe governance arrangements, preparation of the work programmes and budget planning, allocation and monitoring**

The IAS assessed the design and early implementation of the governance arrangements and the preparedness of the management and control systems for the implementation of Horizon Europe. The IAS issued 4 recommendations addressed to DG RTD as lead DG, of which one rated as "very important" concerns missions and might affect DG AGRI as it hosts, together with DG RTD, the secretariat of the mission "soil".

DG AGRI was invited to the APC preparatory group meeting of November 2023, which held a thematic discussion on Horizon Europe, together with RTD and DG CNECT.

2. Audit on the **financial clearance of accounts** in DG AGRI

The IAS assessed the adequacy of the controls put in place by DG AGRI for carrying out the annual financial clearance of the EAGF and EAFRD accounts and their effective implementation to ensure that the expenditure reimbursed from the EU budget is eligible, regular and correctly recorded in the EU accounts.

The IAS issued 1 recommendation rated as "important" on the weaknesses in the documentation of the control work related to the financial clearance of accounts. DG AGRI accepted the recommendation and prepared the action plan which schedules the implementation of the necessary actions by June 2024.

3. Review of the **Commission's risk at payment**

The IAS assessed 1) the adequacy of the design of the corporate instructions by DG BUDG for the reporting on the risk at payment and on the risk categorisation as well as the effective implementation of these instructions by the sampled operational DGs/EAs; and 2) the effectiveness of the internal control processes in place in DG BUDG and at DG/EA level to ensure simple, clear and reliable reporting on the risk at payment in the Commission's AMPR (including the risk categorisation) and in the AARs of the sampled operational DGs/EAs.

As a result, the IAS issued 17 recommendations, none of them addressed to DG AGRI.

Moreover, DG AGRI contributed to the surveys done in the frame of the following IAS audits: the Protection of confidentiality of information at corporate level; the assessment of HR needs in the Commission at corporate level; and the Limited review of SUMMA in preparation for 'going live'.

For DG AGRI, there are no overdue critical or very important IAS audit recommendation.

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.

IAS conclusion on the state of the internal control

In addition to its participation in the peer review process and in line with its mission charter, the IAS contribution to the 2023 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 2024 that the internal control systems in place for the audited processes are effective, except for the observations giving rise to the two 'very important' recommendations stemming from 2022 and due by June 2025 as listed in the appendix to the IAS contribution to the 2023 AAR process. These recommendations are addressed, in line with the agreed action plans.

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.

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**.

2.2.2. European Court of Auditors: 2022 Annual Report

In the ECA's **2022 Annual Report**, the activities relevant for DG AGRI are considered together with other policy areas (environment, fisheries and climate action) relevant to "Natural Resources" (MFF heading 2) under one single Chapter 7. CAP spending accounts for 97% of the budget under this heading which corresponds to 29.7% of the total EU expenditure.

The level of error estimated by the ECA for Chapter 7 "Natural Resources" was 2.2%, **remaining close to the materiality threshold (1.8% in 2021)**. The **EAGF direct payments**, which account for 65.9 % of spending under MFF heading 2, remained **free of material error for the seventh year in a row**.

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 reported that the Integrated Administration and Control System (IACS), which incorporates the Land Parcel Identification System (LPIS), helps famers to fill in their area-related aid applications and paying agencies to check them afterwards, giving them thus the possibility to correct certain errors in aid applications and reduce the risk of error. However, the ECA noted an increased number of errors of over-declarations of area, both for direct payments and rural development (16 in 2022 in comparison to 4 in 2021) which in ECA's view may indicate specific weaknesses in some Member States' management of the LPIS.

However, in the Commission's view, it would be more relevant to observe the trend over several years. As such, the Commission notes that, looking at the situation over several years, the number of small over-declarations in 2022 remains in line with the levels detected by the ECA for 2020 and previous years (e.g. the over-declarations in 2021 dropped to 4 from 12 such errors in 2020 and 17 in 2019).

While LPIS is the basis for the geospatial aid application, over-declarations may also stem from errors made by the farmers, which seems very likely to be the case in the mentioned cases of small over-declarations. Consequently, the Commission considers that the small over-declarations do not necessarily indicate specific weaknesses in Member States' management of the LPIS.

This year, the ECA continued to examine the **quality and the coherence of the control statistics and payment data reported** by selected Paying Agencies (6 for financial year 2022). The ECA found some inconsistencies between the control and payments data, which were largely due to the different update schedules of the two datasets. While the control data are static, prepared as of 15 July each year, the Paying Agencies continuously update their payments data during the financial year. The updates are based on changes on the beneficiary's side (for example, transfers of holdings) or on the agency's side (as a result of its checks). Despite these inconsistencies, the **ECA found that the selected Paying Agencies' systems reliably calculated the aid payments,** correctly taking into account adjustments resulting from the control data.

The ECA made **one recommendation** for improvements to DG AGRI. It concerns the monitoring by the Commission of the assessment of the eligible area by Member States through the LPIS in view of the performance-based reporting under the new CAP 2023-2027. **The Commission accepted this recommendation**. As per the legal framework, the Commission continues its annual evaluation of Member State's LPIS quality assessments and considers that the recommendation will be implemented with the next monitoring of the LPIS quality assessments.

Moreover, the ECA assessed that all recommendations in the 2019-2021 annual reports have either been implemented and reported in a previous annual report ([65]) or have a target implementation date later than 2022 ([66]).

Chapter 3 "Getting results from the EU Budget" the ECA analyses a number of aspects relating to the performance and the results achieved by the EU budget, which is implemented by the Commission in cooperation with the Member States. This year, the ECA analysis focused on:

- The results and key messages from their 2022 special reports on performance, as well as related information from the Commission and the budgetary and legislative authorities (European Parliament and Council of the European Union);
- Assessment of the implementation of the recommendations made in their 2019 report on the performance of the EU budget;
- Assessment of the implementation of the recommendations they made in the special reports published in 2019.

2.2.3. European Court of Auditors: Special Reports

There are no recommendations regarding financial management and internal control stemming from **ECA 2023 Special Reports**. An overview of the ECA Special Reports delivered in 2023 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 2023, 31 recommendations stemming from the ECA's special reports remained open for which

([65]) 2019 annual report, recommendation 6.1 was reported as implemented in some respects in AR 2021.
([66]) 2021 annual report, recommendation 6.1 and 6.2 are with target implementation date 2023 and 2025.

DG AGRI is chef de file. In 2023, there was no substantially overdue (> 12 months) recommendation 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 2023+ work programme tasks and recommendations on agriculture are welcome and contribute to relevant improvements in the CAP. However, the workload generated by the complexity and cross-cutting nature of ECA special reports and other products, often coinciding with periods of a high workload such as the CAP Strategic Plans amendments approval process, remains a matter of concern.

In 2023, there was one Corporate Management Board (CMB) meeting and one meeting of the Group of Resource Directors (GDR) devoted to the new communication approach concerning ECA reports. Following the endorsement of the Corporate Communication Steering Committee, DG BUDG has drafted a guidance document outlining how a proactive approach to communicate around ECA reports should be piloted. DG AGRI volunteered to participate in the piloting phase with two ECA special reports.

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 competences, 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**.

2.3. 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 2023** 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. An overview of the sources can be found in Annex 8.

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.

The assessment also considered the **IAS limited conclusion** on the state of internal control and audit recommendations in DG AGRI for the year 2023.

During the period 2019-2023, the Internal Audit Service did not issue any 'critical' recommendation for DG AGRI. However, two 'very important' recommendations, issued in 2022 are to be addressed. They are related to the EU Commission actions against food fraud. Of these two recommendations, one is addressed to DG AGRI and DG SANTE and is due by 30 June 2025 and one is to be addressed only by DG AGRI by 30 June 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 two 'very important' recommendations.

DG AGRI's assessment is that these two 'very important' recommendations are very specific with a targeted scope 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 as intended.**

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.

2.4. 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, 2.2 and 2.3), 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.

2.4.1. 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 2.3) 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 2022 reservations

In the 2022 AAR, DG AGRI issued 47 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 99.54% % of the CAP budget ([67]) 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 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 is 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 2023 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.

([67]) This percentage is calculated on the total payments executed in financial year 2023.

Three reservations are made on each of the ABB activities in shared management, covering 37 reservations at Paying Agency level/Member States. There is also 1 reservation for indirect management for IPARD II for a Candidate Country. 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 2023 with a qualification in respect of the three reservations made for ABB activities as detailed in the following section.

2.4.2. Conclusion on assurance and reservations

The Director-General for Agriculture and Rural Development considers it necessary to enter three reservations (68) (i.e. for ABB02, ABB03 and ABB04) in respect of 2023 expenditure in shared management with the Member States.

Reservation Title	Financial impact (in m EUR)		Residual error Rate 2023	Evolution
	2022	2023		
Shared management – EAGF Market measures (ABB02)	EUR 47.27 million	EUR 38.44 million	See individual PAs Annex 9	Maintained
Shared management – EAGF Direct payments (ABB03)	EUR 179.18 million	EUR 305.22 million	See individual PAs Annex 9	Maintained
Shared management – EAFRD Rural development (ABB04)	EUR 329.04 million	EUR 361.61 million	See individual PAs Annex 9	Maintained

Table: 2.4.2-1

2.4.3. 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.

(68) 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 2023 financial year this "*de minimis*" threshold has **no impact** on AAR reservations of DG AGRI.
In financial year 2023, DG AGRI included a reservation for ABB05, however, as it is not above the *'de minimis'* threshold of 5% of a DG's total payments, it is not reported at overall ABB level.

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	343 259	1.00%	3 433
1501	Instrument for Pre-accession Assistance	-	1.00%	-
0803	Rural development	15 813 164	1.00%	158 132
080206	Policy strategy and coordination	124 764 618	1.00%	1 247 646
0820	Other actions	2 692 633	1.00%	26 926
Total		**143 613 675**	**1.00%**	**1 436 137**

Table 2.4.3-1

For the EUR 143.61 million managed directly by DG AGRI, the maximum amount at risk is estimated at EUR 1.44 million indicating an adjusted error rate of 1.00%.

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	119 692 063	-	53 731 935	173 423 998	1.74%	3 023 081
Total		**119 692 063**				**1.74%**	**3 023 081**

Table: 2.4.3-2

For the EUR 119.69 million in indirect management under the pre-accession programmes, the maximum amount at risk is estimated at EUR 3.02 million indicating an estimated adjusted error rate for relevant expenditure of 1.74%.

There is a reservation under IPARD for one Candidate country, details are provided in Annex 7, part 9.

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	2 521 077 098	2.29%	57 679 088
080205, 080299	Direct aids	38 163 413 638	1.48%	562 911 604
0803	Rural development	15 725 306 362	2.77%	435 908 178
Total		**56 409 797 097**	**1.87%**	**1 056 498 870**

Table: 2.4.3-3

The amount at risk for the funds under shared management is estimated at EUR 1 056.50 million, corresponding to an adjusted error rate of 1.87%. This amount at risk is the Director-General's best, conservative estimate of the amount of expenditure authorised in 2023, 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 37 targeted reservations (4 for Market Measures, 12 for Direct Payments and 21 for Rural Development) in respect of 2023 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. In addition, there is 1 reservation for Pre-accession. 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	0.35	0.00	0.00	0.35	1.00%	0.00	0.00	0.00	0.00%	0.00	0.00
Title 02 European Strategic Investments												
0203	Connecting Europe facility (CEF)	0.27	0.00	0.00	0.27	1.00%	0.00	0.00	0.00	0.00%	0.00	0.00
Title 03 Single Market												
0302	Single Market Programme	0.21	0.00	0.00	0.21	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)	0.27	0.00	0.00	0.27	1.00%	0.00	0.00	0.00	0.00%	0.00	0.00
0503	Cohesion Fund (CF)	0.00	0.00	0.00	0.00	0.00%	0.00	0.00	0.00	0.00%	0.00	0.00
Title 11 Border Management												
1101	Administrative expenditure	0.00	0.00	0.00	0.00	0.00%	0.00	0.00	0.00	0.00	0.00	0.00
Title 14 External Action												
1420	Other Actions	4.37	0.00	0.00	4.37	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	0.01	0.00	0.00	0.01	1.00%	0.00	0.00	0.00	0.00	0.00	0.00
2004	ICT expenditure	1.58	0.00	0.00	1.58	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	2 521.08	0.00	0.00	2 521.08	2.29%	57.68	39.83	0.00	0.00%	0.00	0.00
080205, 080299	Direct payments	38 163.41	0.00	0.00	38 163.41	1.48%	562.91	377.28	0.00	0.00%	0.00	0.00
	EAGF total	40 684.49	0.00	0.00	40 684.49	1.53%	620.59	417.11	93.05	1.25%	510.16	110.44
0803	Rural development	15 725.31	0.00	97.71	15 823.01	2.77%	438.62	138.52	111.97	1.58%	250.49	188.13
INDIRECT MANAGEMENT												
1502	Pre-accession Measures	119.69	0.00	53.73	173.42	1.74%	3.02	0.00	0.00	0.00%	0.00	3.02
DIRECT MANAGEMENT												
0801	Administrative expenditure	0.34										
1501	Instrument for Pre-accession Assistance	0.00										
0803, 080299	Rural development	15.81	7.83	6.75	142.53	1.00%	1.43	0.00	0.00	0.00%	0.00	1.43
080206	Policy strategy and coordination	124.76										
0820	Other actions	2.69										
Total CAP		56 673.10	7.83	158.19	56 823.46	1.87%	1 063.66	555.63	205.02	1.34%	760.64	303.01
Total DG AGRI		56 680.15	7.83	158.19	56 830.51	1.87%	1 063.73	555.63	205.02	1.34%	760.64	303.09
												0.53%
												0.53%

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 2023.

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

Table: 2.4.3-4

		Payments made	Prefinancing paid	Cleared prefinancing	Relevant expenditure
		million EUR	million EUR	million EUR	million EUR
SHARED MANAGEMENT					
080202	EAGF Interventions CSP	204.72	0.00	0.00	204.72
08030101	EAFRD CSP	670.82	660.02	0.00	10.80
Total		**875.54**	**660.02**	**0.00**	**215.52**

Table: 2.4.3-5

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 1.87%.

For Market Measures, the adjusted error rate was 2.29% which marks a decrease compared to the previous year (2.90% for financial year 2022). The number of Member States under reservation was the same as last year. The assurance of the Director-General is drawn from the various levels of management and control that are in place and the results, which can be obtained from them. The various market measures are completely different from each other with their own distinct control systems.

For Direct Payments, the adjusted error rate, already below the materiality threshold in the past three years, was 1.48% in 2023 (1.31% in 2022, 1.44% in 2021 and 1.57% in 2020). The number of Paying Agencies under reservation 12 is lower than in the previous AAR but the estimated amount at risk is higher compared to last year. The result is mostly due to the higher adjustments based on DG AGRI audits and the work of the Certification Bodies to the error rate reported by the Member State.

Rural Development remains an area which merits closer scrutiny with an error rate of 2.77% albeit remaining below 3% (for comparison, it was 2.68% in 2022, 2.85% in 2021 and 2.92% in 2020). Although the error rate has been declining 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 1.87%, 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 financial corrections by the Commission and recoveries by the Member States is estimated at EUR 760.64 million or 1.34% of 2023 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 0.53%.

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.

2.5. 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 view ([69]).

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 3 Member States and 1 horizontal (2 elements of reservation): France (one horizontal reservation for 2 aid schemes), Italy (1 aid scheme) and Portugal (one aid scheme);*

- ***ABB03 – Payments made on Direct Payments**: 12 Paying Agencies, comprising 11 Member States: Bulgaria, Germany (1 Paying Agency), Croatia, Estonia, France (2 Paying Agencies), Greece, Italy (1 Paying Agency), Latvia, the Netherlands, Portugal and Romania;*

- ***ABB04 – Payments made on Rural Development**: 21 Paying Agencies, comprising 17 Member States and the UK: Austria, Belgium (1 Paying Agency), Bulgaria, Croatia, Czechia, Denmark, Finland, France (1 Paying Agency), Germany (1 Paying Agency), Greece, Hungary, Italy (1 Paying Agency), Portugal, Romania, Sweden, Slovakia, Spain (4 Paying Agencies) and the United Kingdom (1 Paying Agency).*

- ***ABB05- Payments made on IPARD II (de minimis):** 1 Candidate country: Albania.*

([69]) True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG/Executive Agency.

More details are provided in Annex 9.

Brussels, 25 April 2024

(e-signed)
Wolfgang Burtscher

3. MODERNISING THE ADMINISTRATION

3.1. Human resource management

After a major reorganisation of DG AGRI in 2022, adapting the organisation chart to the New Delivery Model, a new structure of the Assurance and Audit Directorate (Directorate H) entered into force on 1 February 2023 and resulted in the reduction of the directorate by one unit. Regarding management positions, the posts of Director A, responsible for "Strategy and Policy Analysis", Director H, "Assurance and Audit" and the Resources Director were filled during the course of the year. Director B, G, DDG 2 and DDG 3 became vacant and will be published in 2024. 7 middle management positions were filled in 2023.

The DG AGRI Human Resources Correspondent (HRC) team carried on carefully monitoring the job quota and overseeing 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 operational priorities. The team also continued to advise managers and AGRI colleagues to ensure that talent is used at its best.

At the end of 2023, DG AGRI was at 51% female representation at middle management level. Out of 39 middle management posts, 19 were filled by women, 18 filled by man and 2 positions were vacant ([70]). DG AGRI has reached the target for first female appointments at middle management level.

The HR Correspondent team has continued to identify actions to address the challenges encountered and to adapt to the latest developments in the HR domain, e.g. the delay in external competitions, empty SC reserve lists, reduced budget for missions.

Staff engagement remained a key priority for the HR Correspondent team. The preliminary results of the 2023 Staff Survey show the same level of high staff satisfaction within DG AGRI of 76% as in 2021. The Commission's Staff Engagement index is 73%, showing that DG AGRI colleagues have slightly higher satisfaction level than the Commission average. The further analysis of the results will serve the HR team to finetune its local actions.

The 6th Management Talent Development Programme of 2023-24 will develop the management competencies of colleagues with managerial aspirations. In order to adapt the programme to the DG's evolving needs, it was organised together with DG ENV and DG MARE to provide to the participants more networking and learning opportunities. DG AGRI has 6 participants, they will nurture the pool of potential future heads of unit.

During the course of the year, the HRC team consulted each Deputy Head of Unit on their future career plans and expectations, including mobility opportunities to a different unit. At the beginning of 2023, a successful seminar was organised for senior managers. Among others, senior management had the opportunity to discuss policy issues, lessons learnt

([70]) One position was filled on 1 January 2024.

from the 2022 reorganisation, talent management in AGRI, and Learning & Development needs.

DG AGRI's internal communication team continued to facilitate communication flows and to further build staff commitment and better cooperation within DG AGRI. A big challenge in 2023 was the migration to a new, modern intranet as part of the corporate "Future EC Intranet" project. The new intranet in Sharepoint Online was launched successfully in December 2023. The regular video debriefs of the senior management meeting by the Director-General and senior managers continued. In 2023, there were 10 live debriefs with Director-General Wolfgang Burtscher of the monthly Extended Coordination Meetings. On the more social side, the long-waited AGRI Party took place in September 2023.

In May 2023, the HRC team of DG AGRI organised several events on matters of diversity and inclusion, such as the 'Mix and Mingle' - speed dating exercise; the Reverse Mentoring Scheme between trainees and senior managers (6 pairs were created); the Diversity Quiz and the 'Breakfast talk on microaggression'. The 'Equality corner' on AGRI intranet is regularly updated with relevant information.

3.2. Digital transformation and information management

Digital transformation

In 2023, DG AGRI made use of digital solutions for better policy-shaping, information management and administrative processes in line with the strategic objectives of the European Commission Digital Strategy (Digital culture, Digital ready EU policymaking, Business transformation, Seamless digital environment, Green, secure and resilient infrastructure).

Key achievements in 2023 were the automation of 12 business processes related to the implementation of the CAP 2023-2027 and the development of 18 new business intelligence applications assembling data in clear and understandable visualisations on the Agri-food Data Portal. Moreover, an internal DG AGRI Data Corner was created to facilitate the discovery of data assets, its access, available learning paths and a specific section on GIS maps service. In 2023, DG AGRI made further progress in putting in place a seamless digital environment, by re-using corporate solutions, by upgrading its Information Systems to newer technologies, and by preparing them for the transition to the cloud. In terms of IT security, DG AGRI reached the objectives approved by the Information Technology and Cybersecurity Board.

More than 70% of the 2023 IT budget was used for policy-supporting Information Systems.

Further details concerning digital transformation are presented in Annex 10.

Data, information and knowledge management

DG AGRI recognises data, information and knowledge management as key assets for a sound and effective CAP policymaking, and invests in the definition and implementation of related work programmes. The use of data has further increased with the CAP 2023-2027, where the focus on performance and the links with the Farm to Fork and Biodiversity Strategies has brought new types of data into the picture.

In follow-up to the recommendations from the ECA Special Report on the use of big data in the Common Agricultural Policy, DG AGRI is setting up the structures to make better use of disaggregated data from IACS, by increasing data sharing and investigating the use of proxies and other data sources to fill remaining gaps. DG AGRI is also investigating the potential to link data systems better, in order to allow integrated analysis and potentially reduce reporting burden in the future.

DG AGRI has also continued to actively participate in the preparation of the DataStrategy@EC related legal instruments, in particular with regard to the European Strategy for Data and the preparation of the Common Agricultural Data Space, which aims at creating a single market for agricultural data.

Further details on specific actions in this field can be found in Annex 10.

Data protection

In relation to data protection, DG AGRI continued to implement the Commission's Data Protection Action Plan (C(2018) 7432 final) and the applicable corporate guidelines. Several actions have been taken in 2023 to ensure compliance with the rules.

Further details on data protection can be found in Annex 10.

3.3. Sound environmental management

DG AGRI continued to promote corporate EMAS campaigns on its intranet to provide more visibility for these actions. Corporate campaigns, such as VeloMai (with 54 participants in 2023) - were very popular in our DG.

DG AGRI also took part in the energy saving initiative at the end of 2023/beginning of 2024. The AGRI potager continued in the L130 courtyard, with the active and enthusiastic participation of about 15 volunteers. In the context of the European Week of Waste Reduction beginning of December, DG AGRI organised a clothes swap. It was very successful, with many clothes being exchanged and the remaining ones given to charity organisations. DG AGRI pursued its efforts to eliminate single-use items. By way of example, during the AGRI party participants were encouraged to use glasses instead of plastic cups. Furthermore, tap water was served instead of bottled water to provide more environment-friendly catering.

3.4. Examples of economy and efficiency

Revision of EU marketing standards for agricultural products

In its Farm to Fork Strategy, the Commission envisaged the revision of EU marketing standards for agricultural products to ensure the uptake and supply of sustainable products, with a view, among other, to assess the coherence between the various pieces of legislation on marketing standards and to identify the potential for simplification.

The revision, acknowledging the role of marketing standards in creating a level-playing field and ensuring standardised quality, has streamlined processes and introduced specific simplification measures. These include, among others, extending exemptions for fruit and vegetables' marketing standards under certain conditions without Member States' approval, allowing donations of fruit and vegetables complying with the general marketing standard, or removing the obligation to mark the date of minimum durability of eggs.