



Council of the
European Union

Brussels, 7 September 2020
(OR. en)

10478/20

AGRI 240
AGRIFIN 67
FIN 589

COVER NOTE

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	4 September 2020
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union

No. Cion doc.:	COM(2020) 475 final
Subject:	REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL 13th FINANCIAL REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL on the EUROPEAN AGRICULTURAL GUARANTEE FUND 2019 FINANCIAL YEAR

Delegations will find attached document COM(2020) 475 final.

Encl.: COM(2020) 475 final



Brussels, 2.9.2020
COM(2020) 475 final

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

**13th FINANCIAL REPORT FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT AND THE COUNCIL on the EUROPEAN AGRICULTURAL
GUARANTEE FUND**

2019 FINANCIAL YEAR

{SWD(2020) 168 final}

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Note: A detailed Commission Staff Working Document accompanies this report. The full text of this Staff Working Document (in English) and its annexed tables (in English) will be also available on DG Agriculture's Europa website (http://ec.europa.eu/agriculture/cap-funding/financial-reports/eagf/index_en.htm).

1. BUDGETARY PROCEDURE¹

1.1. Draft Budget 2019 and Amending Letter 1/2019

The Draft Budget 2019 was published by the Commission and proposed to the Budgetary Authority on 21 June 2018. The commitment appropriations proposed for the EAGF totalled EUR 43 613.5 million. The Council published its position on the Draft Budget 2019 on 7 September 2018, reducing the commitment appropriations for the EAGF by EUR 340.4 million. The European Parliament adopted its position on 24 October 2018, increasing the commitment appropriations for the EAGF by EUR 78.5 million compared to the Draft Budget.

On 16 October 2018 the Commission published Amending Letter (AL) No 1 to the Draft Budget 2019 increasing the needs in commitments by EUR 91.9 million compared to the Draft Budget. However, these additional needs were more than compensated by the EUR 275.9 million increase in the assigned revenue expected to be available in 2019. As a result, the requested commitment appropriations for the EAGF in the AL decreased by EUR 184 million compared to the Draft Budget.

The Conciliation Committee, composed of members of the European Parliament and of the Council, could not agree on a joint text. Therefore, the Commission proposed a new Draft Budget on 30 November 2018.

1.2. Adoption of the 2019 budget

The 2019 budget was declared as adopted by the European Parliament and by the Council on 12 December 2018. The budget's total commitment appropriations for the EAGF amounted to EUR 43 191.9 million and its payment appropriations amounted to EUR 43 116.4 million.

The difference between commitment and payment appropriations is due to the fact, that for certain measures, which are directly implemented by the Commission, differentiated appropriations are used. These measures relate mainly to the promotion of agricultural products, to policy strategy and coordination measures for agriculture.

Specifically, of the voted EAGF commitment appropriations for policy area 05 (Agriculture and Rural Development) amounting to EUR 43 191.9 million: EUR 2 498.7 million were foreseen for interventions in agricultural markets under chapter 05 02; EUR 40 544.7 million were foreseen for direct payments under chapter 05 03; EUR 61.4 million were foreseen for audit of agricultural expenditure under chapter 05 07; and EUR 75.6 million for policy strategy and coordination under chapter 05 08.

Further details are provided in annex 1.

1.3. Revenue assigned to the EAGF²

In accordance with Article 43 of Regulation (EU) No 1306/2013 on the financing of the Common Agricultural Policy³, revenue originating from financial corrections under accounting or conformity clearance decisions, from irregularities and from the milk levy are designated as revenue assigned to the financing of EAGF expenditure. According to these rules, assigned revenue can be used to cover the financing of any

¹ This procedure is presented in annex 1.

² These amounts are not entered in the revenue lines of the budget (Article 670 for the revenue assigned to the EAGF), which mention "p.m." ("pro memoria"), but the forecast amount is mentioned in the budget remarks for this article.

³ OJ L 347 of 20.12.2013, p. 549.

EAGF expenditure. If a part of this revenue is not used, then this part will be automatically carried forward to the following budget year.

At the time of establishing the 2019 budget, an estimate of the revenue was made both for the amount expected to be collected in the course of the 2019 budget year as well as of the amount which was expected to be carried over from the budget year 2018 into 2019. This estimate amounted to EUR 1 078 million and it was taken into consideration when the Budgetary Authority adopted the 2019 budget. In particular:

- Revenue from clearance corrections and from irregularities was estimated at EUR 499 million and EUR 135 million respectively while no revenue from the milk levy was anticipated. Thus, the total amount of assigned revenue expected to be collected in the course of the 2019 budget year was estimated at EUR 634 million;
- The amount of assigned revenue expected to be carried over from the budget year 2018 into 2019 was estimated at EUR 444 million.

In the 2019 budget, this initially estimated revenue of EUR 1 078 million was assigned to two schemes, i.e.:

- EUR 140 million for the operational funds for producer organisations in the fruits and vegetables sector;
- EUR 938 million for the basic payment scheme (direct payments).

For these schemes, the sum of the voted appropriations by the Budgetary Authority and the assigned revenue corresponds to a total estimate of available appropriations of:

- EUR 849 million for the operational funds for producer organisations in the fruits and vegetables sector;
- EUR 17 149 million for the basic payment scheme (direct payments).

2. CASH POSITION AND MANAGEMENT OF APPROPRIATIONS

2.1. Management of appropriations

2.1.1. Appropriations available for the 2019 financial year

In EUR

Expenditure section of budget (1)	Commitment appropriations	Payment appropriations	Revenue section of budget (AR) (2)	Forecasts
1. Initial appropriations for EAGF of which	43 191 947 000.00	43 116 399 417.00	1. Clearance decisions	499 000 000.00
1a. Appropriations under shared management	42 994 600 000.00	42 994 600 000.00	2. Irregularities	135 000 000.00
1b. Appropriations under direct management	197 347 000.00	121 799 417.00	3. Super levy from milk producers	-
2. Amending Budget			Total forecast of AR	634 000 000.00
3. Transfer to / out of EAGF in the year		-3 370 424.17		
4. Final appropriations for EAGF of which	43 191 947 000.00	43 113 028 992.83		
4a. Appropriations under shared management	42 994 750 000.00	42 994 750 000.00		
4b. Appropriations under direct management	197 197 000.00	118 278 992.83		

(1) Appropriations entered in the 2019 budget after deducting the expected assigned revenue to be collected in 2019 and the one carried over from 2018 to 2019 in accordance with Article 12 of Regulation (EU, EURATOM) 2018/1046.

(2) AR: Assigned revenue to be collected during the financial year. There are no amounts of revenue entered on the revenue line (p.m.), but the forecast amount is indicated in the budget remarks

2.1.2. Execution of appropriations available for the 2019 financial year

In EUR

	Execution of commitment appropriations	Execution of payment appropriations
Shared management (1)	43 767 098 030.56	43 767 098 030.56
Expenditure under direct management	195 313 085.43	101 916 458.15
Total	43 962 411 115.99	43 869 014 488.71

(1) Committed amounts. Commitments and payments less assigned revenue of EUR 706 071 911.53 (see point 4 and annex 3-I) received for shared management: EUR 43 061 026 119.03.

For the financial year 2019, the actual amount of commitment appropriations used amounted to EUR 43 962 411 116.0 while that for payment appropriations amounted to EUR 43 869 014 488.7. Further details on the execution of appropriations under shared management are given in section 3.2 below.

2.1.3. *Budget execution of voted appropriations - Expenditure under direct management made by the Commission*

In EUR

Expenditure under direct management	Commitment appropriations	Payment appropriations	Carry-over to 2020 (2)
Appropriations (C1) ⁽¹⁾	197 197 000.00	118 278 992.83	-
Execution (C1)	195 313 085.43	101 916 458.15	14 901 623.58
Appropriations cancelled	1 883 914.57	1 460 911.10	-

(1) C1 denotes the budget's voted appropriations. This amount includes transfers to "shared management" for an amount of EUR 150 000.00 for commitment and payment appropriations and transfers "out" of EAGF for a total amount of EUR -3 370 424.17 for payment appropriations.

(2) Carry-over to 2020 only for non-differentiated appropriations.

The available commitment appropriations for expenditure under direct management in the 2019 budget were EUR 197.2 million. An amount of EUR 195.3 million was committed in 2019. The balance of these appropriations, EUR 1.9 million, was cancelled.

The majority of EAGF appropriations for expenditure under direct management made by the Commission are differentiated appropriations.

The automatic carry-over to 2020, which relates only to non-differentiated appropriations, amounts to EUR 14.9 million.

2.2. Monthly payments

2.2.1. Monthly payments to Member States under shared management

2.2.1.1. Monthly payments on the provision for expenditure

Article 18(1) of Regulation (EU) No 1306/2013 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 incurred.

The monthly payments are a reimbursement of net expenditure (after deduction of revenue) which has been already carried out and are made available on the basis of the monthly declarations forwarded by the Member States⁴. The monthly booking of expenditure and revenue is subject to checks and corrections on the basis of these declarations. Moreover, these payments will become final following the Commission's verifications under the accounting clearance of accounts procedure.

Payments made by the Member States from 16 October 2018 to 15 October 2019 are covered by the system for monthly payments.

For the whole financial year, the total net amount of monthly payments decided, after deduction of clearance and other corrections, was EUR 43 061 026 119.03.

2.2.1.2. Decisions on 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.

⁴ These monthly declarations of expenditure are transmitted by the Member States by the declaration of the 12th of the month N+1.

3. THE IMPLEMENTATION OF THE 2019 EAGF BUDGET

3.1. The uptake of the EAGF appropriations

The implementation of the EAGF appropriations amounted to EUR 43 962.4 million⁵. This expenditure was funded by the budget's initial appropriations and by using the revenue assigned to the EAGF, composed of the entire amount of EUR 448.8 million carried over from 2018 and of a part of the assigned revenue collected in 2019 amounting to EUR 357.9 million out of a total EUR 706.1 million.

Within policy area 05, the EAGF expenditure amounted to EUR 2 473.0 million for market measures and to EUR 41 335.7 million for direct payments.

For details of the budget's implementation by policy area, please see annex 2.

Annex 4 presents a breakdown of the expenditure on market measures, direct payments and audit of agricultural expenditure by item, by fund source and by Member State.

3.2. Comments on the budget implementation

A brief commentary -for the most significant sectors- on the implementation of the appropriations as well as on the use of the assigned revenue is presented hereafter based on details given in the annexes 2, 3-I and 3-II. Budget lines with an execution rate very close to the budgeted amounts are not described in this section.

3.2.1. Chapter 05 02: Interventions in agricultural markets

3.2.1.1. Introduction

Total execution (in commitment appropriations) for this chapter amounted to EUR 2 473.0 million and it was funded by the voted appropriations amounting to EUR 2 498.7 million and by assigned revenue amounting to EUR 140 million. The latter was intended to cover the expenditure incurred in the fruit and vegetables sector (for details, see point 3.2.1.2). In items where the needs exceeded the budgetary appropriations, the additional expenditure was covered through transfers from other items of the budget. For the market measures where the budget's appropriations were under-spent, the resulting available appropriations were transferred to other budget lines within the EAGF to cover additional expenditure as needed (for details on the budget transfers made, see annex 2).

3.2.1.2. Article 05 02 08: Fruits and vegetables

Appropriations of EUR 911.8 million in total were available to cover the budgetary needs of all the measures for this sector. The Budgetary Authority voted appropriations of EUR 715.1 million as it took into account the estimated revenue assigned to this sector (EUR 140.0 million). Moreover, EUR 56.7 million was transferred during the 2019 budget year from other budget lines within the same chapter.

The expenditure incurred by Member States in 2019 amounted to EUR 865.7 million.

3.2.1.3. Article 05 02 09: Products of the wine-growing sector

The budget foresaw total available appropriations at EUR 1 035.1 million to cover the budgetary needs of all the measures for this sector. The under-execution of EUR 47.6 million, compared to the forecasted budget needs, was due to the lower

⁵ This figure includes the reimbursement of the financial discipline related to the agricultural crisis reserve carried over from financial year 2018.

expenditure incurred by some Member States, particularly for the promotion and restructuring components of their national wine programmes.

3.2.1.4. Article 05 02 10: Promotion

As regards promotion measures - payments by Member States, the under-execution of EUR 5.4 million compared to the forecasted budget needs was due to the lower implementation of some of the promotion programmes selected in previous years. The difference has been transferred to other budget articles.

As regards promotion actions under direct management by the European Commission, the Commission committed appropriations for the total amount foreseen in the budget for these actions (EUR 101.1 million).

3.2.1.5. Article 05 02 12: Milk and milk products

The budget foresaw total available appropriations amounting to EUR 6.3 million to cover the needs of all the measures for this sector.

The difference between the budgeted and the executed amount under this article is almost exclusively generated by the sale of skimmed-milk powder from public storage (as the selling prices were above the accounting value). The available amount of EUR 66.6 million has been transferred mainly to cover the extra needs outside the chapter.

3.2.1.6. Article 05 02 13: Beef and veal

The budget foresaw no appropriations. However, Member States declared expenditure (EUR 1.1 million) for residual payments related to export refunds linked to certificates issued before 2014. This residual expenditure was covered via a transfer of appropriations available in the same chapter.

3.2.1.7. Article 05 02 15: Pig meat, eggs and poultry, bee-keeping and other animal products

3.2.1.8. The budget foresaw total available appropriations amounting to EUR 63.0 million to cover the needs of all the measures for this sector, in particular for the beekeeping programmes and exceptional support measures. However, the expenditure incurred by Member States amounted to only EUR 41.9 million. The difference of EUR 21.1 million is mainly due to the low (EUR 7.6 million) execution of exceptional support measures, compared to EUR 28.0 million budgeted amount that included a EUR 15.0 million increase by the Budgetary Authority compared to the Commission's proposal. The available amount has been transferred to other budget articles. Article 05 02 18: School schemes

The expenditure incurred for school schemes amounted to EUR 191.5 million compared to forecasted needs of EUR 217.0 million included in the budget. The lower uptake reflects the fact that 2018/2019 was the second school year of the integration of the previously separate fruit and milk schemes into one school scheme, with Member States declaring less expenditure than anticipated when drawing up the budget.

3.2.2. Chapter 05 03: Direct payments

Financial year 2019 was the fourth year of implementation of the reformed direct payments as decided in the 2013 reform of the Common Agricultural Policy. Total payments for this budget chapter amounted to EUR 41 335.7 million. This includes an amount of EUR 438.2 million paid for the reimbursement of direct payments to farmers in relation to financial discipline, financed from EUR 459.5 million carried over from 2018 (for details, see point 3.2.2.4). The rest of the payments made, EUR 40 897.5 million, was funded by voted appropriations (EUR 40 184.7 million)

and by assigned revenue (EUR 712.8 million). The latter was used to cover part of the expenditure incurred for the basic payment scheme.

The total unused appropriations amounted to EUR 795.9 million, of which EUR 768.9 million have been carried over to financial year 2020. This includes the amount of EUR 466.8 million of the unused crisis reserve, corresponding to the effectively applied financial discipline in 2019, that was transferred to budget article 05 03 09 and then carried over to 2020 for the reimbursement to the Member States concerned. The remaining balance of assigned revenue collected in 2019 (EUR 348.2 million) was carried over to 2020. In items where the needs exceeded the budget's voted appropriations, the additional expenditure was covered through transfers of voted appropriations from other items of the budget or of assigned revenue.

3.2.2.1. Article 05 03 01: Decoupled direct payments

The main schemes funded by this article's appropriations are the single area payment scheme (SAPS), the basic payment scheme (BPS), the payment for agricultural practices beneficial for the climate and the environment, the redistributive payment and the payment for young farmers. All aid schemes in this article are paid independently of production but on certain conditions, e.g. the respect of cross-compliance. The appropriations available in 2019 for decoupled direct payments amounted to EUR 35 402.9 million, including Budgetary Authority voted appropriations amounting to EUR 34 388.0 million and assigned revenue amounting to EUR 1 014.9 million. The expenditure incurred by Member States for all schemes in this article amounted to EUR 35 328.6 million, which corresponds to 99.8 % of the available appropriations.

3.2.2.2. Article 05 03 02: Other direct payments

The appropriations of this article covered expenditure for "other direct payments". This includes schemes for which there may still be a link between the payment and the production, under well defined conditions and within clear limits. As a consequence of the 2013 reform, schemes added under this Article were the voluntary coupled support and the small farmers scheme and a number of lines only covered relatively minor residual payments for expired schemes.

The Commission had estimated that appropriations amounting to EUR 5 688.0 million were needed for this Article in 2019. Member States incurred expenditure amounting to EUR 5 568.9 million hence lower by 2% than the appropriations entered in the budget.

3.2.2.3. Article 05 03 09: Reimbursement of direct payments in relation to financial discipline

No appropriations are allocated to this article by the Budgetary Authority. This article serves the purpose of collecting the non-committed voted appropriations of the unused crisis reserve carried over to finance the reimbursement of the financial discipline applied to direct payments⁶.

⁶ These appropriations may be carried over, in accordance with point (d) of the first subparagraph and the third subparagraph of Article 12(2) of Regulation (EU, Euratom) 2018/1046, and, in accordance with Article 26(5) of Regulation (EU) No 1306/2013, are made available to the Member States for the reimbursement of the final recipients who are subject, in the financial year to which the appropriations are carried over, to the application of financial discipline in accordance with Article 26, paragraphs (1) to (4) thereof.

From the amount of EUR 459.5 million, corresponding to the financial discipline applied during financial year 2018 which was carried over to budget 2019 for reimbursement, Member States reimbursed EUR 438.2 million. The difference of EUR 21.3 million reverted to the 2019 budget for its return to Member States via an Amending Budget in the following budget year.

3.2.2.4. Article 05 03 10: Reserve for crises in the agricultural sector

The appropriations of this article are intended to cover expenditure for measures which have to be taken in order to cope with major crises affecting agricultural production or distribution. The crisis reserve is established by applying, at the beginning of each year, a reduction to the direct payments through the financial discipline mechanism in accordance with Articles 25 and 26 of Regulation (EU) No 1306/2013 as well as Article 8 of Regulation (EU) No 1307/2013⁷. In 2019 the crisis reserve of EUR 468.7 million was not used.

Therefore, at the end of 2019 the non-committed voted appropriations corresponding to the amount of financial discipline effectively applied for claim year 2018 were transferred to budget article 05 03 09 in order to be carried over to the next financial year for the reimbursement of financial discipline imposed on farmers in the calendar year 2019.

3.2.3. *Chapter 05 07: Audit of agricultural expenditure*

3.2.3.1. Article 05 07 01: Control of agricultural expenditure

This article involves the measures taken to reinforce the means of on-the-spot controls and to improve the systems of verification so as to limit the risk of fraud and irregularities to the detriment of the Union budget. It also includes the expenditure to finance possible accounting and conformity corrections in favour of Member States.

The European Union directly funded the purchase of satellite images within the framework of the Integrated Administration and Control System for an amount of EUR 9.7 million.

The corrections in favour of Member States following accounting clearance of accounts were EUR 10.4 million, i.e. lower than the budgeted amount of EUR 19.7 million.

The corrections in favour of the Member States following conformity clearance of accounts turned out to be higher than expected with EUR 38.3 million instead of EUR 2.6 million foreseen in the budget.

3.2.3.2. Article 05 07 02: Settlement of disputes

The appropriations in this article are intended to cover expenditure for which the Commission could be held liable by decision of a court of justice, including the cost of settling claims for damages and interest. The 2019 budget foresaw appropriations amounting to EUR 30.0 million, of which EUR 11.2 million were executed. The remainder of appropriations has been transferred to other items of the budget.

3.2.4. *Chapter 05 08: Policy strategy and coordination*

Appropriations committed under this chapter amounted to EUR 73.8 million in line with the budgeted amount (EUR 75.6 million).

⁷ OJ L 347, 20.12.2013, p. 608.

4. IMPLEMENTATION OF REVENUE ASSIGNED TO EAGF

The assigned revenue actually carried over from 2018 into 2019, amounted to EUR 448.8 million and was entirely used in financing expenditure of the 2019 budget year in accordance with article 14 of the Financial Regulation. As presented in annex 3-II, this amount covered expenditure of EUR 93.9 million for the operational funds for producer organisations in the fruits and vegetables sector and of EUR 354.9 million for the basic payment scheme.

As regards the assigned revenue collected in 2019, annex 3-I shows that this revenue amounted to EUR 706.1 million and that it originated from:

- the clearance corrections procedure, EUR 548.3 million;
- the receipts from irregularities, EUR 155.8 million;
- the milk levy collections, EUR 2 million.

EUR 357.9 million of the assigned revenue collected in 2019 was used to cover expenditure incurred for the basic payment scheme (BPS) (direct payments).

The balance of assigned revenue collected in 2019 (EUR 348.2 million) was automatically carried over to the 2020 budget.

For details, please see annexes 3-I and 3-II.