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1. BUDGET PROCEDURE

The reformed CAP for the period 2023-2027 introduced a strategic approach and a new delivery model focused on performance and results. The new CAP consolidates the two existing funds – the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) - under the single umbrella of the CAP strategic plans covering funding for income support, rural development and support for certain sectors. 2023 was the first year of implementation of the CAP strategic plans.

1.1. Financial Framework 2021-2027

Expenditure of the Common Agricultural Policy (CAP) is funded within the multiannual financial framework for the years 2021-2027 as provided for in Council Regulation (EU, Euratom) 2020/2093[[1]](#footnote-2). Specifically, CAP expenditure is part of the ceiling fixed for Heading 3 - Natural Resources and Environment. Within that overall ceiling, a specific sub-ceiling has been fixed for market related expenditure and direct payments financed by the European Agricultural Guarantee Fund (EAGF).

The EAGF sub-ceiling was adjusted following the transfer of certain amounts from direct payments to rural development financed by the European Agricultural Fund for Rural Development (EAFRD), as well as the transfer from rural development to direct payments. In addition, some adjustments have been done in the framework of the MFF mid-term revision in 2024, as laid down in Council Regulation (EU, Euratom) 2024/765[[2]](#footnote-3). Therefore, on the basis of Commission Implementing Regulation (EU) 2021/128[[3]](#footnote-4) setting the net balance available for EAGF expenditure, the CAP amounts included in Heading 3 of the multiannual financial framework (2021-2027) are:

Table 1 *(in EUR million; current prices)*

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Heading 3\*** | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
| **Total** | **55 713.0** | **53 365.90** | **53 626.90** | **53 757.90** | **53 890.90** | **54 021.90** | **54 155.90** |
| of which: |  |  |  |  |  |  |  |
| - Market related expenditure and direct payments, a), b), c), d) | **40 368.00** | **40 638.20** | **40 692.20** | **40 602.10** | **40 528.90** | **40 541.20** | **40 495.80** |
| - Rural development a), b), c) | **15 345.0** | **12 727.70** | **12 934.70** | **13 155.80** | **13 226.00** | **13 331.70** | **13 505.10** |
| **External Assigned Revenues** | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
| NGEU e) | **2 387.70** | **5 682.80** |  |  |  |  |  |
| \* Natural Resources and Environment related to the CAP | | | | | | | |
| a) After annual transfers from EAGF to EAFRD for the financial years 2021-2023 totalling EUR 3 463.1 million on the basis of article 14(1) of Regulation (EU) No 1307/2013, and for the financial years 2024-2027 totalling 7 123.8 million on the basis of Article 103(1)(a) and 103(2) of Regulation (EU) 2021/2115.  b) After annual transfers from EAFRD to EAGF for the financial years 2021-2023 totalling EUR 1 633.4 million on the basis of article 14(2) of Regulation (EU) No 1307/2013, and for the financial years 2024-2027 totalling 2 360.9 million on the basis of Article 103(1)(b) and 103(3) of Regulation (EU) 2021/2115.  c) After annual transfers from EAGF to EAFRD for the financial years 2021-2023 totalling EUR 171.9 million on the basis of Article 7(2) of Regulation (EU) No 1307/2013, and for the financial years 2024-2027 totalling 20 million on the basis of article Article 17(5) of Regulation (EU) 2021/2115.  d) After a reduction totalling EUR 440 million for years 2025-2027 following the MFF mid-term revision.  e) Article 58(a) Regulation (EU) No 1305/2013. | | | | | | | |

1.2. Draft Budget 2023, Amending Letter 1/2023 and adoption of the 2023 Budget

The initial Draft Budget 2023 was adopted by the Commission and proposed to the Budgetary Authority on 1 July 2022. The Council adopted its position on the Draft Budget 2023 on 6 September 2022. The Commission presented the Letter of Amendment No 1/2023 to the draft general budget of the European Union on 5 October 2022, whereas the European Parliament adopted its position on 19 October 2022.

The President of the Council convened the Conciliation Committee on 24 October 2022. The Conciliation Committee agreed on a joint text that was approved by the Council on 22 November 2022 and by the Parliament on 23 November 2022.

The budget's total commitment appropriations for the EAGF amounted to EUR 40 692.2 million and its payment appropriations amounted to EUR 40 698.2 million.

The budget's total commitment appropriations for the EAFRD amounted to EUR 12 934.7 million and its payment appropriations amounted to EUR 15 087.2 million.

Further details on the amounts related to the Commission’s Draft Budget 2023 as well as the Council’s and European Parliament’s positions, the Amending Letter and the approved budget are provided in annex 1.

As regards assigned revenue, at the time of establishing the 2023 budget, the amount expected to be collected in the course of the 2023 budget year was estimated at EUR 632 million for the EAGF and EUR 50 million for the EAFRD.

The estimated assigned revenue from EAGF was taken into account for the financing needs of the basic payment scheme when the Budgetary Authority adopted the 2023 budget. For details on the cashing, use and eventual carryover of the assigned revenue please consult annexes 2 and 3.

2. IMPLEMENTATION OF THE 2023 BUDGET FOR EAGF AND EAFRD

2.1. European Agricultural Guarantee Fund (EAGF)

Article 21(1) of Regulation (EU) 2021/2116[[4]](#footnote-5) states that monthly payments shall be made by the Commission for expenditure effected by Member States' accredited paying agencies during the reference month. Monthly payments shall be made to each Member State at the latest on the third working day of the second month following that in which the expenditure is effected.

The monthly payments are a reimbursement of net expenditure (after deduction of revenue) which has already been carried out and are made available on the basis of the monthly declarations submitted by the Member States[[5]](#footnote-6). The monthly booking of expenditure and revenue is subject to checks and corrections on the basis of these declarations. Moreover, these payments become final following the Commission's verifications under the clearance of accounts procedure.

Payments made by the Member States from 16 October 2022 to 15 October 2023 are covered by the system for monthly payments.

For the whole financial year, the total of the decided amounts of monthly payments was EUR 40 835.0 million. Taking into account recovered amounts from clearance decisions, a total of EUR 40 349.6 million has effectively been paid to Member States.

2.1.1. Monthly payments

The Commission adopted a payment decision for each of the twelve periods of the financial year. Furthermore, an additional decision was adopted in December, adjusting the total expenditure chargeable to the year.

For details, see annex 4.

2.1.2. Reductions of monthly payments

In 2023, reductions for a net amount of EUR 16.9 million were made to the monthly payments effected to the Member States. For some measures financed by the EAGF, financial ceilings are determined in the sectoral regulations. Expenditure exceeding these ceilings is considered as "non eligible expenditure" and leads to reductions of the monthly payments.

2.1.3. Direct management expenditure by the Commission

The Commission makes payments under direct management for certain measures. These are mainly related to operational technical assistance and promotion actions. For details, see tables 2 and 3. Details concerning appropriations implemented under direct management by the European Commission during financial year 2023 for operational and administrative expenditures are presented in annexes 5 and 6.

Table 2 *(in EUR; current prices)*



Table 3 *(in EUR; current prices)*



2.2. European Agricultural Fund for Rural Development (EAFRD) and European Union Recovery Instrument (EURI)

Article 31 of Regulation (EU) 2021/2116[[6]](#footnote-7) states that following its implementing decision approving the CAP Strategic Plan, the Commission shall pay an initial prefinancing amount to the Member State for the entire duration of the CAP Strategic Plan. Article 32 of Regulation (EU) 2021/2116 also provides for interim payments to be made for each CAP Strategic Plan in order to reimburse the expenditure effected by accredited paying agencies in implementing the CAP Strategic Plans.

Referring to the completion of Rural Development Programs approved under Regulation (EU) No 1306/2013, Article 34 of the said Regulation states that the combined total of prefinancing and interim payments cannot exceed 95% of the EAFRD's contribution to each Rural Development Program. Subject to the availability of resources, the Commission shall, taking account of reductions or suspensions applied under Article 41, make interim payments in order to reimburse the expenditure effected by accredited paying agencies in implementing the programmes.

As mentioned in Article 37 of Regulation (EU) No 1306/2013, after receiving the last annual progress report on the implementation of a rural development programme, the Commission shall pay the balance, subject to the availability of resources, on the basis of the financial plan in force, of the annual accounts for the last execution year for the relevant Rural Development Program and of the corresponding clearance decision.

2.2.1. Payments

The Commission proceeds with reimbursement for each quarterly declaration of expenditure of the financial year.

For details, see annex 7.

2.2.2. Reductions of payments

In 2023, reductions for a net amount of EUR 152.7 million were made to the payments effected to the Member States based on the quarterly declarations of expenditure 2023. For measures financed by the EAFRD, financial ceilings are determined in accordance with the legislation. Expenditure exceeding these ceilings is considered as "non eligible expenditure" and leads to reductions of the payments.

2.2.3. Expenditure under direct management by the Commission

The Commission makes payments under direct management for certain measures and actions, mainly related to operational technical assistance. For details, please see tables 4 and 5, and annexes 5 and 6 as regards appropriations implemented under direct management by the Commission during financial year 2023 for operational expenditure.

Table 4 *(in EUR; current prices)*



Table 5 *(in EUR; current prices)*



3. THE UPTAKE OF THE EAGF AND EAFRD APPROPRIATIONS

3.1. European Agricultural Guarantee Fund (EAGF)

The implementation of the EAGF appropriations amounted to EUR 41 133.6 million[[7]](#footnote-8). This expenditure was funded by the budget's initial appropriations and by using revenue assigned to the EAGF. From the EUR 623.9 million revenue assigned to the EAGF collected in 2023, EUR 283.6 million was used to cover payment needs.

Within chapter 08 01, the EAGF commitments for adminstrative support expenditure under article 08 01 01, amounted to EUR 4.3 million.

Within chapter 08 02, the overall EAGF expenditure for market-related interventions, under the CAP plans (budget article 08 02 02) and outside the CAP plans (budget article 08 02 03) amounted to EUR 2 674 million. Direct payments in financial year 2023 were implemented outside the CAP plans (budget article 08 02 05), under the rules provided for in Regulation 1307/2013. The related expenditure amounted to EUR 38 161.7 million. Additionally, EUR 134.5 million was used from the agricultural reserve to finance various exceptional support measures. Finally, EUR 159.1 million were committed under articles 08 02 06 – Policy strategy, coordination and audit and 08 02 99 – Completion of previous programmes and activities.

The under-execution for the EAGF was EUR 341.3 million in assigned revenue appropriations, which were carried over to year 2024. Furthermore, the unused appropriations from the agricultural reserve amounted to EUR 315.5 million. This was due to the late publication of the 2nd and 3rd support packages in 2023. The full amount was carried over to the 2024 agricultural reserve, in line with the provisions of Article 16 of Regulation 2021/2116, to finance the remaining expenditure related to the 2023 exceptional measures.

For details of the budget implementation by policy area as well as on the use of the assigned revenue please consult annex 8, annex 9, annex 10, annex 11 and annex 12.

3.2. European Agricultural Fund for Rural Development (EAFRD) and European Union Recovery Instrument (EURI)

The implementation of the EAFRD commitment appropriations amounted to EUR 12 953.5 million(annex 13). This commitment was funded by the voted budget's initial appropriations and by using the EAFRD internal assigned revenues.

Within chapter 08 01, the EAFRD committed amount was EUR 2.2 million for administrative support to the program.

Within chapter 08 03, beside the committed amount related to the implementation of types of intervention under the CAP Strategic Plans (EUR 12 904.4 million) there was:

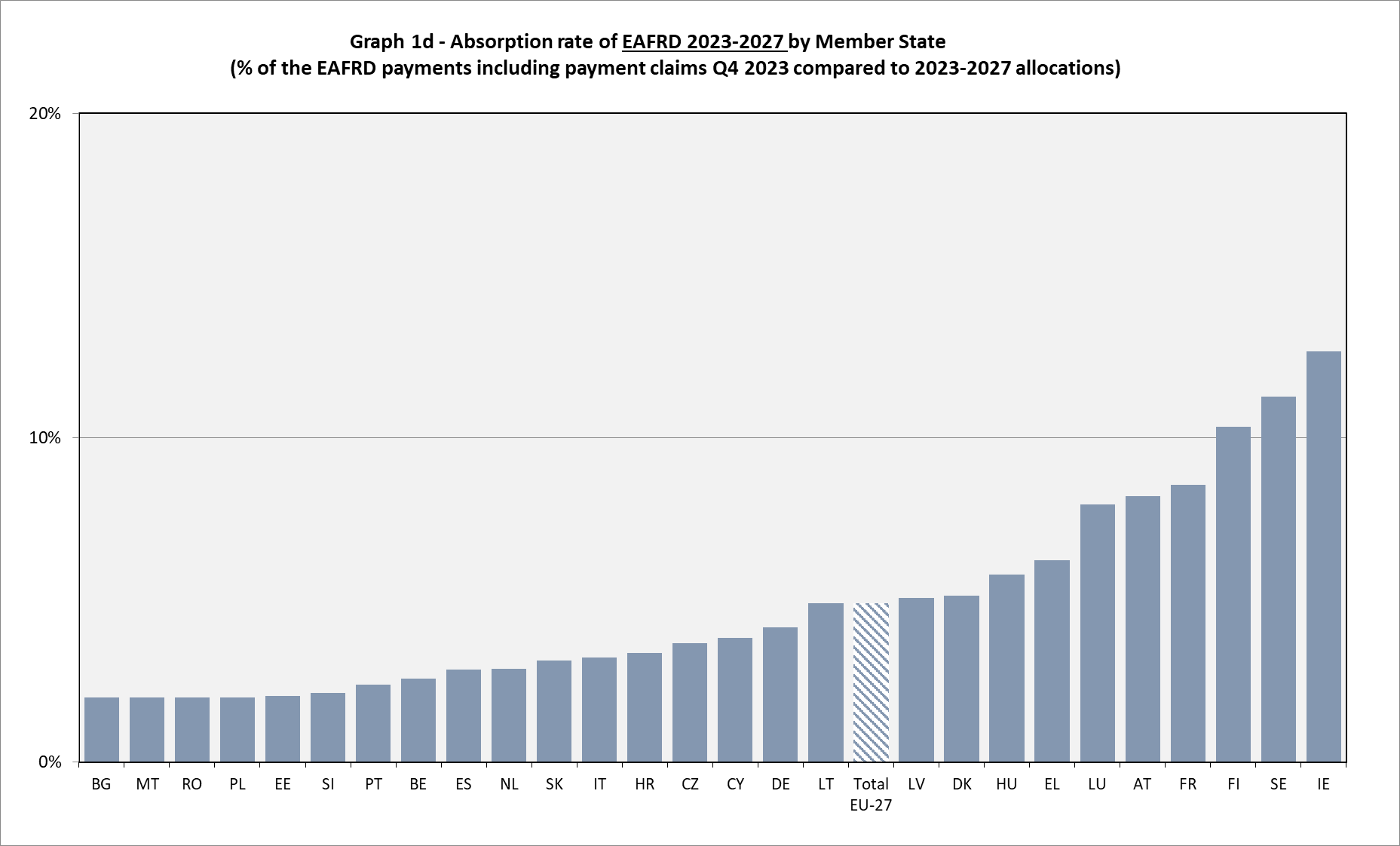
* EUR 28.1 million committed amount for operational technical assistance
* EUR 18.8 million committed amount for payback operations for Rural development Programmes in the previous periods (prior to 2023).

Absorption rate of EAFRD 2014-2022 and EAFRD 2023-2027 by Member State (Graphs 1a-d):









For details of the budget implementation by Member State and by policy area as well as on the use of the assigned revenue please consult annexes 14 to 18.

4. CONTROL MEASURES

4.1. Introduction

In accordance with the EU legislation and as in previous years, the 2023 agricultural expenditure was submitted to a comprehensive system of control measures.

The controls are carried out by the paying agencies or by delegated bodies operating under their supervision and effective, dissuasive and proportionate sanctions are imposed if the controls reveal non-compliance with EU rules. In addition, for most regimes which are not subject to the Integrated Administration and Control System, on top of the primary and secondary control levels, ex-post controls must be carried out.

4.2. Integrated Administration and Control System (IACS)

Regulation (EU) No 1306/2013, Regulation (EU) 2021/2116, Commission Delegated Regulation (EU) No 640/2014[[8]](#footnote-9) and Commission Implementing Regulation (EU) No 809/2014[[9]](#footnote-10) contain the rules on the IACS.

The DG AGRI Annual Activity Report[[10]](#footnote-11) (AAR) for 2023 contains detailed information on expenditure covered by IACS in Annex 7, Part 1, Level 2 (Page 122): Detailed systems for controls before payments and dissuasive penalties. The relevant components of the IACS are also applicable to the rural development measures, which are based on area or number of animals. Such measures include, inter alia, agri-environment and animal welfare measures, less-favoured areas and areas with environmental restrictions, and afforestation of agricultural land.

4.3. Application of Chapter III of Title V of Regulation (EU) No 1306/2013 and Chapter III of Title IV of Regulation (EU) 2021/2116 (scrutiny of transactions)

In 2023, the scrutiny of transactions control system provided for under Chapter III of Title V of Regulation (EU) No 1306/2013 and Chapter III of Title IV of Regulation (EU) 2021/2116 applied. It comprised an ex-post control system complementing the sectorial control systems described above.

In 2023, Member States’ scrutiny services completed controls in respect of operations to which payments were made in financial year 2021. The annual reports in respect of the respective scrutiny period (July 2022 - June 2023) shows that Member States completed 86 % of the planned scrutinies at the end of the scrutiny reporting period. The rate of irregularities from those completed scrutinies is 2.2%.

5. CLEARANCE OF ACCOUNTS

5.1. Conformity clearance

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

The conformity clearance under the CAP applicable in financial year 2023 relates to the legality and regularity of transactions. It is designed to exclude expenditure from EU financing which has not been effected in compliance with EU rules.

Details on audits carried out in 2023 can be found in the AAR, table 2.1.1.2.2-9 (page 48).

Conformity clearance decisions adopted in 2023, including financial corrections in a number of sectors, are listed in the AAR, table 2.1.1.3.1-1 (page 59).

Clearance decisions with financial impact on the 2023 budget also included the execution of a number of judgements of the Court of Justice of the European Union in favour of Member States. Therefore, the overall financial impact for the funds was EUR 261.8 million in favour of the EAGF and EUR 124.4 million in favour of the EAFRD.

* Decision (EU) 2022/2261 of 11 November 2022 – ad hoc decision 70, with net decided amount of EUR 215.5 million in favour of the EAGF and EUR 55.2 million in favour of the EAFRD.
* Decision (EU) EU 2022/2262 of 11 November 2022 – ad hoc decision 70 UK, with financial impact of EUR 8.3 million in favour of the EAGF and EUR 8.5 million in favour of the EAFRD.
* Decision (EU) EU 2023/1408 of 3 July 2023 – ad-hoc decision 71, with financial impact of EUR 38.0 million in favour of the EAGF and EUR 60.7 in favour of the EAFRD.

For Commission Implementing Decision (EU) 2022/2261 and Commission Implementing Decision (EU) 2023/1408, due to the relative magnitude of corrections compared to certain Member States’ gross domestic product, upon requests of the Member States concerned, the Commission decided that the following corrections could be paid in 3 equal annual instalments.

Table 6 *(in EUR million; current prices)*

|  |  |  |  |
| --- | --- | --- | --- |
| **Decision number** | **Member State** | **Amount to be paid in instalments** | |
| **EAGF** | **EAFRD** |
| 70 | Romania | 54.4 | 19.7 |
| 71 | Lithuania | 12.1 | 1.0 |

* Regarding financial year 2023, Member States reported the information about recovery cases on 15 February 2024. These are presented in the AAR, table Annex 7 – 5.2-1 and 7 – 5.3-1.

The Member States recovered during financial year 2023 around EUR 357.7 million for the EAGF, EAFRD and the Temporary Rural Development Instrument (TRDI). The outstanding amount still to be recovered from beneficiaries at the end of the financial year 2023 was EUR 1 960.7 million for all the funds. The financial consequences for Member States for non-recovery of EAGF, EAFRD and TRDI cases within 4 years from the date of the recovery request (for new cases[[11]](#footnote-12)) or Primary administrative or judicial finding – PACA - (for old cases), or within 8 years where recovery is taken to the national courts, amounted to EUR  83.6 million. During financial year 2023, around EUR 18 million was borne at 100% by the EU budget[[12]](#footnote-13) for EAGF, EAFRD and TRDI.

5.2. Financial clearance

An overview of the financial clearance decisions adopted in 2023 can be found in table 7. The financial corrections in conformity clearance decisions in 2023 are detailed in Annex 18.

Table 7 *(in EUR million; current prices)*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Fund** | **Decision Number** | **Adoption Date** | **Financial Year** | **Declared expenditure cleared** | **PA concerned** |
| EAGF | Decision (EU) 2023/1037 | 24.5.2023 | 2022 | 40 731.25 | All MS PAs |
| EAGF | Decision (EU) 2023/1039 | 24.5.2023 | 2022 | -(1.47) | 4 UK PAs |
| EAFRD | Decision (EU) 2023/1036 | 24.5.2023 | 2022 | 14 925.45 | All MS PAs |
| EAFRD | Decision (EU) 2023/1038 | 24.5.2023 | 2022 | 475.19 | 4 UK PAs |

5.3. Appeals brought before the Court of Justice of the European Union against clearance decisions

A summary of cases lodged to the General Court and the Court of Justice can be found in Annex 19.

6. RELATIONS WITH PARLIAMENT AND WITH THE EUROPEAN COURT OF AUDITORS

6.1. Relations with Parliament

The European Parliament (EP) is, together with the Council, part of the EU’s Budgetary Authority. It is, thus, one of the most important discussion partners of the Commission on budgetary matters and, therefore, on the EAGF and EAFRD.

Three EP committees are involved in the discussions and the preparation for the plenary on agricultural budgetary matters. These are the Committee on Agriculture and Rural Development, the Committee on Budgets and the Committee on Budgetary Control.

Since 2014 the Committee on Agriculture and Rural Development provides an opinion on the discharge procedure to the Committee on Budgetary Control.

The Committee on Budgetary Control (CONT) controls the correct implementation of the budget and drafts the report proposing to the Parliament to grant the discharge and making recommendations to the Commission or to Member States.

The European Parliament granted discharge to the Commission, in respect to the implementation of the general budget of the European Union for the 2023 financial year, by a vote in plenary on a Parliamentary Decision, which took place on 11 April 2024.

6.2. Relations with the European Court of Auditors

The European Court of Auditors (ECA) is the external independent auditor of the European Union. A summary of the findings and conclusions of the ECA for financial year 2023 is provided in the AAR, point 2.2.2 (page 76).

1. OJ L 433I, 22.12.2020, p. 11. [↑](#footnote-ref-2)
2. OJ L, 2024/765, 29.2.2024, *ELI:*[*http://data.europa.eu/eli/reg/2024/765/oj*](http://data.europa.eu/eli/reg/2024/765/oj). [↑](#footnote-ref-3)
3. OJ L 40, 4.2.2021, p. 8. [↑](#footnote-ref-4)
4. OJ L 435, 6.12.2021, p. 187. [↑](#footnote-ref-5)
5. These monthly declarations of expenditure are transmitted by the Member States by the 7th of the month N+1. [↑](#footnote-ref-6)
6. OJ L 435, 6.12.2021, p. 187. [↑](#footnote-ref-7)
7. This figure includes the reimbursement of the financial discipline related to the agricultural crisis reserve carried over from financial year 2022. [↑](#footnote-ref-8)
8. OJ L 181, 20.6.2014, p. 48. [↑](#footnote-ref-9)
9. OJ L 227, 31.7.2014, p. 69. [↑](#footnote-ref-10)
10. The DG AGRI Annual Activity Reports can be found at: <https://commission.europa.eu/publications/annual-activity-report-2023-agriculture-and-rural-development_en> [↑](#footnote-ref-11)
11. Irregularities cases for which primary administrative or juridical finding (PACA) was not established before the 16 October 2014. In case the PACA was established before that date, the cases are to be classified as “old cases” [↑](#footnote-ref-12)
12. Cases declared irrecoverable as per provision of Article 54(3) of Regulation (EU) No 1306/2013. [↑](#footnote-ref-13)