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REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

on EAGF expenditure

Early Warning System No 4-6/2021

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1. THE 2021 EAGF BUDGET PROCEDURE

On 18 December 2020, the European Parliament adopted the 2021 general budget of the European Union. The budget for the European Agricultural Guarantee Fund (EAGF) amounts to EUR 40 368 million of commitment appropriations and EUR 40 354 million of payment appropriations. 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, coordination and audit 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 year[1].

The 2021 EAGF budget includes:

- the Commission's latest estimates of the financing needs for market measures and direct payments,
- and the estimates of assigned revenue to be collected in the course of the budget year.

In its proposal for the 2021 EAGF budget appropriations, the Commission took into consideration the total expected assigned revenue. However, the level of commitment appropriations needed exceeded the EAGF sub-ceiling for 2021 set in the Multiannual Financial Framework 2021-2027 (MFF)[2]. Therefore, the Commission had to set a financial discipline adjustment rate to be applied on direct payments to ensure that the EAGF appropriations respect the EAGF net balance[3]. The Budgetary Authority adopted the EAGF budget for 2021 taking account of the expected assigned revenue.

At the time of establishing the 2021 budget, the Commission's estimate of the available assigned revenue was EUR 619 million. With no carryover expected from 2020 to 2021, it was estimated that the entire amount would be collected during the budget year. The Commission assigned this estimated revenue to the basic payment scheme (item 08 02 05 04). The sum of the voted appropriations and the assigned revenue for this scheme is equal to EUR 14 791 million.

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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.

2 After taking into account transfers between direct payments and rural development as notified by Member States.

3 Commission Implementing Regulation (EU) 2020/1801 (OJ L 402, 1.12.2020, p. 49)

The annex to this report shows the provisional implementation of the 2021 budget and its comparison to the expected expenditure profile.

3. COMMENTS ON THE PROVISIONAL IMPLEMENTATION OF THE 2021 EAGF BUDGET

The annex to this report shows the budget's provisional implementation for the period 16 October 2020 to 30 April 2021.

A comparison is made of the implementation level with the expenditure profile of the early warning system set up in accordance with Article 28 of Regulation (EU) No 1306/2013.

3.1. Market measures

The uptake of appropriations for interventions in agricultural markets is slightly lower (-3.3 %-points) than the consumption profile.

The expenditure made for POSEI and Smaller Aegean Islands (excluding direct payments) (08 02 03 01) is EUR 10.3 million (-4.6 %-points) lower than expected at the end of April according to the expenditure profile. Full implementation is, however expected by the end of the financial year, considering also the implementation observed in previous years.

The implementation of the actions for promotion of agricultural products (08 02 03 02) shows a deviation of -10.0 %-points (EUR -8.6 million) from the consumption profile.

For budget article 08 02 03 04 – School schemes, the implementation at the end of April 2021 was around EUR 29.5 million (-14.4%-points) behind the profile. By the end of the financial year, an under-execution is expected mainly due to the continuing COVID pandemic effects on the implementation of this scheme.

Expenditure declared so far for Fruit and vegetables (08 02 03 06) is EUR 26.0 million (- 3.0 %-points) lower than the expenditure profile. Based on the current Member States' forecasts, which are higher than the last 3-year average, full implementation of the Budget 2021 is expected.

Expenditure declared for public and private storage measures (08 02 03 10) exceeds the profile with 57.4 %-points (EUR +5.2 million). It concerns mainly aid for the private storage of olive oil adopted in 2019 and 2020: for budget year 2021 Member States declared outstanding payments for a total of EUR 28.1 million. As it was previously expected that the bulk of this expenditure would be incurred in 2020, it had not been included in the 2021 budget. Transfers amounting to EUR 25.5 million were made from budget item 08 02 03 04 (School schemes).

3.2. Direct payments

The uptake of appropriations for direct payments is generally in line with the consumption profile. By end April 2021, Member States declared in total EUR 35.5 billion for this budget article.

The expenditure made for the Single area payment scheme (08 02 05 02), Payment for agricultural practices beneficial for the climate and the environment (08 02 05 05) and the Voluntary coupled support scheme (08 02 05 09) is corresponding to the consumption profile.

For the Basic payment scheme (08 02 05 04), the profile is calculated taking into account the assigned revenue. On this basis, the expenditure for this scheme so far is only EUR 49.6 million (-0.3 %-points) lower than expected (see the "For Information Only" box of the annex).

Payments for farmers in areas with natural constraints (08 02 05 06) are 6.9 %-points behind the profile (EUR -0.3 million). The declared expenditure for the "payment for young farmers" scheme (08 02 05 07) is EUR 138.0 million below the profile (-24.0 %-points). These divergences are however considered temporary and the budgeted amounts are expected to be implemented towards the end of the year.

4. IMPLEMENTATION OF REVENUE ASSIGNED TO THE EAGF

The table in the annex shows that assigned revenue amounting to EUR 394.7 million was collected as of end April 2021. This includes:

- revenue under budget item 62 00 at EUR 179.3 million. It concerns mainly the revenue from corrections included in accounting and conformity clearance decisions, but also from irregularities declared by Member States. Additional amounts are expected to be collected before the closure of the financial year;

- revenue under budget item 67 00 amounted to EUR 159.9 million, from corrections included in conformity clearance decisions prior to financial year 2021;

- while no carryover amount was estimated when adopting the 2021 budget, revenue eventually carried over from 2020 to 2021 amounted to EUR 55.5 million.

5. CONCLUSIONS

The provisional execution of the 2021 EAGF budget appropriations, for the period up to 30 April 2021, is in relative terms in line with the calculated expenditure profile.

An amount of EUR 394.7 million of assigned revenue is already available and additional amounts are expected to be collected in the course of the budget year.

At present, the Commission expects that the voted appropriations together with the amount of assigned revenue that will be available by the end of the budget year will be sufficient to cover all expenditure.