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

## on EAGF expenditure

## Early Warning System No 7-10/2020

# Table of Contents

1. The 2020 EAGF budget procedure ..... 2
2. Revenue assigned to the EAGF ..... 2
3. Comments on the provisional implementation of the 2020 EAGF budget ..... 3
3.1. Market measures ..... 3
3.2. Direct payments ..... 4
4. Implementation of revenue assigned to the EAGF ..... 4
5. Conclusions ..... 4

ANNEX 1: PROVISIONAL CONSUMPTION OF EAGF APPROPRIATIONS UP TO 31/08 /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 31 August 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 overall EUR 110 million lower than expected using the consumption profile.

For budget article 05 02 08 – Fruit and vegetables, the budget implementation, primarily concerning the operational funds for producer organisations, is almost EUR 110 million higher than the expenditure profile. Together with the EUR 150 million assigned revenue taken into account for this article when adopting the 2020 budget , the implementation pattern nearly fits with the historic profile.

For budget article 05 02 09 – Products of the wine-growing sector, the expenditure profile takes already into account that the expenditure is concentrated towards the end of the financial year. The expenditure declared so far is EUR 150 million below the profile. The divergence is considered temporary and it is expected that the final expenditure will be close to the budgeted amount, though uncertainties remain on the actual uptake of the flexibilities provided in response to the COVID-19 pandemic[2].

For budget article 05 02 18 – School schemes, the implementation at the end of August 2020 was around EUR 34 million behind the profile. The final expenditure

[2] Commission Delegated Regulations (EU) 2020/592 and (EU) 2020/884 and Commission Implementing Regulation (EU) 2020/600

by the end of the financial year is expected to remain somewhat below the budgeted amount, primarily reflecting the practical repercussions encountered due to the COVID-19 pandemic for the implementation of this scheme.

### 3.2. Direct payments

By end August 2020, the uptake of appropriations for direct payments is slightly higher than forecasted under the expenditure profile.

For budget article 05 03 01 – Decoupled direct payments, the declared expenditure is EUR 829 million ahead of the profile. However, taking into account the assigned revenue estimated available for the article, i.e. EUR 921 million, the implementation pattern fits with the historic profile.

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

For budget article 05 03 02 – Other direct payments, the declared expenditure is in line with the profile.

## 4. IMPLEMENTATION OF REVENUE ASSIGNED TO THE EAGF

The table in the annex shows that assigned revenue amounting to EUR 460.9 million was collected until the end of August 2020, in particular:

- the revenue from corrections based on accounting and conformity clearance decisions amounted to EUR 343.2 million, with additional amounts expected to be collected during the budget year;
- the revenue from irregularities amounted to EUR 115.8 million, with some additional amounts expected by the end of the budget year, 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 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 31 August 2020 for the financing of the EAGF expenditure was EUR 809.1 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 31 August 2020, shows that monthly reimbursements to Member States are higher than the calculated consumption profile by EUR 682.2 million.

An amount of EUR 809.1 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 assigned revenue to be available by the end of the budget year will be used in full. The Commission proposed a EUR 48.7 million reinforcement for the EAGF with

Draft Amending Budget No. 10/2020. The proposed reinforcement is based on the execution up to end August and forecasts until the end of the EAGF financial year 2020. Therefore, the Commission estimates that there will be no assigned revenue available to be carried-over from the 2020 to the 2021 budget.