

FINANCING OF THE CAP: FACTS AND FIGURES

For many years, the common agricultural policy (CAP) was financed from a single fund, the European Agricultural Guidance and Guarantee Fund (EAGGF), which on 1 January 2007 was replaced by the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD). The CAP 2023–2027 regulation introduces a new delivery model (strategic plan) for all CAP expenditure.

LEGAL BASIS

- Treaty on the Functioning of the European Union (TFEU), Article 40(3);
- [Regulation \(EU, Euratom\) 2020/2093](#) of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027;
- [Regulation \(EU\) 2021/2115](#) of the European Parliament and of the Council of 2 December 2021 establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulations (EU) No 1305/2013 and (EU) No 1307/2013;
- [Regulation \(EU\) 2021/2116](#) of the European Parliament and of the Council of 2 December 2021 on the financing, management and monitoring of the common agricultural policy and repealing Regulation (EU) No 1306/2013;
- [Regulation \(EU\) 2021/2117](#) of the European Parliament and of the Council of 2 December 2021 amending Regulations (EU) 1308/2013 establishing a common organisation of the markets in agricultural products, (EU) No 1151/2012 on quality schemes for agricultural products and foodstuffs, (EU) No 251/2014 on the definition, description, presentation, labelling and the protection of geographical indications of aromatised wine products and (EU) No 228/2013 laying down specific measures for agriculture in the outermost regions of the Union.

DEVELOPMENT OF THE FINANCIAL FRAMEWORK FOR AGRICULTURE

Established in January 1962, the CAP was at that time implemented through the EAGGF. In 1964, the EAGGF was split into two sections, the Guarantee Section and the Guidance Section, which were governed by different rules.

From 1988, the funds were made subject to strict budgetary discipline following the introduction of the first Interinstitutional Agreement, which contained a financial perspective for 1988–1992.

The 2007–2013 multiannual financial framework was approved in 2006 ([1.4.3](#)). Regulation (EC) No 1290/2005 created two European agricultural funds, which fund the CAP: the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD). The EAGF (1st pillar of CAP)

finances all expenditure related to direct payments to farmers (3.2.7) and all market-related expenditure (3.2.3). Regulation (EC) No 1698/2005 defines the financial and programming characteristics of EAFRD (2nd pillar of CAP). The EAFRD co-finances measures to improve competitiveness in the agricultural and forestry sectors, agro-environmental measures, and measures to improve the quality of life in rural areas and encourage the diversification of the rural economy and local capacity-building (Leader Initiative). Under the TFEU (3.2.1) the two arms of the budgetary authority (Parliament and the Council) take joint decisions on all agricultural expenditure.

The 2014–2020 multiannual financial framework was approved in 2013. [Regulation \(EU, Euratom\) No 1311/2013](#) determined the agricultural expenditure for the period 2014–2020, which came to EUR 408 313 billion (71.3% for direct payments, 24.4% for rural development and 4.3% for market measures).

In December 2020 the co-legislators endorsed [Regulation \(EU, Euratom\) 2020/2093](#) on the 2021–2027 multiannual financial framework. As a result, EUR 378 532.3 million (at current prices) was made available to CAP beneficiaries as from 1 January 2021, representing 31% of the total EU budget (see table below). Rural development measures under the CAP will be given additional resources from the NextGenerationEU programme (NGEU) to fund economic and social recovery following the COVID-19 crisis (EUR 8 070.5 million). Total CAP commitments for the 2021–2027 period therefore come to EUR 386 602.8 million.

CAP BUDGET, EU-27 (commitment appropriations - EUR million at current prices)	(A) Year 2021	(B) Multiannual financial framework 2021–2027 (MFF)	% (B)
(1) CAP PILLAR 1 Direct payments and agricultural market measures	40 368.0	290 534.0	76.8%
(2) CAP PILLAR 2 (2a) Rural development measures under MFF	15 345.0	87 998.3	23.2%
(2b) Additional rural development measures under NGEU (temporary recovery instrument)	2 387.7	8 070.5	---
(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) % of 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%	---

For the financial year 2021, as shown in the table below, 93% of expenditure under pillar 1 (EUR 40.77 billion according to the most recent financial report published for 2021) consists of direct aid to farmers (EUR 37.87 billion). The largest CAP recipient is France (17.1%), followed by Spain (12.5%), Germany (11.2%) and Italy (10.5%). As far as the EAFRD is concerned, France and Italy are the top recipients (13.1% and 10.1% respectively), followed by Germany (9.3%) and Romania (8.3%).

CAP EXPENDITURE BY MEMBER STATE (EU-27, 2021)

Member State	Distribution by Member State			
	Direct aids/markets and other measures			
	2021 / Rural development 2021 (EUR million)			
	a. Direct aids (1st pillar - EAGF)	b. Total 1st pillar - EAGF (incl. (a.))	c. Total EAFRD (2nd pillar)	(b+c) % of total EU
BE	498.6	557.3	83.2	1.17%
BG	843.2	867.9	354.6	2.25%
HR	347.7	360.7	382.1	1.36%
CZ	852.3	869.4	357.1	2.25%
DK	798.5	808.2	116.7	1.7%
DE	4 615.1	4 739.8	1 354.0	11.2%
EE	165.4	167.1	91.6	0.47%
EL	1 990.9	2 232.6	635.8	5.3%
ES	5 055.0	5 666.8	1 149.3	12.5%
FR	6 807.7	7 372.2	1 913.1	17.1%
IE	1 180.7	1 190.6	343.3	2.8%
IT	3 552.3	4 241.7	1 470.8	10.5%
CY	47.3	52.71	22.2	0.14%
LV	294.7	297.1	124.0	0.77%
LT	510.2	514.7	188.9	1.3%
LU	34.3	34.9	15.41	0.1%
HU	1 276.6	1 310.4	576.5	3.5%
MT	5.1	5.2	14.9	0.04%
NL	651.3	703.1	163.1	1.6%
AT	683.3	707.3	580.7	2.37%
PL	3 319.7	3 351.3	1419	8.8%
PT	756.4	8 60.9	393.7	2.3%
RO	1 885.2	1 953.0	1 215.1	5.8%
SI	132.5	139.5	119.1	0.5%
SK	384.7	395.8	138.9	1.0%
FI	517.3	526.0	388.3	1.7%
SE	673.0	686.3	319.7	1.85%
EU	0.0	164.2	0.0	0.3%
EU-27	37 878.8	40 776.5	14566.4	—

Source: European Commission, 15th Financial Reports on EAGF and EAFRD for financial year 2021.

In December 2021, Parliament and the Council adopted three legislative proposals on the CAP 2023-2027. [Regulation \(EU\) 2021/2115](#), [Regulation \(EU\) 2021/2116](#), and [Regulation \(EU\) 2021/2117](#) introduced a new delivery model for CAP financing based on national strategic plans to be drafted by each Member State. The new CAP legislation focuses on performance and results and applies a tailor-made approach that allows greater flexibility to the Member States to apply the policy at the local level. Please see the table below for the allocated funding of the planned public expenditure set in the plans under both funds.

DISTRIBUTION OF THE TOTAL PUBLIC PLANNED EXPENDITURE FOR EAGF AND EAFRD AS PER CAP 2023-2027 REGULATION.

TYPE OF INTERVENTION	EU contribution (EUR)	National co-financing*	Total public expenditure (EU and national co-financing)	% as a share of the total public expenditure
Support through the European Agricultural Fund (EAGF)				
BISS – Basic income support for sustainability (Art. 21-28)	96 697 483 142	not applicable	96 697 483 142	31%
CIS – Coupled income support (Art. 32-35)	23 030 903 969		23 030 903 969	7%
CIS-YF – Complementary income support for young farmers (Art.30)	3 407 403 394		3 407 403 394	1%
CRISS – Complementary redistributive income support for sustainability (Art. 29)	20 094 247 101		20 094 247 101	7%
Eco-scheme – Schemes for the climate, the environment and animal welfare (Art. 31)	44 712 639 715		44 712 639 715	15%
Cotton – Crop specific payment for cotton (Art. 36-41)	1 232 110 245		1 232 110 245	0.4%
Total direct payments – EAGF**	189 109 706 310	not applicable	189 109 706 310	62%
Apiculture (Art. 54-56)	285 607 172	324 387 287	609 994 458	0.2%
Olive (Art.63-65)	218 729 300	not applicable	218 729 300	0.07%
Wine (Art. 57-60)	4 142 887 347		4 142 887 347	1%
Hops (Art. 61-62)	10 940 000		10 940 000	0.004%
Fruit and vegetables (Art. 49-53)	4 142 887 347		4 142 887 347	1%
Other sectors (Art. 66 -68)	110 171 983		110 171 983	0.04%

Total sectoral support – EAGF (Art. 42-48)	8 915 271 473	324 387 287	9 239 658 760	3%
Support through European Agricultural Fund for Rural Development (EAFRD)				
AECC – Environmental/ climate/animal welfare related (Art.70)	20 289 987 423	12 922 384 337	33 212 371 761	11%
ANC – Areas with natural constraints (Art.71)	10 598 347 767	8 117 856 724	18 716 204 491	6%
ASD – Areas with specific disadvantages (Art.72)	501 286 959	329 170 180	830 457 139	0.3%
INV – Investments (Art.73 and 74)	18 433 062 578	12 945 827 188	31 378 889 766	10%
INSTAL – Setting up of farmers and start-ups (Art.75)	3 411 775 402	1 763 146 568	5 174 921 970	2%
RISK – Risk management tools (Art.76)	2 731 774 898	1 859 749 688	4 591 524 586	1%
COOP – Cooperation (Art.77)	7 033 768 843	4 125 997 116	11 159 765 960	4%
KNOW – Knowledge and information (Art.78)	1 134 104 929	939 153 317	2 073 258 246	0.7%
Technical assistance***	1 864 585 916	not applicable	1 864 585 916	0.6%
Total support through EAFRD – Rural development	65 998 694 714	43 003 285 120	109 001 979 834	35%
Total CAP planned expenditure	264 023 672 497	43 327 672 407	307 351 344 904	

Source: European Commission, Approved 28 CAP Strategic Plans (2023-2027), June 2023

* National contribution or co-financing does not include additional national financing referred to in Article 146 of the CAP Strategic Plan (CSP) Regulation. Payments for support under Regulation (EU) 1308/2013 are not included in the CSPs. Transfers between funds are included.

** Direct payments: As regards the adjusted Annex V of the CSP Regulation (the total includes the estimated product of reduction), where Member States have made that choice, the total includes the estimated amount resulting from the capping of amounts granted to farmers, thus the planned total of all interventions under direct payments is higher than the amount set in Annex V of the CSP Regulation, so the difference corresponds to the capping; cotton payments are not planned as an intervention and their allocations are set in Annex VIII of the CSP Regulation.

*** Rural development: technical assistance financed from national funds is not included; early retirement payments, which is a measure from 2007-2013 period with

maximum payments for 15 years (approximately EUR 5 million in total, including EUR 2 million funded through EAFRD), is not included.

ROLE OF THE EUROPEAN PARLIAMENT

The 1988, 1993, 1999 and 2006 interinstitutional agreements gave Parliament a greater say on compulsory expenditure. In 2009, the [Treaty of Lisbon](#) gave Parliament an equal say with the Council over the entire EU budget. The lengthy negotiations on the regulation laying down the financial framework for 2014–2020 resulted in an agreement in November 2013. Parliament secured increased flexibility in the management of budget headings, strengthened budget unity, ensured the immediate use by Member States of outstanding appropriations from the 2013 budget and secured an increase in appropriations allocated under Heading 1 (competitiveness) (European Parliament [position of 19 November 2013](#) and European Parliament [decision of 19 November 2013](#)). After the final trilogues in September 2013, the Committee on Agriculture and Rural Development made improvements to some of the financial aspects of the new CAP.

The first proposal for a multiannual financial framework post-2020 was presented on 2 May 2018. That draft long-term budget was superseded in May 2020 by a second proposal supplemented by the NextGenerationEU instrument in order to ensure that EU funding might more effectively help repair the economic and social damage brought about by the COVID-19 pandemic. Parliament adopted its position in its resolutions of [14 November 2018](#), [23 July 2020](#) and [17 December 2020](#).

Following a lengthy process of negotiations between the two arms of the budgetary authority, an agreement was concluded on 17 December 2020.

In June 2021 the Commission issued a communication entitled 'A long term vision for the EU's rural areas', which put the challenges faced by rural areas at the core of the EU's strategies. On 13 December 2022 Parliament adopted [a resolution](#) on a long-term vision for the EU's rural areas – Towards stronger, connected, resilient and prosperous rural areas by 2040. The resolution acknowledges the key role of rural areas in addressing, social, economic and environmental challenges, supports the development of a rural pact, stresses the importance of the rural proofing mechanisms and underlines the need for synergies and coordination between EU funding instruments for these territories.

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