

# **Common Agricultural Policy (CAP): financing by the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD)**

2004/0164(CNS) - 21/06/2005 - Final act

**PURPOSE** : to establish a single legal framework for financing the common agricultural policy.

**LEGISLATIVE ACT** : Council Regulation 1290/2005/EC on the financing of the common agricultural policy.

**CONTENT** : this Regulation sets specific requirements and rules on the financing of expenditure falling under the common agricultural policy, including expenditure on rural development. It sets up two funds:

- a European Agricultural Guarantee Fund (EAG);
- a European Agricultural Fund for Rural Development (EAFRD).

The Regulation fixes the period laid down for financial corrections within the framework of the clearance of accounts for EAFRD expenditure at twenty-four months. The purpose of this provision is to enable the Commission to go back twenty-four months in order to refuse to co-finance any type of expenditure that it considers irregular.

The Commission and the Member States will bear equal parts of the amounts paid under the EAFRD and the funds that have to be recovered following the identification of irregularities. In the case of amounts exceeding EUR 1 million, the question of financial responsibility will be examined on a case-by-case basis.

As regards the competence to act in the event of budgetary excess, the Regulation provides that where there is a danger that the annual financial ceiling will be exceeded, the Commission must take steps to adjust expenditure. If those measures are not sufficient, the Commission must submit proposals for additional action to the Council.

Each of the two funds will retain its specific characteristics, in particular the fact that the EAGF has non-differentiated appropriations and the EAFRD has differentiated appropriations. The frequency of payment, too, is different for each fund (monthly and quarterly, respectively), as is the treatment of sums recovered following irregularities. Under the EAFRD such sums can be re-used by the Member States within the same rural development programme.

This Regulation also includes rules pertaining to budgetary discipline that take account of the reform of the CAP as provided for in Regulation 1782/2003/EC. Those rules concern, in particular, the fixing of the amounts available each year to cover EAGF expenditure, forecasts concerning compliance with the deadlines for payment imposed on the Member States, and rules concerning any reductions and suspensions in monthly or quarterly payments.

**ENTRY INTO FORCE** : 18/08/2005.

DATE OF APPLICATION : it shall apply from 01/01/2007. Other provisions shall apply from 16/10/2006.