HISTORY OF FUNDING OPPORTUNITIES FOR SUSTAINABLE AGRICULTURE

SCURT ISTORIC PRIVIND OPORTUNITĂŢILE DE FINANŢARE PENTRU AGRICULTURA DURABILĂ

CRISTINA FICA[1]; CORINA ŞERBAN (BOICEANU)[2]

[1.] Tibiscus University, Faculty of Economic Sciences, Timisoara, Romania
[2.] West University of Timisoara, Timisoara, Romania; crialexramo@yahoo.com

Abstract: *Unlike the Community's Environmental Policy, the Common Agricultural Policy or CAP was one of the original activities of the EC (at the time, the EEC).*
Thee CAP was, first, funded through the so-called European Agricultural Guarantee and Guidance Fund (EAGGF), and now the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) which forms an important part of the Community's budget.

Key words*: founds, agriculture, European Union, politics*

INTRODUCTION

Agriculture makes a valuable contribution to the socio-economic development of rural area and full realization of their potential growth. Rural areas cover 90% of the European Union's (hereafter EU) territory and are home approximately 50% of its population. Agriculture and forestry are the main land users and play a key role in the management of natural resources in rural areas and in determining the rural landscape[36].

It was and still is one of the most important European Communities activities because the relationship between environment and agriculture is a special one. Over centuries, agriculture has contributed to the creation of most of this manmade environment. It was obvious to the founding Member States of the European Economic Community that the move towards economic integration had to include agriculture.

[36] János-Ede SZILÁGYI: *Common Agricultural Policy* in: volume Angyal Zoltán, Ana Călina Butiu, Aurel Burciu Public policies of the European Union; Târgu-Mureş, Editura Universităţii "Petru Maior", 2008; p. 88

The Treaty of Rome sign in 1957 sets key objectives for agriculture – affordable food for EU citizens and a fair living for farmers. In 1961 is born the common agricultural policy (hereafter CAP), "the EU's first and only real common policy"[37], funded by contribution from Member States. Article 38 of the Treaty on the functioning of the European Union (hereafter TFEU) requires that the operation and development of the internal market for agricultural products be accompanied by the establishment or a common agricultural policy. The CAP was established in the aftermath of the Second World War, following a long period of rationing and food shortages. Now we can range the objectives of CAP resumed in article 39 TFEU.

With the European Agricultural Guidance and Guarantee Fund (EAGGF) that was set up in 1962[38], the CAP points the way ahead. Since a single EU agricultural market is created. The EAGGF guidance section assists the modernization of agricultural infrastructure and supports farming in environmentally sensitive areas. Applications for grants or subsidies are trough the national agricultural ministries[39]. However, since 1963 the budget share devoted to the CAP declines below 45%. In 1964, the Fund was split into two parts, however: the Guarantee section, which supports the prices of products (under the COM regimes), and the Guidance section, which is used to (co-) finance structural measures[40].

In 1970[41] the CAP takes the lion's share of the EU budget[42], well 87%. The period 1970-1980 is a crisis-time for the CAP and calls a reform. During this period, grow the financial support for arms in mountainous and less favored.

---

[37] http://ec.europa.eu/agriculture/publi/caphistory/poster_en.pdf: European farm policy down the years

[38] Council Regulation No 25/62 of 4 April 1962 on the financing of the common agricultural policy (OJ B 30/991, 20.04.1962)

[39] Alex RONEY: *EC/EU Fact book*; London, Kogan Page, 1998; p. 60

[40] Council Regulation (EEC) No 17/64 of 5 February 1964 on the conditions for granting aid from the European Agricultural Guidance and Guarantee Fund (OJ L 34/586, 27.2.1964)

[41] Council Regulation (EEC) No 729/70 of 21 April 1970 on the financing of the common agricultural policy (OJ L 94/13-18, 28.4.1970)

[42] http://ec.europa.eu/agriculture/publi/caphistory/poster_en.pdf: European farm policy down the years

During its first three decades, CAP was very successful, and European agriculture produced large surplus rather than deficits by the 1980s[43].

The CAP is set against a changing agricultural background: if in 1960 one person in five in the European Community worked on the land, by 1984 this had reduces to one person in 13[44]. The source of income for well over ten million people remains the farm employment.

The reforms of 1988 and 1992 have many aims: to increase the competitiveness of Community agricultural products on the domestic and world markets, to integrate environmental and structural considerations more into the implementation of the common agricultural policy, to ensure a fair income for farmers, to simplify agricultural legislation and decentralize its application, to improve food safety, to strengthen the Union's position in the new round of WTO negotiations and to stabilize agricultural spending in real terms.

In 1991, the European Council agreed the establishment of a Cohesion Fund that includes the European Agricultural Guidance and Guarantee Fund (EAGGF).

The year 1992[45] brings the principle of the durable development (Rio Earth Summit) and the direct aid payments. Also the price support is scaled down. The EAGGF is divided, with a part allocated to improving agriculture infrastructures, and remainder to fund the intervention policies.

The aim of the Agrimonetary Regime introduce in 1995 is to reduce CAP costs. Therefore avoid dramatic price changes due to concurrency fluctuations in the different Member States. Set against the background that the Agriculture and Fisheries Guaranties Section Fund in 1995 accounted for around 50% of the UE budget, mostly going to guarantee farm prices

---

[43] Franklin DEHOUSSE & Peter TIMMERMAN: *The new context of the agricultural debate in Europe*, Egmont - The Royal Institute for International Relations, Academia Press, 2008; http://www.egmontinstitute.be/paperegm/ep22.pdf

[44] Alex RONEY, pg. 214

[45] Council Regulation (EEC) No 1765/92 of 30 June 1992 establishing a support system for producers of certain arable crops (OJ L 181/12-20, 1.7.1992); No 2078/92 of 30 June 1992 on agricultural production methods compatible with requirements of the protection of the environment and the maintenance of the countryside (OJ L 215/85-90, 30.7.1992); No 2079/92 of 30 June 1992 instituting a Community aid scheme for early retirement from farming (OJ L 215/91, 30.7.1992); No 2080/92 of 30 June 1992 instituting a Community aid scheme for forestry measures in agriculture (OJ L 215/96-99, 30.7.1992)

and storage costs, the EAGGF guidance[46]. Section is aimed at modernizing farming communities. It support viable and hill farms, rural infrastructures, young farmers, farm efficiency, improvements in terms of quality, operation and marketing, rural tourism, woodland and heritage protection, and many other related initiatives. We find a tougher policy philosophy: more budget control and more environmentally-friendly methods of production are being encouraged[47]. At the Madrid European Council in December 1995 it was conceived the Agenda 2000 legislative package, results from the combined effort of all the institutions[48].

In general terms, the 1999[49] is the year of Agenda 2000. The budgetary framework introduced by the Agenda 2000 reforms for the period 2000-2006 and fixed annual expenditure ceilings[50].

So Agenda 2000 introduces a series of measures to encourage the economic, social and cultural areas. A forward-looking CAP reform program is adopted. Rural development becomes a central element of the CAP and the EAGGF is divided into two Sections (nonetheless, the most important change):

- the Guarantee Section consisted of market measures and direct income payments to farmers; its purpose is to fund expenditure arising from the common organization of the markets and agricultural prices, rural development measures accompanying market support and rural measures outside Objective 1 regions, expenditure on certain veterinary measures and information measures relating to the CAP; the market organization support are financed from the European Agricultural Guarantee Fund (hereafter EAGF);

---

[46] Alex RONEY, Stanley BUDD: *The European Union*; London, Kogan Page, 1998

[47] Alex RONEY pg. 216

[48] http://europa.eu/legislation_summaries/enlargement/2004_and_2007_enlargement/l60001_en.htm

[49] Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain (OJ L 160/80-102, 26.6.1999); No 1258/1999 of 17 May 1999 on the financing of the common agricultural policy (OJ L 160/103-112, 26.6.1999); No 1259/1999 of 17 May 1999 establishing common rules for direct support schemes under the common agricultural policy (OJ L 160/113-118, 26.6.1999)

[50] Council Regulation (EC) No 2040/2000 of 26 September 2000 on budgetary discipline (OJ L 244/27-32, 29.9.2000)

- the Guidance Section funds other rural development expenditure not funded by the Guarantee Section, including the LEADER+ Initiative. It focused on rural development measures[51]; the Community resource of rural development support is the European Agricultural Fund for Rural Development (hereafter EAFRD).

This new regulations simplify and rationalize rural development policy as regards:

- the eligible rural development measures (accompanying measures such as agro-environmental measures, modernization and diversification of farm holdings through such things as farm investment, early retirement assistance for farmers, additional aid for forestry, the installation of young farmers, etc.);

- programming in the context of the measures under Objectives 1 and 2, and the new rural development programs;

- the source of funding, which is either the EAGGF Guidance Section or the Guarantee Section, depending on the regional context in which the measure is set.

The 2003[52] reform of the CAP, addressing several different concerns, introduced a new system of direct payments, known as the Single Payment Scheme, under which aid is no longer linked to production. The main aim of the single payment is to support farmers' incomes in return for them respecting standards of environmental protection, animal welfare, food safety and keeping the land in good condition. Farmers are encouraged to take their decisions based on market signals[53].

Since 2005 is put in place a new order for rural development: promote more diversified activities in the countryside, preserve the environment and natural habitats, support sustainable and efficient farming and high-quality products, promote innovation and new technologies. The

[51] Council Regulation (EC) No 1258/1999 of 17 May 1999 on the financing of the common agricultural policy (OJ L 160, 26.6.1999, p. 105)

[52] Council Regulation (EC) No 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers and amending Regulations (EEC) No 2019/93, (EC) No 1452/2001, (EC) No 1453/2001, (EC) No 1454/2001, (EC) No 1868/94, (EC) No 1251/1999, (EC) No 1254/1999, (EC) No 1673/2000, (EEC) No 2358/71 and (EC) No 2529/2001 (OJ 2003 L 270/7, 21.10.2003)

[53] http://ec.europa.eu/agriculture/grants/index_en.htm

strategic EU guidelines for rural development policy are put in place by regional or national programs.

In February 2006 were set out European strategic guidelines for rural development. By spring of 2007, the EU had registered nearly 750 geographical indications, designations of origin and traditional speciality guaranteed products[54].

2008 becomes a new changing as it responds to consumer and market demands amidst new challenges in terms of food security, climate change, water management, renewable energy and biodiversity. "Heath Check" is the political agreement on the CAP review.

Agro-environment schemes have been supported by the EU since they were introduced in by the CAP reforms of 1992. They encourage farmers to provide environmental services that go beyond following good agricultural practice and basic legal standards have been consolidated in one specific axis of Rural Development policy for the period 2007-2013. Aids may be paid to farmers who sign up voluntarily to agro-environment commitments for a minimum period of five years. Longer periods may be set for certain types of commitment, depending on their environmental effects. It is obligatory for Member States to offer such agro-environment schemes to farmers. This illustrates the political priority attached to these schemes.

Rural Development policy for the period 2007-2013 will be based on 3 themes, in accordance with the three axes defined in the new Regulation relating to Rural Development: improving agricultural competitiveness; improving the environment and supporting land management and improving the quality of life and diversifying the economy in rural areas. A fourth axis the "Leader axis", which is inspired by the experience of the Leader Community Initiative, aims at implementing local strategies for rural development through local public-private partnerships. More resources will be available for rural development by reducing the direct payments to farms and transferring these funds to rural development measures (the practice known as modulation). The Member States are henceforth required to apply modulation which implies a reduction (of 5% from 2007) of all direct payments exceeding 5000 Euros per annum[55].

[54] http://ec.europa.eu/agriculture/capexplained/quality/index_en.htm

[55] http://ec.europa.eu/agriculture/capexplained/assistance/index_en.htm

A public consultation held over the summer 2010[56], followed by a Communication on "The CAP towards 2020"[57] published in November 2010[58], initiative of the European Commission for the "CAP post-2013". The Agriculture and Fisheries Council produced initial conclusions on the Communication in March 2011; however, these failed to win unanimous support from Member States[59].

Under the Rural Development policy 2007-2013, the EU will contribute over €96 billion to Member States investments to improve competitiveness for farming and forestry, to protect the environment and the countryside, to improve the quality of life and diversification of the rural economy. A fourth area (Leader) introduces funding opportunities for locally based approaches to rural development

The CAP is due to be reformed by 2013. On 12 October 2011 the Commission presented a set of legal proposals designed to make the CAP a more effective policy for a more competitive and sustainable agriculture and vibrant rural areas. Following a debate in the European Parliament and the Council, the approval of the different regulations and implementing acts is expected by the end of 2013, with a view to having the CAP reform in place as from 1st January 2014[60].

---

[56] A summary of the responses to the consultation together with a video recording of the conference can be viewed on the European Commission's Agriculture and Rural Development website: http://ec.europa.eu/agriculture/. The public consultation was concluded with a public conference in July 2010.

[57] which outlines options for the future CAP and launched the debate with the other institutions and with stakeholders

[58] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, and the Committee of the Regions, *The CAP towards 2020: Meeting the food, natural resources and territorial challenges of the future*, COM(2010)672/5

[59] Council of the European Union, *Presidency conclusions on the communication from the Commission: The CAP towards 2020: meeting the food, natural resources and territorial challenges of the future,* 3077th Agriculture and Fisheries Council meeting, 17 March 2011, www.consilium.europa.eu. Seven Member States voted against the document: Denmark, Sweden, the UK, Latvia, Lithuania, Estonia and Malta. "Latest EU Farm Council Wrap", *Agra Europe*, 17 March 2011.

[60] http://ec.europa.eu/agriculture/cap-post-2013/index_en.htm

CONCLUSIONS

For more than 40 years, the CAP has been the European Union's (EU) most important common policy. In present the expenditure for agriculture and rural development is financed by two funds, which form part of the EU's general budget: the European Agricultural Guarantee Fund (EAGF) finances direct payments to farmers and measures to regulate agricultural markets such as intervention and export refunds, while the European Agricultural Fund for Rural Development (EAFRD) finances the rural development programs of the Member States.

REFERENCES

1. **ZOLTÁN ANGYAL, BUTIU ANA CĂLINA, BURCIU AUREL**, coord.: **ASZTALOS ZSÓFIA AND PÁKOZDY CSABA**, 2008, *Public policies of the European Union*, Editura Universităţii "Petru Maior" Târgu-Mureş, 266 p. (pg. 88 - 104)
2. **RONEY ALEX**, 1998, *EC/EU fact book*; London, Kogan Page; 332 p.
3. **DEHOUSSE FRANKLIN, TIMMERMAN PETER**, 2008, *The new context of the agricultural debate in Europe*, Egmont - The Royal Institute for International Relations, Academia Press; 45 p.
4. **RONEY ALEX, BUDD STANLEY**, 1998, *The European Union*; London, Kogan Page; 174 p.