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

on EAGF expenditure

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ANNEX 1: PROVISIONAL CONSUMPTION OF EAGF APPROPRIATIONS UP TO 30/04/2014

1. INTRODUCTION

For the period 16 October 2013 to 30 April 2014, the budget's actual implementation level compared to the expenditure profile foreseen by the indicator, established on the basis of the provisions of Article 28 of Regulation (EU) No 1306/2013 on the financing, management and monitoring of the common agricultural policy¹, is presented in Annex 1.

2. REVENUE ASSIGNED TO EAGF

On the basis of the provisions of Article 43 of Regulation (EU) No 1306/2013, revenue originating from financial corrections under accounting and conformity clearance decisions, from irregularities and from the milk levy are designated as revenue assigned to the financing of EAGF expenditure. According to these provisions, assigned revenue can be used to cover the financing of any EAGF expenditure. If part of this revenue is not used within the budget year, then, this part will be automatically carried forward to the following budget year².

The 2014 EAGF budget included both: the Commission's latest estimates of the needs to finance the expected expenditure for market measures and direct aids, and the estimates of the assigned revenue which was expected to be collected in the course of the budget year concerned as well as the carryover of the balance of assigned revenue left available from the previous budget year. In its proposal for the 2014 EAGF budget appropriations, the Commission took into consideration the total expected assigned revenue and requested for the 2014 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 budget for 2014, the Commission's estimates for the available assigned revenue amounted to EUR 1 464 million. Specifically:

- The assigned revenue expected to be generated in the course of the 2014 budget year was estimated at EUR 849 million. Amounts of EUR 638 million and EUR 165 million were expected from conformity clearance corrections and from irregularities respectively. The receipts from the milk levy were estimated at EUR 46 million.
- The amount of assigned revenue expected to be carried over from the budget year 2013 into 2014 was estimated at EUR 615 million.

In the 2014 budget, the Commission assigned this initially estimated revenue of EUR 1 464 million to two schemes. Specifically:

¹ OJ L 347, 20.12.2013, p.549

² Art 14 of Regulation (EU, EURATOM) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union determines that internal assigned revenue shall be carried over for one year only. Thus, in the interest of sound budgetary management, this assigned revenue is in general used first before any voted appropriation of the budget article concerned.

- EUR 464 million was assigned to the operational funds for producer organisations in the fruits and vegetables sector, and
- EUR 1 000 million to the single payment scheme.

For these two schemes, the Budgetary Authority eventually voted appropriations amounting to EUR 285 million and to EUR 30 083 million respectively, in accordance with the Commission's proposal. The sum of the voted appropriations and the assigned revenue mentioned above corresponds to a total estimate of available appropriations of EUR 749 million for the operational funds for producer organisations in the fruits and vegetables sector and EUR 31 083 million for the single payment scheme.

In annex 1, which presents the 2014 budget's provisional execution for the period to 30 April 2014, the figures of the budget appropriations **at article level** for the fruit and vegetables sector and for the decoupled direct aids present voted appropriations for these two schemes amounting to EUR 676.7 million and to EUR 38 252 million respectively, without taking account of the aforementioned assigned revenue. Including the revenue assigned to these sectors, the total appropriations foreseen in the 2014 budget amounted to EUR 1 140.7 million for fruits and vegetables and to EUR 39 252 million for decoupled direct aids.

3. COMMENTS ON THE PROVISIONAL IMPLEMENTATION OF THE 2014 EAGF BUDGET

The budget's provisional implementation for the period 16 October 2013 to 30 April 2014 is presented in Annex 1. This implementation level is compared to the expenditure profile based on the indicator, which was established on the basis of the provisions of Article 28 of Regulation (EU) No 1306/2013. Below a brief commentary is presented for certain budget articles, showing the most significant differences between the actual and the expected level of implementation of the 2014 budget.

3.1. Market measures

The uptake of appropriations for interventions in agricultural markets was higher compared to the level of the budget's voted appropriations, as determined by the level of the indicator on 30 April 2014, by EUR 36.8 million. This divergence is the net effect of the execution patterns primarily in the fruits and vegetables and wine sectors.

3.1.1. Fruit and vegetables (+ EUR 125.4 million in comparison with voted appropriations)

As regards voted appropriations, this implementation level is primarily due to the expenditure for the operational funds for producer organisations scheme, which is funded both by the budget's voted appropriations and by the revenue assigned to this scheme in the 2014 budget (NB: For details please see point 2 above). This implementation level is the result of applying the indicator for the period to 30 April 2014 to the budget's voted appropriations, which do not include the revenue assigned to this sector.

A footnote * in the provisional execution table in annex 2 shows what the situation would be, had the indicator, as of 30 April 2014, been applied to the total appropriations, which are expected to be available in order to fund this sector. As it is pointed out in point 2 above, the total funding expected to be available for this sector

is composed of the budget's voted appropriations of EUR 676.7 million and of the revenue assigned to this sector which is estimated at EUR 464 million. Therefore, had the indicator been applied to the total funding of EUR 1 140.7 million expected to be available for this sector, then, an under-execution of - EUR 41.1 million would appear, being the net effect of an acceleration in the rhythm of payments for the producer organisations scheme and a slower uptake of appropriations for the school fruit scheme and the aid to producer groups for preliminary recognition. At this point in time, this situation is considered to be temporary and a full execution of the budget is expected.

3.1.2. Products of the wine-growing sector (- EUR 75.2 million)

This under-execution is due to the slower rhythm of payments made by the Member States compared to the expenditure profile of the established indicator for the national wine programmes. At this point in time, this situation is considered to be temporary as the Member States' forecast of expenditure for this article show an accelerated rhythm for the upcoming months.

3.2. Direct aids

The uptake of appropriations for direct aids compared to the level of the indicator on 30 April 2014 was higher by EUR 975.4 million.

3.2.1. Decoupled direct aids (+EUR 1 003.5 million in comparison with voted appropriations)

As regards voted appropriations, this implementation level is primarily due to the expenditure for the single payment scheme, which is funded both by the budget's voted appropriations and by the revenue assigned to this scheme in the 2014 budget (NB: For details please see point 2 above). This implementation level is the result of applying the indicator for the period to 30 April 2014 to the budget's voted appropriations, which do not include the revenue assigned to this sector.

A footnote * in the provisional execution table in annex 2 shows which would be the situation had the indicator, as at 30 April 2014, been applied to the total appropriations which are expected to be available in order to fund decoupled direct aids. As it is pointed out in point 2 above, the total funding expected to be available for decoupled direct aids is composed of the budget's voted appropriations of EUR 38 252 million and of the revenue assigned to decoupled direct aids which is estimated to amount to EUR 1 000 million. Therefore, had the indicator been applied to the total funding of EUR 39 252 million expected to be available for decoupled direct aids, then, the observed over-execution would be reduced to EUR 32.8 million.

(NB: Payment rhythm has increased to 97% of needs by 30/4/2014). At this point in time, Member States have already paid 97% of the estimated 2014 decoupled direct aids. The payment of the final instalment of these aids will include a deduction of financial discipline for the entire payment, which was not the case for the advances paid prior to 1 December.

The Commission expects, at this point in time, that available appropriations and assigned revenue would be sufficient to cover the funding needs for this article.

3.2.2. *Other direct aids (- EUR 27.8 million)*

This under-implementation of voted appropriations for other direct aids as compared to the expenditure profile of the established indicator on 30 April 2014 is the effect of the slower payment rhythm for some schemes in this sector, in particular for the animal premiums. At this point in time, this situation is considered to be temporary. However, the Commission follows up closely the evolution in the execution pattern for these schemes.

3.3. **Audit of agricultural expenditure (- EUR 10.0 million)**

In addition to direct payments for monitoring and preventive measures amounting to EUR 6.8 million, the 2014 budget included estimates of EUR 53.4 million for payments concerning settlement of disputes. When establishing the expenditure profile for the settlement of disputes, it was assumed that Member States would pay these amounts evenly for each month of the period January to October 2014. However, as of 30 April 2014, Member States had made such payments amounting to EUR 18.8 million. As a consequence, an under-execution in relation to the level of the indicator resulted for this chapter of the 2014 budget. At this point in time, this situation is considered to be temporary and a full execution of the budget is expected.

3.4. **Policy strategy and coordination (- EUR 20.1 million)**

This under-implementation is temporary because payments for the Farm Accountancy Data Network were not eventually made in April 2014 as originally foreseen. However, these payments will be eventually made once all the necessary conditions for their execution are fulfilled.

4. **IMPLEMENTATION OF REVENUE ASSIGNED TO EAGF**

The table in Annex 1 shows that assigned revenue amounting to EUR 565.5 million was collected as of 30 April 2014. Specifically:

- the revenue from corrections based on accounting and conformity clearance decisions amounted to EUR 416.2 million with additional amounts still expected by the end of the budget year;
- the revenue from irregularities amounted to EUR 102.6 million with additional amounts also expected by the end of the budget year, and
- at this point in time, most of the revenue from the milk levy has been collected and it amounts to approximately EUR 46.7 million;

Finally, the amount of assigned revenue eventually carried over from 2013 into 2014 amounted to EUR 710.2 million. This amount is significantly higher than the initially estimated amount of EUR 615 million.

Therefore, the amount of assigned revenue available for financing EAGF expenditure, on 30 April 2014, amounts to EUR 1 275.6 million with additional amounts of freshly collected assigned revenue expected by the end of the budget year.

5. **CONCLUSIONS**

The provisional execution of the 2014 EAGF budget's appropriations, for the period up to 30 April 2014, shows that monthly reimbursements to Member States exceeded

the expenditure profile for budget execution based on the indicator, by approximately EUR 980.6 million.

Assigned revenue amounting to EUR 1 275.6 million is already available and additional amounts are still expected to be collected in 2014. At this point in time, the Commission considers that the amount of assigned revenue which will be available by the end of the year will be sufficient to cover the funding of the operational funds for producer organisations and of the single payment scheme as originally expected when the 2014 budget was established.