

FINANCING THE COMMON AGRICULTURAL POLICY

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Abstract: *After the implementation of the Treaty of Rome, Member States' agricultural policy has given way to intervention mechanisms at Community level. The essential principles of the Common Agricultural Policy (CAP) have remained intact since the signing of the Treaty of Rome, with the exception of adjustments to the decision-making rules. The Lisbon Treaty enshrined co-decision as the "ordinary legislative procedure" under the CAP, replacing the previous consultation procedure. In this paper we aim to give a brief overview of the framework of the Common Agricultural Policy, its objectives and instruments, with a focus on its application in Romania.*

Keywords: *Common Agricultural Policy, economic growth, innovation, agriculture*

INTRODUCTION

The Common Agricultural Policy (CAP) is one of the first common policy initiatives implemented by the European Union and is the most integrated policy at European level. Based on the principles of the single market, Community preference (which promotes the consumption of products originating in the European Union) and financial solidarity (whereby common measures are financed from a collective budget), the CAP plays a crucial role in coordinating and supporting the European agricultural sector.

Since its establishment as a common European policy, the Common Agricultural Policy (CAP) has undergone many successive reforms, driven mainly by the needs of European agriculture, EU enlargement and global market opportunities. These reforms have essentially aimed at simplifying subsidy mechanisms, making them more efficient and REDUCING budgetary costs. The CAP has evolved from an agricultural policy initially focused on supporting production (production-linked payments) to one geared to market requirements, with an emphasis on quality, ecology and food safety (decoupled payments), emphasizing the efficient and sustainable use of resources [7].

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The 2013 CAP reform marked a significant shift from a 1950s policy to one fit for the third millennium, introducing mandatory environmental components (notably greening). This reform aimed to strengthen the competitiveness of the agricultural sector, promote sustainable and innovative agriculture, boost employment and economic growth in rural areas.

This reform aimed to adapt agricultural policy to new challenges such as global food security, climate change, sustainable management of natural resources and support for rural areas, thus contributing to maintaining the vitality of the rural economy.

The Common Agricultural Policy (CAP) has long been one of the main priorities of EU policies in terms of allocation of financial resources. However, the budget allocated to the CAP has been steadily decreasing, reaching 40% of the EU budget in 2013 compared to 75% in 1984 [8,9].

Under the new Common Agricultural Policy (CAP), Romania is placing particular emphasis on a number of specific issues: greening, aimed at facilitating the creation of forestry buffer strips, which are essential to combat the effects of climate change, such as drought; new direct payment schemes, which target small farms in particular, given that 85% of beneficiaries of these payments in Romania own less than 5 hectares of land; support for young farmers, as most farmers in Romania are over 55 years old; and the new rural development policy, aimed at reducing disparities between rural areas in the EU.

However, these new measures have led to more red tape for both the administration and farmers. For this reason, a reflection process has been initiated to simplify the application rules so that beneficiaries can more easily access the instruments offered by the new CAP [13].

MATERIALS AND METHODS

In this paper we used mostly qualitative methods. We analyzed the literature in the area of the common agricultural policy, using mainly the information from Eurostat statistical base, European Commission and Romanian Ministry of Agriculture and Rural Development. We also used data from the National Institute of Statistics. Our aim was to emphasize the importance of the Political Agricultural Policy in the development of the agriculture area in Europe and in Romania in a context in which climate change, pollution, poverty, safe food and health, biodiversity, green environment and maintaining the prosperity of the rural areas became issues of increase interest among the specialists. As a result of the covid19 pandemic, farmers have faced many difficulties. During this time of crisis, the European Union has made ensuring food security for its citizens a top priority. The support measures implemented for food producers ensured a stable and continuous supply throughout the pandemic. This support continues after the pandemic through a set of legislative acts adopted by the EU to ensure a harmonised agricultural policy in EU countries.

RESEARCH RESULTS

1. FINANCING THE COMMON AGRICULTURAL POLICY

The financing of the Common Agricultural Policy (CAP) has historically been provided by a single fund, the European Agricultural Guidance and Guarantee Fund (EAGGF). Since 1 January 2007, this fund has been replaced by two separate instruments: the European Agricultural Guarantee Fund (EAGGF) and the European Agricultural Fund for Rural Development (EAFRD). The CAP Regulation for the period 2023-2027 envisages a new performance model, based on strategic plans, for the management of all CAP expenditure [10].

The new Common Agricultural Policy (CAP) legislation puts a strong emphasis on performance and results, adopting a tailor-made approach that gives Member States more flexibility in implementing the policy at local level.

The figure below shows the funding allocated to planned public expenditure set out in the strategic plans under both the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) in 2022.

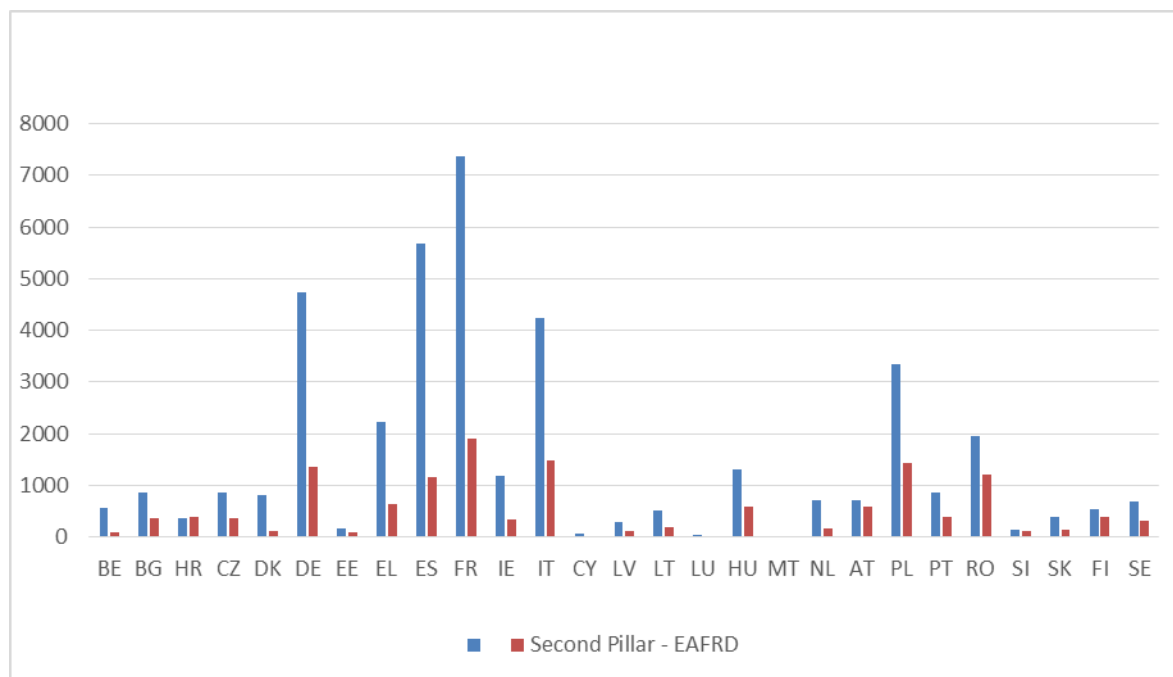


Figure 1. Expenses from EAGF and EAFRD per EU member state in 2022 (million euro)

Source: European Parliament, Financing Common Agricultural Policy

<https://www.europarl.europa.eu/factsheets/ro/sheet/106/finantarea-politicii-agricole-comune-fapte-si-cifre>

From Figure 1 we can see that the funds allocated under Pillar 1 are considerably higher than those allocated under Pillar 2.

In terms of recipient countries, we can see that the most funds were granted to France (7372.2 mil euro from EAGF and 1913.1 mil euro from EAFRD), Spain (5666.8 mil euro from EAGF and 1149.3 mil euro from EAFRD), Germany (4739.8 mil euro from EAGF and 1354.0 mil euro from EAFRD), Italy (4241.7 mil euro from EAGF and 1419 mil euro from EAFRD) and Poland (3351.3 mil euro from EAGF and 1470.8 mil euro from EAFRD).

At the other end of the scale, Cyprus (52.71 mil euro from EAGF and 22.2 mil euro from EAFRD), Malta (5.2 mil euro from EAGF and 14.9 mil euro from EAFRD), Luxembourg (34.9 mil euro from EAGF and 15.41 mil euro from EAFRD), Slovenia (139.5 mil euro from EAGF and 119.1 mil euro from EAFRD) and Estonia (167.1 mil euro from EAGF and 91.6 mil euro from EAFRD) received the least funds. Romania received 1953.0 mil euro from European Agricultural Guarantee Fund and 1215.1 mil euro from European Agricultural Fund for Rural Development.

As a percentage of the total EU funds received, the distribution of funding by Member State through EAGF and EAFRD is presented in Figure 2. We can see in this figure that the highest percentages have been received by: France (17.1%), Spain (12.5%), Germany (11.2%), Italy (10.5%) and Poland (8.8%). At the other end of the scale, the least EAGF and EAFRD funds went to: Malta (0.04%), Luxembourg (0.1%), Cyprus (0.14%) Estonia (0.47%) and Slovenia (0.5%).

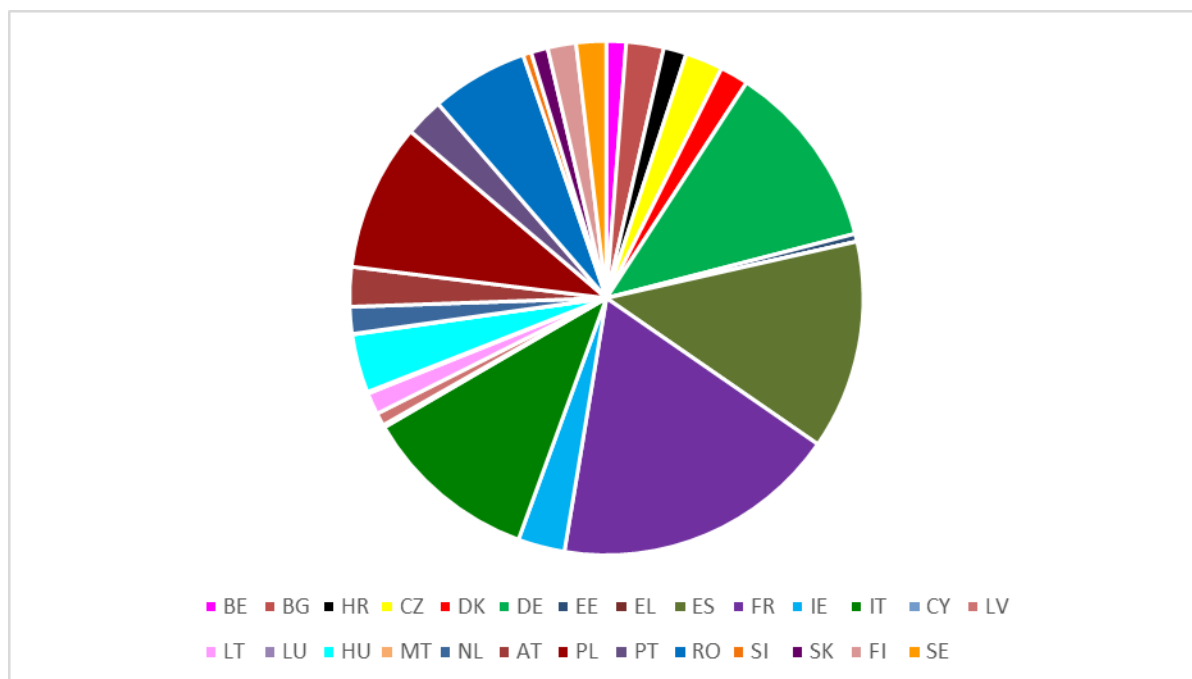


Figure 2. The percentage of the financing received by the EU member states through EAGF and EAFRD from total EU funds in 2022 (%from total EU)

Source: Developed by the author based on data from: European Parliament, Common Agricultural Policy, <https://www.europarl.europa.eu/factsheets/ro/sheet/106/finantarea-politicii-agricole-comune-fapte-si-cifre>

Table 1.

CAP budget for the period 2021-2027

EU-27 CAP budget (commitment appropriations - EUR million in current prices)	(A) Year 2021	(B) Multiannual financial framework 2021-2027 (MFF)	% (B)
(1) PILLAR 1 of the CAP Direct payments (DP) and measures in agricultural markets	40,368.0	290,534.0	76.8 %
(2) PILLAR 2 of the CAP (2a) Rural Development (RD) measures in the MFF (2b) Additional rural development measures under the NGEU (Temporary Recovery Instrument)	15,345.0 2,387.7	87,998.3 8,070.5	23.2 % ---
(3) TOTAL CAP 2021-2027, EU-27 [(1) + (2a)]	55,713.0	378,532.3	100 %
(4) TOTAL EU COMMITMENTS	168,496.0	1,221,719.5	---
(5) % from CAP [(3) / (4)]	33.1 %	31.0 %	---
(6) TOTAL CAP: MFF 2021-2027 + NGEU 2021-2022 [(1) + (2a) + (2b)]	58,100.7	386,602.8	---
(7) TOTAL MFF 2021-2027 + NGEU 2021-2022	333,108.9	1,642,788.7	---
(8) % of CAP [(5) / (6)]	17.4 %	23.5 %	---

Source: European Parliament, Common Agricultural Policy, <https://www.europarl.europa.eu/factsheets/ro/sheet/106/finantarea-politicii-agricole-comune-fapte-si-cifre>

In December 2020, Regulation (EU, Euratom) 2020/2093 was adopted, setting the multiannual financial framework for the period 2021-2027. As a result, from 1 January 2021, beneficiaries of the Common Agricultural Policy (CAP) had €378,532.3 million (in current prices) at their disposal, equivalent to 31% of the total EU budget (details in the

table below). Rural development measures included in the CAP have at their disposal additional funds from the Next Generation EU (NGEU) program, amounting to €8,070.5 million, aimed at supporting the economic and social recovery from the crisis following the COVID-19 pandemic. This brings the total financial commitments allocated to the CAP for the period 2021-2027 to €386,602.8 million.

2. KEY CAP OBJECTIVES FOR THE PERIOD 2023-2027

For the period 2023-2027, the Common Agricultural Policy (CAP) focuses on ten key objectives, addressing social, economic and environmental issues. These core objectives form the basis for the CAP strategic plans of the EU Member States.



Figure 3. Key objectives of the Common Agricultural Policy on the 2023-2027 period

Source: https://agriculture.ec.europa.eu/common-agricultural-policy/cap-overview/cap-2023-27/key-policy-objectives-cap-2023-27_ro

The CAP has the following objectives:

1. **Securing a decent income for farmers** - supporting sustainable farm incomes and strengthening the resilience of the agricultural sector across the EU is a key priority. This approach aims to enhance agricultural diversity and strengthen long-term food security, while helping to ensure the economic sustainability of agricultural production.

2. **Developing the competitiveness of the agricultural sector** - Strengthening market orientation and increasing the competitiveness of farms are key objectives, both in the immediate and long-term perspective. This involves stepping up research efforts, adopting advanced technology and promoting digitalization in the agricultural sector so that farmers can better respond to market demands and improve their economic performance.

3. **Improving the position of farmers in the food chain** - through measures such as increasing collaboration between farmers, increasing transparency in the market and implementing effective mechanisms to combat unfair trading practices, the aim is to strengthen their position and ensure fair competition within the agricultural sector.

4. **Combating climate change** - by reducing greenhouse gas emissions and improving carbon sequestration and promoting the use of sustainable energy, the aim is to make an active contribution to combating climate change and protecting the environment.

5. ***Environmental protection*** - by promoting sustainable development and efficient management of natural resources, including water, soil and air, the aim is to reduce dependence on chemicals and create an environment where these resources are used in a sustainable and responsible way. The focus on soil as one of the most important natural resources is justified by its vital role in providing essential nutrients, water and oxygen needed by plants. At the same time, the importance of soil health and the need for policies to promote soil protection are highlighted, given its direct impact on the fertility and sustainability of agricultural and natural ecosystems.

6. ***Landscape and biodiversity conservation*** - the focus on soil links to agricultural landscapes and landscape features highlights the importance of integrating ecological and aesthetic aspects into farmland management. This approach implies significant changes in the agricultural sector, such as adopting sustainable farming practices, conserving biodiversity and promoting the efficient use of natural resources. The Common Agricultural Policy (CAP) currently provides relevant instruments to address these issues, including subsidies for organic farming practices, biodiversity conservation schemes and rural development programs. However, there are key questions about the direction in which the CAP should develop in the future to better respond to the current and future challenges of the agricultural sector and the environment. These questions may relate to the effectiveness and efficiency of existing instruments, the need to adapt to climate change, the promotion of innovation and research in agriculture and ensuring a fair distribution of financial support across the EU.

7. ***Supporting generational renewal in agriculture*** - aims to attract and support young and new farmers and facilitate the development of sustainable enterprises in rural areas. This initiative focuses on the need to encourage the participation of younger generations in agriculture and to create opportunities for new entrants to the sector. To achieve this objective, the CAP can provide financial and technical support to young farmers to help them start and develop their farming businesses. This support can include subsidies for the purchase of farm equipment and land, access to training and advisory programs, and support for the adoption of sustainable and innovative farming practices. In addition, the CAP can facilitate the development of sustainable businesses in rural areas through rural development schemes and investment in local infrastructure. These measures can help diversify the rural economy, create jobs and improve the quality of life in rural communities.

8. ***Making rural areas more dynamic*** - by promoting employment in rural areas and encouraging economic growth by stimulating agricultural and non-agricultural activities. It also focuses on improving gender equality in agriculture, facilitating women's participation at all levels and sectors of this vital area. By promoting social inclusion, the CAP aims to ensure that all people living in rural areas have access to equal opportunities for development and progress. The CAP also supports local development in rural areas by investing in the infrastructure of local communities and supporting economic and social revitalization initiatives. By encouraging the circular bio-economy, the Common Agricultural Policy promotes the efficient use of natural resources and waste, helping to reduce environmental impacts and increase sustainability. In addition, the CAP supports sustainable forestry, promoting responsible forest management and the conservation of biological diversity in the countryside.

9. ***Protecting food quality and public health*** - by promoting the production of high quality, safe and nutritious food in a sustainable way. This involves adopting agricultural practices and technologies that ensure environmental protection and contribute to maintaining and improving soil fertility, air and water quality. The CAP also aims to reduce food waste by promoting more efficient practices in the food chain and encouraging

responsible consumption. By improving animal welfare, the Common Agricultural Policy is committed to ensuring proper living conditions and treatment of farm animals, thus contributing to improving the quality of food products and increasing consumer confidence. In addition, the CAP also focuses on combating antimicrobial resistance in the agricultural sector by promoting responsible antibiotic use practices and developing strategies to manage the risks associated with their overuse. Through these measures, the CAP contributes to ensuring sustainable food production and protecting public health.

10. Promoting knowledge and innovation in agriculture. To ensure the modernization of agriculture and rural areas, the CAP aims to facilitate farmers' access to advanced research, innovation and knowledge exchange through dedicated programs and initiatives. This involves promoting public-private collaboration in agricultural research, funding research and development projects aimed at innovative solutions to the problems of modern agriculture, and creating platforms for farmers to exchange knowledge and best practice. In addition, the CAP encourages farmers to adopt new and improved information and practices by providing support and facilities for training and education. Through these initiatives, the aim is to increase farmers' skills and capacities in areas such as crop management, advanced agricultural technologies, natural resource management and market and trade issues. In this way, the CAP contributes to increasing the efficiency and competitiveness of European agriculture and to improving living and working conditions in rural areas. [1,3-4]

3. ROMANIA'S STRATEGIC PLAN UNDER THE COMMON AGRICULTURAL POLICY

Romania's agricultural development plan has the main objective of improving farmers' livelihoods and increasing their competitiveness in the market. In addition to income support, around €1.1 billion will be earmarked for investment in farms and processing plants [2,5,6].

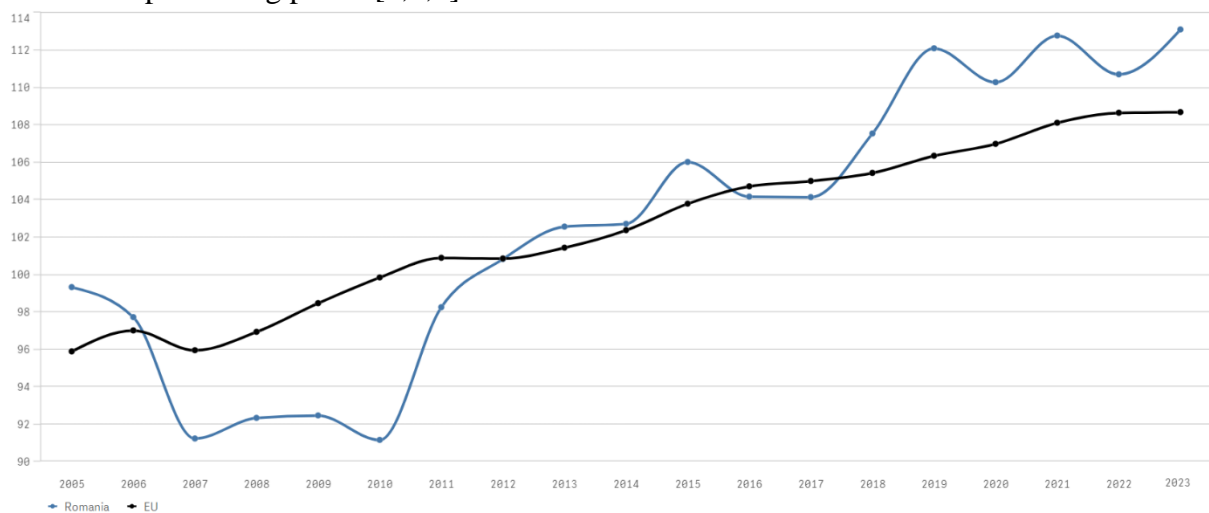


Figure 4. Labour productivity in agriculture in Romania compared to the EU

Source: EUROSTAT

Romania allocates 41% of its budget to rural development with the aim of encouraging environmentally friendly practices in areas of high nature value with the aim of protecting biodiversity [14].

It is estimated that these practices will be implemented on an area of 611,000 hectares.

Romania will benefit from a total funding of €15.8 billion, of which around 38% will go towards investment measures in agriculture and rural development, including eco-

schemes. Of this, 61% will be allocated to subsidies for farmers, and almost 1% will go towards ensuring greater market stability.

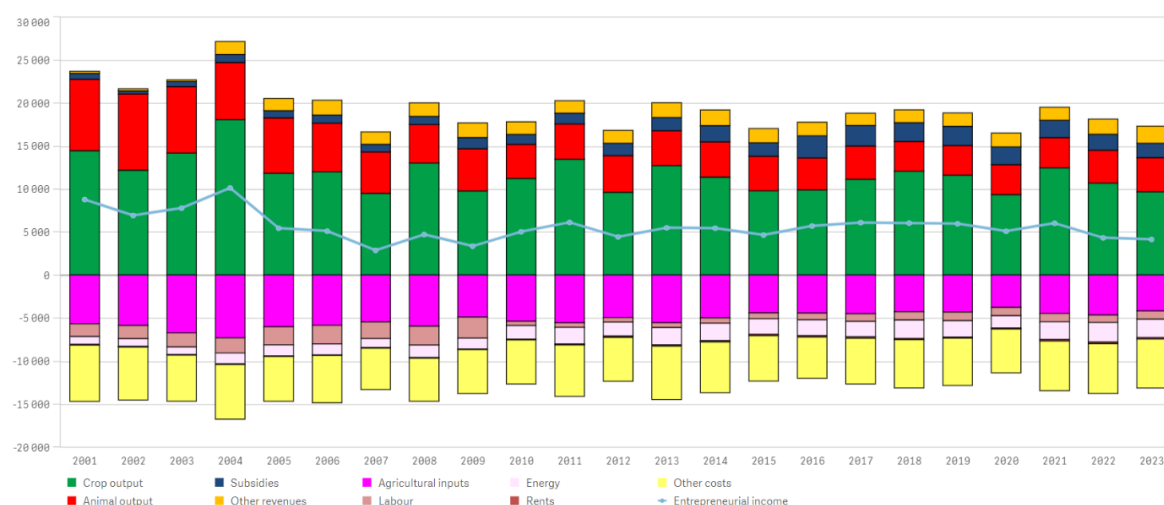


Figure 5. Revenue and cost structure of agricultural income for Romania (real prices in million euro)

Source: EUROSTAT

Romania's agricultural plan provides for various measures to support farmers and promote sustainability:

- ✓ 49.29% of the budget will be allocated to basic income support for sustainability. This measure will cover an area of 9,697,000 hectares, with a planned amount ranging from €96.47/ha in 2023 to €103.06/ha in 2027.

- ✓ 10% of the budget will go to additional redistributive support for farms of less than 50 hectares.

- ✓ 25.02% of the funds will be used for eco-schemes.

- ✓ 10% of the budget will go to small and medium-sized farmers, i.e. farms up to 50 hectares.

- ✓ 0.69% will be allocated to additional support for young farmers.

- ✓ Compensatory payments will be granted for rural development interventions in agricultural areas with natural constraints, such as the Carpathian Mountains, the Danube Delta, the south and south-east regions of the country.

- ✓ In addition, a fund will be created to compensate farmers for production losses caused by major adverse climatic events equivalent to natural disasters. This fund will be made up of contributions from all farmers receiving direct payments, from which 3% will be deducted annually, together with a public contribution from the European Agricultural Fund for Rural Development (EAFRD) and co-financing from the state budget [15].

CONCLUSIONS

The Common Agricultural Policy (CAP) was established to create a balanced and fair agricultural policy while maintaining food security in Europe.

Today, Romanian agriculture is facing many persistent problems. These are partly the result of underdevelopment and partly the legacy of the communist period. Among the most significant problems identified are:

- ✓ Lack of a coherent vision in agricultural policy-making.
- ✓ Poor implementation of existing legislation.
- ✓ General instability of the agricultural sector.

- ✓ Major discrepancies between small and large farmers.
- ✓ Persistent poverty and ageing population in rural areas.
- ✓ Insufficient quality of rural development.
- ✓ Excessive bureaucracy and difficult access to funds.
- ✓ Trade imbalances between Romania's imports and exports compared to other European countries.
- ✓ Environmental problems and regional disparities within Romania.

These challenges undermine the sustainable development of Romanian agriculture and require integrated and effective solutions to ensure the progress of the agricultural sector and the well-being of rural communities.

Even in this context, we believe that the future of agriculture in Romania is extremely promising. Rural peasants, who have been the cornerstone of Romania's past, will continue to be the foundation of this nation's future. Romania, a country rich in resources and with huge agricultural potential, can become a prosperous nation and an essential pillar of the European Union with the right policies.

If Romanian leaders develop policies that support this vision, Romania can become an example of sustainability and food security. To achieve this goal, it is essential to start by supporting local farmers in their efforts to grow healthy food. The future of Romanian agriculture depends on supporting these farmers and developing effective strategies to harness the country's agricultural potential.

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