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on EAGF expenditure

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ANNEX 1: PROVISIONAL CONSUMPTION OF EAGF APPROPRIATIONS UP TO 30/04/2020

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 year[1].

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

The annex to this report presents the budget's provisional implementation for the period 16 October 2019 to 30 April 2020. Comparison is made of the implementation level with the expenditure profile of the Early Warning System (EWS) 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 was EUR 180.5 million lower than expected using the consumption profile. This is mainly explained by a lower uptake of appropriations in the budget articles for promotion of agricultural products and the wine-growing sector (see points 3.1.2 and 3.1.4).

3.1.1. Olive oil

The expenditure made for the quality improvement programmes is EUR 4.5 million lower than expected at the end of April according to the expenditure profile.

The budgeted amount is however expected to be implemented by the end of the year.

3.1.2. Promotion

As the commitment of budget appropriations for the so-called "multi" programmes initially expected to take place in January was not yet made, the budget execution shows temporarily a difference of EUR -114.8 million compared to the expenditure profile. The budgeted amount is however expected to be implemented by the end of the year.

3.1.3. Fruit and vegetables

The budget execution for this sector, primarily concerning expenditure for operational funds for producer organisations, is EUR 30 million ahead of the expenditure profile.

3.1.4. Products of the wine-growing sector

For this budget article, the expenditure profile takes into account that the expenditure is concentrated towards the end of the financial year. The expenditure declared so far is EUR 74.6 million below the profile. The divergence is considered temporary and it is expected that the final expenditure will be close to the budgeted amount.

3.2. Direct payments

By end April 2020, the uptake of appropriations for direct payments under budget chapter 05 03 exceeds the consumption profile with EUR 1 039.6 million or 2.6%.

3.2.1. Decoupled direct payments

For decoupled direct payments under budget article 05 03 01, the declared expenditure is EUR 870.6 million ahead of the profile (+2.5%).

Expenditure for the Basic payment scheme, the Single area payment scheme and the Payment for agricultural practices beneficial for the climate and the environment were slightly higher than expected according to the consumption profile.

3.2.2. Other direct payments

For other direct payments under budget article 05 03 02, the declared expenditure is EUR 169.0 million ahead of the profile (+3.0%). In particular, the expenditure for the Voluntary coupled support scheme and the Small farmers scheme were slightly higher than calculated according to the consumption profile.

4. IMPLEMENTATION OF REVENUE ASSIGNED TO THE EAGF

The table in the annex shows that assigned revenue amounting to EUR 378.9 million was collected until the end of April 2020, in particular:

- the revenue from corrections based on accounting and conformity clearance decisions amounted to EUR 291.1 million, with additional amounts expected to be collected during the budget year;
- the revenue from irregularities amounted to EUR 86.9 million, with some additional amounts expected by the end of the budget year, and
- some residual revenue from the milk levy equal to EUR 0.9 million.

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

Therefore, the total amount of assigned revenue available on 30 April 2020 for the financing of the EAGF expenditure was EUR 727.1 million, with additional amounts expected to be collected during the budget year.

5. CONCLUSIONS

The provisional execution of the 2020 EAGF budget appropriations, for the period up to 30 April 2020, shows that monthly reimbursements to Member States are higher than the calculated consumption profile by EUR 857.4 million.

An amount of EUR 727.1 million of assigned revenue is already available, and collection of some additional amounts in the course of the budget year is expected.

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 EAGF expenditure.