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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

on EAGF expenditure

Early Warning System No 11-12/2020

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ANNEX : PROVISIONAL CONSUMPTION OF EAGF APPROPRIATIONS UP TO 31/12 /2020

1. THE 2020 EAGF BUDGET PROCEDURE

On 27 November 2019, the European Parliament adopted the 2020 general budget of the European Union. The budget included for the European Agricultural Guarantee Fund (EAGF) commitment and payment appropriations amounting to EUR 43 410 million and EUR 43 380 million respectively, for direct payments and market related expenditure.

The reason for the different amounts for both types of appropriations is the use of differentiated appropriations for certain measures directly implemented by the Commission. These relate mainly to promotion measures for agricultural products and to policy strategy and coordination measures.

2. REVENUE ASSIGNED TO THE EAGF

Based on the provisions of Article 43 of Regulation (EU) No 1306/2013, revenue originating from financial corrections under accounting and conformity clearance decisions and irregularities constitutes revenue assigned to the financing of EAGF expenditure.

According to these provisions, assigned revenue can cover the financing needs of any EAGF expenditure. Any part of the revenue left unused within the budget year is automatically carried forward to the following budget year¹.

The 2020 EAGF budget includes:

- the Commission's latest estimates of the financing needs for market measures and direct payments,
- the estimates of assigned revenue to be collected in the course of the budget year,
- and the carry-over of the balance of assigned revenue left available from the previous budget year.

In its proposal for the 2020 EAGF budget appropriations, the Commission took into consideration the total expected assigned revenue, and requested for the 2020 budget a level of appropriations calculated by deducting the estimated assigned revenue from the estimated needs. The Budgetary Authority adopted the EAGF budget taking account of the expected assigned revenue.

At the time of establishing the 2020 budget, the Commission's estimates of the available assigned revenue was EUR 1 071 million, composed of:

- assigned revenue expected to be generated during the 2020 budget year, estimated at EUR 719 million (EUR 592 million from conformity clearance corrections and EUR 127 million from irregularities);
- assigned revenue to be carried over from 2019, estimated at EUR 352 million.

¹ Art 12(4)(b) of Regulation (EU, Euratom) No 2018/1046 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union determines that appropriations corresponding to internal assigned revenue may be carried over only to the following financial year. Therefore, in the interests of sound budget management, this assigned revenue is generally used first before the voted appropriation of the concerned budget article.

The Commission assigned this estimated revenue of EUR 1 071 million to the following schemes:

- EUR 150 million to the operational funds for producer organisations in fruit and vegetables, and
- EUR 921 million to the basic payment scheme.

The sum of the voted appropriations and the assigned revenue for these schemes corresponds to:

- EUR 849 million for the operational funds for producer organisations in fruit and vegetables, and
- EUR 17 038 million for the basic payment scheme.

In the annex, presenting the 2020 budget's provisional execution, the figures of the budget appropriations at article level for fruit and vegetables and for the decoupled direct payments do not take account of the aforementioned assigned revenue. They present voted appropriations for these articles amounting to EUR 700.5 million and to EUR 34 574 million respectively.

Including the revenue assigned to these articles, the total amounts foreseen in the 2020 budget are EUR 850.5 million for fruit and vegetables and EUR 35 495 million for decoupled direct payments.

3. COMMENTS ON THE PROVISIONAL IMPLEMENTATION OF THE 2020 EAGF BUDGET

This report presents the provisional implementation of the 2020 budget for the EAGF, with details given in the Annex.

The annex to this report presents the budget's provisional implementation for the period 16 October 2019 to 31 December 2020.

The expenditure incurred by 15 October 2020 amounts to EUR 43 835.5 million, which includes EAGF expenditure under shared management as declared by Member States for the period between 16 October 2019 and 15 October 2020 and the reductions of monthly reimbursements imposed in the course of the budget year. The total expenditure further includes an estimate of expenditure under direct management, amounting to approximately EUR 23.1 million, which is still foreseen to be made until 31 December 2020.

A brief commentary for certain budget articles, showing the most significant differences between the actual expenditure incurred and the corresponding appropriations included in the 2020 budget, is presented below.

3.1. Market measures

The uptake of appropriations for interventions in agricultural markets amounts to EUR 2 662.4 million, which was overall EUR 83.6 million higher than the voted appropriations. This uptake includes an estimate of EUR 8.1 million of expenditure under direct management for promotion measures still foreseen to be made until 31 December 2020. However, when taking into account the assigned revenue of EUR 150 million allocated to the fruit and vegetables scheme, the result is an under-execution of EUR 66.4 million.

The uptake of appropriations was particularly lower than expected for the following budget articles: olive oil; promotion; pigmeat, eggs and poultry and other animal products; and the school schemes. On the other hand, expenditure made for the fruit and vegetables as well as the wine sectors exceeded the budgeted needs.

Olive oil – 05 02 06

The final uptake for this budget article results in an under-execution of EUR 11 million, mainly due to lower than expected payments in one Member State with an important share in this budget article.

Fruit and vegetables – 05 02 08

The apparent over-execution of EUR 153.5 million takes into account EUR 48.7 million of reinforcement by Amending Budget No 9/2020, but does not take into account the EUR 150 million of assigned revenue estimated when establishing the needs for this budget article. Including this assigned revenue estimate, the over-execution only amounts to EUR 3.5 million or + 0.4% of the foreseen budget (see the (*) footnote in the Annex).

Products of the wine-growing sector – 05 02 09

The final uptake for this budget article results in an over-execution of EUR 30.5 million. The expenditure includes support for the exceptional crisis measures adopted mid-2020, to counter the impact of the Covid-19 pandemic on the wine sector.

Promotion – 05 02 10

The implementation shows an under-execution of EUR 9.3 million. Out of this amount, EUR 8.1 million is expected to be executed under the direct management budget item (05 02 10 02) before the end of the year.

Pigmeat, eggs and poultry and other animal products – 05 02 15

For this article, the expenditure declared by Member States was lower than foreseen by the budget (- EUR 21.0 million). The main reason for the under-execution was the low uptake (- EUR 18.5 million) of the exceptional support measures related to avian influenza outbreaks in one Member State.

School schemes – 05 02 18

The implementation was EUR 52.9 million lower than budgeted. It reflects the practical repercussions encountered due to the COVID-19 pandemic for the implementation of this scheme, in particular for the distribution of milk products and fruit and vegetables related to the school year 2019/2020.

3.2. Direct payments

Expenditure for direct payments amounts to EUR 40 933.8 million which is 100.05% of the voted appropriations (EUR 40 143 million) and the assigned revenue actually available (EUR 769.2 million) under this chapter. As a consequence, the budget shortage under this chapter is EUR 21.6 million.

Decoupled direct payments – 05 03 01

Taking into account assigned revenue available under this article (EUR 769.2 million), the execution exceeds the available appropriations by EUR 60.6 million. In general, the implementation of the direct payment schemes under this budget article has further improved compared to preceding years, reflecting that budget year 2020 is already the fifth year of implementation of the 2013 CAP reform.

Other direct payments – 05 03 02

The final expenditure for “Other direct payments” is close to the budgeted amount (- EUR 39.0 million). The execution increased compared to 2019 in particular as the decreased needs of the Small farmers scheme were anticipated. The under-implementation is mainly due to the Voluntary coupled support scheme.

4. IMPLEMENTATION OF REVENUE ASSIGNED TO THE EAGF

The table in the annex shows that the total assigned revenue eventually available in 2020 amounts to EUR 919.2 million, in particular:

- the revenue from corrections based on accounting and conformity clearance decisions amounted to EUR 441.2 million, with minor amounts still expected to be cashed before the closure of the budget year. The collected assigned revenue was EUR 150.8 million lower than estimated at the time of the budget’s adoption, primarily due to the financial settlement following the judgement of the Court of Justice of the European Union in Case C-252/18P;
- the revenue from irregularities amounted to EUR 127.9 million, and
- some residual revenue from the milk levy equal to EUR 1.9 million.

Finally, the amount of assigned revenue carried over from 2019 to 2020 was EUR 348.2 million, which is almost EUR 4 million less than anticipated when adopting the 2020 budget.

The eventual balance of revenue not used in budget year 2020 will be carried over to financial year 2021 to contribute to the funding of EAGF expenditure for that year.

5. CONCLUSIONS

The provisional execution of the 2020 EAGF budget appropriations, for the period up to 31 December 2020, including estimated expenditure for actions under direct management by the Commission, results in an over-execution of EUR 926.5 million compared to the budget's original voted appropriations. This over-execution was covered by the available assigned revenue of EUR 919.2 million and by the appropriations voted with Amending Budget No 9/2020.

Indeed, as the budget shortage was already anticipated following the August expenditure declarations and forecasts by Member States, the Commission had

proposed a EUR 48.7 million reinforcement for the EAGF which was adopted with Amending Budget No 9/2020. Therefore, the final budget 2020 execution will depend on the assigned revenue cashed with and the financial corrections to be applied to the supplementary payment to the Member States.

The crisis reserve has not been mobilised in 2020 (EUR 478 million). Hence, the amount of financial discipline actually applied in 2020 will be available for the carry-over of appropriations to 2021 for the reimbursement of direct payments to the beneficiaries.