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

**15th FINANCIAL REPORT FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT AND THE COUNCIL ON THE EUROPEAN AGRICULTURAL
GUARANTEE FUND**

2021 FINANCIAL YEAR

{SWD(2022) 281 final}

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ANNEX 1	BUDGETARY PROCEDURE FOR 2021 EAGF APPROPRIATIONS
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ANNEX 4	EAGF BUDGETARY EXECUTION BY ARTICLE AND BY MEMBER STATE – 2021 FINANCIAL YEAR

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. Initial Draft Budget 2021 and Amending Letter 1/2021

The initial Draft Budget 2021 was adopted by the Commission and proposed to the Budgetary Authority on 27 July 2020. The commitment appropriations proposed for the EAGF totalled EUR 40 179.1 million. The Council adopted its position on the Draft Budget 2021 on 28 September 2020, increasing the commitment appropriations for the EAGF by EUR 164.3 million. The European Parliament adopted its position on 12 November 2020, increasing the commitment appropriations for the EAGF by EUR 262.9 million compared to the Draft Budget.

On 13 November 2020 the Commission published Amending Letter (AL) No 1 to the Draft Budget 2021 increasing the needs in commitments by EUR 222.2 million compared to the Draft Budget. However, these additional needs were partially compensated by the EUR 33.3 million increase in the assigned revenue expected to be available in 2021. As a result, the requested commitment appropriations for the EAGF in the AL increased by EUR 188.9 million compared to the Draft Budget.

The Conciliation Committee, composed of members of the European Parliament and of the Council, did not agree on a joint text within the 21-day time-limit referred to in Article 314(6) of the Treaty on the Functioning of the European Union.

1.2. Adoption of the 2021 budget

The Commission adopted a second Draft Budget 2021 on 10 December 2020. The 2021 budget was declared as adopted by the Council and by the European Parliament on 14 December and 18 December 2020, respectively. The budget's total commitment appropriations for the EAGF amounted to EUR 40 368.0 million and its payment appropriations amounted to EUR 40 353.7 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 and operational technical assistance.

Specifically, of the voted EAGF commitment appropriations for policy area 08 (Agriculture and Maritime Policy) amounting to EUR 40 368.0 million: EUR 2 618.1 million were foreseen for market-related expenditure outside the CAP Strategic Plans under article 08 02 03; EUR 37 431.7 million were foreseen for direct payments outside the CAP Strategic Plans under article 08 02 05; and EUR 307.3 million were foreseen for Policy strategy, coordination and audit under article 08 02 06.

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

¹ This procedure is presented in annex 1.

² These amounts are not entered in the revenue lines of the budget (item 6 2 0 0 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.

At the time of establishing the 2021 budget, the amount of assigned revenue expected to be collected in the course of the 2021 budget year was estimated at EUR 619 million. It was estimated that no assigned revenue will be carried over from the budget year 2020 into 2021.

The estimated assigned revenue was taken into account for the financing needs of the basic payment scheme when the Budgetary Authority adopted the 2021 budget.

For the basic payment scheme (direct payments), the sum of the voted appropriations by the Budgetary Authority and the estimated assigned revenue correspond to the total estimated need of EUR 14 791 million.

2. CASH POSITION AND MANAGEMENT OF APPROPRIATIONS

2.1. Management of appropriations

2.1.1. Appropriations available for the 2021 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	40 367 954 000.00	40 353 742 883.00	1. European Agricultural Guarantee Fund – Assigned revenue	619 000 000.00
1a. Appropriations under shared management	40 192 561 720.00	40 192 561 720.00	Total forecast of AR	619 000 000.00
1b. Appropriations under direct management	175 392 280.00	161 181 163.00		
2. Amending Budget				
3. Transfer to / out of EAGF in the year	3 500 000.00	50 974 605.50		
4. Final appropriations for EAGF of which	40 371 454 000.00	40 302 768 277.50		
4a. Appropriations under shared management	40 201 408 720.00	40 201 408 720.00		
4b. Appropriations under direct management	170 045 280.00	101 359 557.50		

- (1) Appropriations entered in the 2021 budget after deducting the expected assigned revenue to be collected in 2021 and the one carried over from 2020 to 2021 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 2021 financial year

In EUR

	Execution of commitment appropriations	Execution of payment appropriations
Shared management ⁽¹⁾	40 612 300 603.41	40 612 300 603.41
Expenditure under direct management	164 242 458.62	90 289 047.09
Total	40 776 543 062.03	40 702 589 650.50

- (1) Committed amounts. Commitments and payments less assigned revenue of EUR 615 736 140.23 (see point 4 and annex 3-I) received for shared management: EUR 39 996 564 463.18.

For the financial year 2021, the actual amount of commitment appropriations used amounted to EUR 40 776 543 062.0 while for payment appropriations this amounted to EUR 40 702 589 650.5. Further details on the execution of appropriations under shared management are given in section 3.2 below.

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 2022⁽²⁾
Appropriations (C1) ⁽¹⁾	170 045 280.00	101 359 557.50	-
Execution (C1)	164 242 458.62	90 289 047.09	363 383.24
Appropriations cancelled	5 802 821.38	10 707 127.17	-

(1) C1 denotes the budget's voted appropriations. This amount includes transfers "in" EAGF from "Rural development" for an amount of EUR 3 500 000.00 for commitment appropriations, to "shared management" for an amount of EUR 8 847 000 for commitment and payment appropriations and transfers "out" of EAGF for a total amount of EUR 50 974 605.50 for payment appropriations.

(2) Carry-over to 2022 only for non-differentiated appropriations.

The available commitment appropriations for expenditure under direct management in the 2021 budget were EUR 170.0 million. An amount of EUR 164.2 million was committed in 2021. The balance of these appropriations, EUR 5.8 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 2022, which relates only to non-differentiated appropriations, amounts to EUR 0.4 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 States³. 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 2020 to 15 October 2021 are covered by the system for monthly payments.

For the whole financial year, the total of the decided amounts of monthly payments was EUR 40 499.6 million. Taking into account recovered amounts from clearance decisions and reimbursement of previously suspended amounts, EUR 39 998.8 million have effectively been paid to Member States.

³ These monthly declarations of expenditure are transmitted by the Member States by the declaration of the 12th of the month N+1.

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.

3. THE IMPLEMENTATION OF THE 2021 EAGF BUDGET

3.1. The uptake of the EAGF appropriations

The implementation of the EAGF appropriations amounted to EUR 40 776.5 million⁴. This expenditure was funded by the budget's initial appropriations, by using the revenue assigned to the EAGF, and by a transfer from the EAFRD to the EAGF. From the revenue assigned to the EAGF, an amount of EUR 55.5 million carried over from 2020 was fully used while from the EUR 615.7 million assigned revenue collected in 2021 EUR 613.6 million was implemented. Within chapter 08 02, the EAGF expenditure amounted to EUR 2 599.6 million for market measures, and EUR 37 878.8 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 article and by Member State.

3.2. Comments on the budget implementation

A brief commentary on the implementation of the appropriations and 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. Article 08 02 03: Market-related expenditure outside the CAP Strategic Plans

3.2.1.1. Introduction

Total execution (in commitment appropriations) for this article amounted to EUR 2 599.6 million and it was almost exclusively funded by voted appropriations. 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 underspent, the resulting available appropriations were transferred to other budget lines within the EAGF to cover additional expenditure as needed.

The measures related to market support measures covered in particular the fruit and vegetables and wine sectors, but also POSEI and Smaller Aegan Islands (excluding direct payments), promotion, apiculture and school schemes.

In the context of exceptional measures taken under this chapter to help producers cope with the COVID-19 crisis, the Commission adopted measures focused on the wine⁵ and fruit and vegetables sectors⁶.

⁴ This figure includes the reimbursement of the financial discipline related to the agricultural crisis reserve carried over from financial year 2020. However, it does not include EUR 41 383 278.00 reimbursed to the UK following decision C(2021)3685.

⁵ Commission Implementing Regulation (EU) 2021/1763 of 6 October 2021 amending Implementing Regulation (EU) 2020/600 as regards the derogations from Implementing Regulation (EU) 2016/1150 to address the crisis caused by the COVID-19 pandemic in the wine sector; OJ L 355 of 7.10.2021, p. 3-5

For details on the transfers made, please see annex 2.

3.2.1.2. Item 08 02 03 01: POSEI and Smaller Aegan Islands (excluding direct payments)

Appropriations of EUR 224.0 million were budgeted under budget item 08 02 03 01. EUR 3.0 million were transferred out from this budget item..

3.2.1.3. Items 08 02 03 02: Promotion of agricultural products – Simple programmes

The under-execution of EUR 22.5 million compared to the budgeted needs was mainly due to the COVID-19 pandemic. The amount was transferred to cover the needs of other EAGF budget items.

3.2.1.4. Item 08 02 03 04: School schemes

The expenditure incurred for school schemes amounted to EUR 156.2 million compared to budgeted needs of EUR 205 million. The difference (EUR 48.8 million) was transferred to cover other EAGF expenditure. The lower uptake reflects the repercussions encountered due to the COVID-19 pandemic for the implementation of these schemes.

3.2.1.5. Item 08 02 03 05: Olive Oil

Appropriations of EUR 43.0 million were budgeted for the olive oil programmes. The expenditure incurred for this budget item amounted to EUR 57.6 million. The difference (EUR 14.6 million) has been transferred from other budget items within the same article. The overconsumption is mainly due to the higher request for advances as well as outstanding payments declared by one Member State following a ruling of a national court relating to the implementation of a previous annual work programme.

3.2.1.6. Item 08 02 03 06: Fruit and vegetables

The expenditure incurred by Member States for this budget item amounted to EUR 891.4 million. In addition to the voted appropriations of EUR 867.0 million, EUR 24.4 million were transferred from other EAGF budget lines to cover the needs.

3.2.1.7. Item 08 02 03 07: Wine

The budget foresaw EUR 1 026.0 million appropriations to cover the estimated needs of all the measures for this sector. A transfer of EUR 3.8 million was made to cover the total execution which amounted to EUR 1 029.8 million. For Covid-19 measures a total amount of EUR 72.6 million was spent in the Wine sector (Crisis distillation: EUR 42.81 million, Crisis storage: EUR 20.99 million, Harvest insurance: EUR 8.79 million).

3.2.1.8. Item 08 02 03 08: Apiculture

Appropriations of EUR 59.0 million were budgeted for apiculture out of which EUR 46.6 million were spent. The difference (EUR -12.4 million) has been transferred within the same article.

3.2.1.9. Item 08 02 03 10: Public and private storage measures

The budgeted amount of EUR 9 million has been exceeded with EUR 25.3 million. The difference has been transferred from within the same article. It concerns mainly the private storage aid for olive oil adopted in 2019, for which in budget year 2021 Member States declared outstanding payments for a total of EUR 28.1 million.

⁶ Commission Delegated Regulation (EU) 2021/2245 of 12 October 2021 amending Delegated Regulation (EU) 2017/891 as regards the calculation of the value of marketed production of producer organisations in the fruit and vegetable sector; OJ L 453 of 17.12.2021, p. 3-4.

3.2.2. *Article 08 02 05: Direct payments outside the CAP Strategic Plans*

Financial year 2021 was the sixth year of implementation of the 2013 reform of the Common Agricultural Policy. Total spending for this budget article amounted to EUR 37 878.8 million. This includes EUR 428.3⁷ million paid for the reimbursement of direct payments to farmers in relation to financial discipline, financed from EUR 475.0 million carried over from 2020 (for details, see point 3.2.2.11). The rest of the payments made (EUR 37 450.5 million) was funded by voted appropriations (EUR 36 781.4 million) and by assigned revenue (EUR 669.1 million). The latter was mainly used to cover part of the expenditure incurred for the basic payment scheme (for details, see point 3.2.2.4). The total unused appropriations amounted to EUR 693.9 million, of which EUR 686.4 million have been carried over to financial year 2022 to be reimbursed by the Member States to the beneficiaries. This included EUR 487.6 million of the unused crisis reserve.

The main schemes funded under this article are the single area payment scheme (SAPS), the basic payment scheme (BPS), the payment for agricultural practices beneficial for the climate and the environment and the voluntary coupled support scheme. Most aid schemes in this budget article are paid independently of production (decoupled direct payments). They are all subject to the respect of cross-compliance.

3.2.2.1. Item 08 02 05 01: POSEI and Smaller Aegean Islands (direct payments)

The execution for the POSEI and Smaller Aegean Islands (direct payments) ran up to 100.1 % of the budgeted needs (EUR 431.0 million). The unforeseen needs were covered by transfers from other items within the same article.

3.2.2.2. Item 08 02 05 02: Single area payment scheme (SAPS)

As regards SAPS, the appropriations in the budget amounted to EUR 4 406.0 million and Member States incurred payments amounting to EUR 4 362.5 million. This leads to a budget execution of 99.0 %. The remaining amount of EUR 43.5 million was transferred to other budget items within the same article.

3.2.2.3. Item 08 02 05 03: Redistributive payment

The budgeted needs for the redistributive payment amounted to EUR 1 610.0 million and the expenditure declared by Member States was EUR 1 597.7 million or 99.2 % of the budgeted needs. EUR 12.3 million have been transferred to budget items within the same article.

3.2.2.4. Item 08 02 05 04: Basic Payment Scheme (BPS)

As regards the BPS, the budgetary needs were estimated at EUR 14 791.0 million. To cover these needs, the Budgetary Authority voted appropriations amounting to EUR 14 172.0 million after taking into account EUR 619.0 million of revenue assigned to this scheme. The expenditure declared by Member States for this scheme amounted to EUR 14 812.4 million, corresponding to 100.1 % of the estimated needs. The additional needs of EUR 21.4 million were covered by transfers from other budget items and articles.

3.2.2.5. Item 08 02 05 05: Payment for agricultural practices beneficial for the climate and the environment

The voted appropriations in the budget for the payment for agricultural practices beneficial for the climate and the environment, the so-called greening, amounted to

⁷ Without taking into account EUR 41 383 278.00 reimbursed to the UK following decision C(2021)3685

EUR 10 778.0 million whereas expenditure incurred by Member States was at EUR 10 775.7 million, giving an execution rate of 99.8 %.

3.2.2.6. Item 08 02 05 07: Payment for young farmers

For the payment for young farmers, needs were estimated at EUR 574.0 million in the budget. Expenditure amounted to EUR 484.0 million or 84.3 % of the budgeted needs. The surplus was transferred to other budget items within the same article.

3.2.2.7. Item 08 02 05 08: Crop-specific payment for cotton

For the crop-specific payment for cotton, needs were estimated at EUR 242.0 million in the budget. Expenditure was EUR 240.8 million, i.e. 99.5 % of the budgeted amount.

3.2.2.8. Item 08 02 05 09: Voluntary coupled support scheme

For this budget item needs were estimated at EUR 4 019.0 million in the budget. Expenditure was EUR 4 015.0 million, i.e. 99.9 % of the needs.

3.2.2.9. Item 08 02 05 10: Small farmers scheme

For the small farmers scheme, needs were estimated at EUR 707.1 million in the budget. Expenditure was EUR 726.3 million, i.e. 102.7 % of the needs. The additional needs of EUR 19.2 million were mainly covered by assigned revenue.

3.2.2.10. Item 08 02 05 11: 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 1307/2013⁸. In 2021 the crisis reserve of EUR 487.6 million was not used and the corresponding amount was carried-over to 2022 to be reimbursed to the beneficiaries.

3.2.2.11. Item 08 02 05 12: 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 payments⁹.

Each year, if applicable, a Commission Implementing Regulation sets the amounts that each Member State has to reimburse to farmers and, in accordance with the introductory phrase of Article 12(2) of Regulation (EU, Euratom) 2018/1046, determines that the expenditure in relation to this reimbursement shall only be eligible for Union financing if the amounts have been paid to the beneficiaries before 16 October of the financial year to which the appropriations are carried over. From the amount of EUR 475.0 million, corresponding to the financial discipline applied during financial year 2020 that was carried over to budget 2021 for reimbursement,

⁸ OJ L 347, 20.12.2013, p. 608

⁹ 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. They 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.

Member States reimbursed EUR 428.3 million. An amount of EUR 41.4 million was separately reimbursed to the United Kingdom. For financial year 2021, Commission Implementing Regulation (EU) 2021/2091¹⁰ sets the amount of reimbursement at EUR 686.4 million (for EU 27).

In financial year 2021, financial discipline was applied both to constitute a crises reserve of 487.6 million and in order to ensure that the EAGF net balance is not overspent. Therefore, it was set at a significantly higher amount than the crises reserve.

3.2.3. *Article 08 02 06: Policy strategy, coordination and audit*

3.2.3.1 Item 08 02 06 01: Financial corrections in favour of Member States following clearance of accounts

This item includes the expenditure to finance possible accounting and conformity corrections in favour of Member States.

The corrections in favour of Member States following accounting clearance of accounts and conformity clearance of accounts were EUR 228.3 million, i.e. EUR 4.8 million lower than the budgeted amount of EUR 233.1 million.

3.2.3.2 Item 08 02 06 02: Settlement of disputes

The appropriations in this item 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. An amount of EUR 0.3 million was executed while the 2021 budget foresaw no appropriations. The need was covered by transfer.

3.2.3.3. Item 08 02 06 03: EAGF – Operational technical assistance

This item finances amongst others actions in the framework of the Farm accountancy data network (FADN), IT-Systems, Restructuring agricultural surveys, fairs and publications aimed at enhancing public awareness of the CAP, including actions under corporate communication, and costs for satellite imagery purchases to assist Member States in carrying out control and monitoring on aid applications. Appropriations committed amounted to EUR 63.3 million, while the budget foresaw appropriations amounting to EUR 74.2 million. The difference to the budgeted amount (EUR 10.9 million) was partly transferred outside the article partly remained unconsumed on this budget line.

3.2.4. *Article 08 02 99: Completion of previous programmes and activities*

3.2.4.1. Item 08 02 99 01: Completion of previous measures under the "European Agricultural Guarantee Fund (EAGF)" - Shared management

This item foresees budget for former measures from the markets, direct payments and rural development which still need to be completed. The budget foresaw EUR 6.6 million appropriations to cover the estimated needs of all the measures for this item. Expenditure was EUR 2.9 million. The difference to the budgeted amount (EUR 3.7 million) was transferred outside the article.

4. IMPLEMENTATION OF REVENUE ASSIGNED TO EAGF

The assigned revenue actually carried over from 2020 into 2021, amounted to EUR 55.5 million and was entirely used in financing expenditure of the 2021 budget

¹⁰ OJ L 427, 30.11.2021, p. 162–165

year in accordance with article 12 of the Financial Regulation. As presented in annex 3-II, this amount covered expenditure for the basic payment scheme.

As regards the assigned revenue collected in 2021, annex 3-I shows that this revenue amounted to EUR 615.7 million and it originated from:

- the clearance corrections procedure, EUR 503 million;
- the receipts from irregularities, EUR 112.7 million;

From the assigned revenue collected in 2021, the following amounts were used:

- EUR 582.9 million under the basic payment scheme (BPS, direct payments).
- EUR 17.9 million for the payments for agricultural practices beneficial for the climate and the environment (direct payments).
- EUR 12.9 million for the operational funds for producer organisations.

The balance of assigned revenue collected in 2021 (EUR 2.1 million) was automatically carried over to the 2022 budget.

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