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

**on EAGF expenditure**

**Early Warning System No 12/2013**

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## 1. INTRODUCTION

The provisional implementation of the 2013 EAGF budget is presented in the annexed table and it is expected to amount to EUR 45 295.5 million. This amount mainly reflects EAGF expenditure under shared management as declared by Member States between 16 October 2012 to 15 October 2013, including the amounts corrected under the accounting clearance of EAGF's accounts and the reductions of monthly reimbursements imposed in the course of the budget year. It further includes an estimate of direct expenditure, amounting to approximately EUR 27.1 million, which is still foreseen to be made till 31 December 2013.

## 2. REVENUE ASSIGNED TO EAGF

On the basis of the rules of Article 34 of Council Regulation (EC) No 1290/2005 on the financing of the Common Agricultural Policy revenue originating from financial corrections under 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 EAGF expenditure. In the event part of this revenue is not used, then, this part will be automatically carried forward to the following budget year.[1]

As already outlined in previous Early Warning System reports, the Commission's initial estimates for the available assigned revenue in 2013 amounted to EUR 1 533 million. Specifically:

– The assigned revenue expected to be generated in the course of the 2013 budget year was estimated at EUR 628 million. Amounts of EUR 389 million and EUR 161 million were expected to be collected from conformity clearance corrections and from irregularities respectively. The receipts from the milk levy were estimated at EUR 78 million.

– The amount of assigned revenue expected to be carried over from the budget year 2012 into 2013 was estimated at EUR 905 million.

In the 2013 budget, the Commission assigned the initially estimated assigned revenue of EUR 1 533 million to two schemes. Specifically:

– EUR 500 million was assigned to the operational funds for producer organisations in the fruits and vegetables sector, and

– EUR 1 033 million to the single payment scheme.

For these two schemes, the Budgetary Authority eventually voted appropriations amounting to EUR 267 million and to EUR 30 635 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 767 million for the operational funds for producer

[1] 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.

organisations in the fruits and vegetables sector and EUR 31 668 million for the single payment scheme.

In annex 1, which presents the 2013 budget's provisional execution, 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 611 million and to EUR 38 076 million respectively, without taking account of the aforementioned assigned revenue. Including the revenue assigned to these sectors, the total appropriations foreseen in the 2013 budget amounted to EUR 1 111 million for fruits and vegetables and to EUR 39 109 million for decoupled direct aids.

## 3. COMMENTS ON THE PROVISIONAL IMPLEMENTATION OF THE 2013 EAGF BUDGET

The 2013 budget's provisional implementation level is presented in Annex 1. Herebelow a brief commentary is presented for certain budget articles, which show the most significant differences between the actual expenditure incurred and the corresponding appropriations included in the 2013 budget.

### 3.1. Market measures

The uptake of appropriations for interventions in agricultural markets compared to the level of the budget's voted appropriations was higher by EUR 421.5 million but it is lower by EUR 78.5 million when taking into account EUR 500 million foreseen as assigned revenue for this chapter. This divergence is a net effect of the execution patterns primarily in the fruits and vegetables, wine and pig-meat and poultry sectors.

#### *3.1.1. Food programmes (- EUR 8.6 million)*

One Member State encountered implementation difficulties towards the end of the budget year, thus, leading to a slight under-execution of the appropriations foreseen in the budget for the 2013 food programmes. 2013 is the last year of implementing these programmes within the EAGF.

#### *3.1.2. Fruit and vegetables (+ EUR 527.1 million in comparison with voted appropriations)*

This significant over-execution results from comparing the expenditure incurred in this sector with the 2013 budget's voted appropriations, which do not include the revenue assigned to this sector. However, if the revenue of EUR 500 million assigned to this sector is included (please see footnote * at the bottom of the annexed table), total available appropriations rise to EUR 1 111 million and, then, a small over-execution of EUR 27.1 million would appear.

This over-execution is the net result of different execution levels for the schemes funded by this sector's appropriations:

With regard to the operational funds for producers' organisations and to the School Fruit Scheme, Member States incurred expenditure lower than forecasted in the budget.

However, Member States incurred expenditure for the aids related to the preliminary recognition of producer groups which was significantly higher than the appropriations available for this scheme in the 2013 budget.

The expenditure in excess of available appropriations for this sector will be covered by the revenue assigned to this sector and by a transfer of appropiations from other items of the budget.

*3.1.3. Products of the wine-growing sector (- EUR 27.4 million)*

This under-execution is due to the slightly lower expenditure incurred by some Member States for both their wine national support programmes compared to their respective budgeted ceiling and for the grubbing-up scheme funded under this article.

*3.1.4. Milk and milk products (- EUR 12.9 million)*

This under-execution is due the smaller expenditure incurred by Member States on the private storage of butter and on the School Milk Scheme compared to the expenditure forecasted in the budget.

*3.1.5. Pig-meat, eggs and poultry, bee-keeping and other animal products (-EUR 33.5 million)*

This under-execution is due to lower expenditure incurred for refunds for exported poultry following the reductions in the level of export refunds in October 2012 and February 2013 and their final setting at zero in July 2013.

## 3.2. Direct aids

The uptake of appropriations for direct aids was higher compared to the level of the budget's voted appropriations by EUR 728.5 million, but lower by EUR 304.5 million when taking account of the foreseen assigned revenue of EUR 1 033 million for this chapter. This divergence results primarily from the decoupled direct aids sector.

*3.2.1. Decoupled direct aids (+EUR 768 million in comparison with voted appropriations)*

This over-execution results from comparing the expenditure incurred for decoupled direct aids with the 2013 budget’s voted appropriations, which do not include the revenue assigned to this sector. However, if the revenue of EUR 1 033 million assigned to this sector (please see footnote * at the bottom of the annexed table) is included, then total available appropriations rise to EUR 39 109 million and the over-execution turns to an under-execution of – EUR 265 million.

This slight net under-execution is primarily due to the lower expenditure incurred unexpectedly by Member States for the Single Payment Scheme (SPS). On the other hand, Member States slightly over-executed the forecasted appropriations for the Single Administrative Payment Scheme (SAPS) leading to a net under-execution of 99.3% of the needs for decoupled aids.

*3.2.2. Other direct aids (- EUR 38.6 million)*

This under-execution is primarily due to a slightly lower expenditure incurred for the coupled specific support measures under article 68 of Council Regulation (EC) No 73/2009 and due to significant corrections reported by some Member States for certain schemes. On the other hand, the budget available for payments of directs aids in POSEI was exceeded following adoption of the Council Regulations (EC) No 228/2013, which authorised a one-off payment of premium for banana producers in 2013 financial year.

## 3.3. Audit of agricultural expenditure

### *3.3.1. Accounting clearance of previous years' accounts (+EUR 206 million)*

The Commission, in its Amending Letter for 2013, had proposed corrections amounting to – EUR 56 million, based on the average execution of previous years as such corrections are not predictable. In the new Draft Budget drawn up in November, following the failure in the first conciliation, this amount was increased to – EUR 100 million. In the end, following the conciliation of 5 December 2012, the Budgetary Authority adopted the 2013 budget in which this amount was finally set at – EUR 200 million.

The accounting clearance decisions adopted by the Commission in 2013, resulted in positive corrections in favour of the Member States of approximately EUR 6 million. Further corrections of approximately – EUR 2.5 million arising from the non-respect of payment deadlines by Member States were presented to the Agricultural Funds committee in November 2013. The impact of this decision is not reflected in the amounts of provisional execution in Annex I. Therefore, the overall net corrections proposed by the Commission amount to EUR 3.5 million and not to EUR 6 million as indicated in the table in Annex I.

Adding the afore-mentioned net corrections to the amount of – EUR 200 million adopted by the Budgetary Authority for the accounting clearance of previous years' corrections in the 2013 budget, the Commission has proposed chapter to chapter transfers amounting to EUR 203.5 million in order to close this budget item in 2013.

# 4. IMPLEMENTATION OF REVENUE ASSIGNED TO EAGF

The table in Annex 1 shows that the total assigned revenue eventually available in 2013 amounted to EUR 2 074.6 million. It was higher by EUR 541.6 million compared to the initially forecasted amount of EUR 1 533 million.

This difference is partly due to the fact that the amount of assigned revenue carried over from 2012 into 2013 was EUR 1 245.6 million, ie: it was higher by EUR 340.6 million than the amount of EUR 905 million initially foreseen in the budget. This amount included the balance of approximately EUR 755 million in the temporary Sugar Restructuring Fund after all due payments under this Fund were made. It should be pointed out that the assigned revenue carried over from 2012 into 2013 has been entirely used in the financing of the EAGF expenditure in 2013 budget year .

Furthermore, the assigned revenue freshly collected in 2013 amounted to EUR 828.9 million compared to the amount of EUR 628 million foreseen in the budget. This is mainly due to the fact that an additional conformity clearance decision was adopted by the Commission in 2013. The part of the freshly collected assigned revenue, which will not be used in 2013, will be carried over into the 2014 EAGF budget and it will be used to finance the expenditure incurred in that year.

# 5. CONCLUSIONS

The provisional expenditure of the 2013 EAGF budget including estimates for direct expenditure until 31 December 2013 results in an over-execution of EUR 1 339 million compared to the budget's voted appropriations, which is covered by the available assigned revenue of EUR 2 074.6 million.

A number of end-of-year adjustments and transfers of appropriations still has to be made. Taking these adjustments into account as well as the funding needs of the 2013 budget outlined above, it is estimated that the remaining balance of assigned revenue to be carried over to the 2014 EAGF budget will amount to around EUR 700 million. It should be mentioned that assigned revenue estimated at EUR 615 million has been already taken into account in the Amending Letter No 2/2014.