

Modernising and simplifying the common agricultural policy

Impact assessment (SWD(2018) 301) accompanying the European Commission proposals for regulations of the European Parliament and of the Council: on establishing rules on support for strategic plans under the common agricultural policy (CAP); on the financing, management and monitoring of the CAP and repealing the Common Market Organisation (CMO) Regulation; and on amending the regulation on quality schemes for agricultural products and foodstuffs and the regulation on specific measures for certain regions (COM(2018)392, 393, 394).

This note is one of a series of brief initial appraisals of the Commission's impact assessments (IA) accompanying the multiannual financial framework (MFF) proposals, tailored to reflect the specificities of the MFF package and the corresponding IAs.¹ It provides an initial analysis of the strengths and weaknesses of the Commission's IA accompanying the above-mentioned proposals, submitted on 1 June 2018 and referred to the Parliament's Committee on Agriculture and Rural Development (AGRI).

Political and legal context; objectives

Following its 2017 [communication](#) on the future of food and farming and in the course of preparing the 2021-2027 EU budget, the Commission adopted three legislative proposals to modernise and simplify the CAP. The Commission proposed to improve the performance of the CAP on the basis of a new delivery model that shifts the policy focus from compliance to performance, and aims to rebalance the responsibilities between the EU and the Member States through increased subsidiarity.² Under the new delivery model, Member States would draw up CAP strategic plans that would be approved by the Commission and cover the interventions planned under both CAP pillars to meet quantified targets linked to EU-level CAP objectives. Stronger resolve for environmental and climate action, better-targeted support and stronger reliance on the research-innovation-advice nexus are the Commission's top post-2020 CAP priorities (IA, pp. 4-5).

The IA sets **three broad policy objectives**, which link the CAP to the economic, environmental and social pillars of sustainable development (IA, p. 17). Each is linked to **three specific objectives** (IA, p. 18), which reflect the **main challenges facing EU agriculture**, as identified in the IA (pp. 13-16). The broad policy objectives are complemented by **cross-cutting CAP modernisation and simplification objectives** that have their own specific objectives (IA, pp. 17-18). The IA sets operational objectives – phrased rather broadly – for each specific objective (Annex 5, pp. 99-100). Overall, the objectives meet the 'SMART' requirements of the [better regulation guidelines](#) (BRG).

Programme structure and priorities; delivery mechanisms of the intended funding

The CAP would keep its [two-pillar](#) structure (IA, p. 21). Referring to the Commission [communication on the MFF 2021-2027](#), the IA states: 'a reformed, modernised CAP [...] will allow maintaining a fully integrated single market, ensuring food security, safety and quality, as well as placing greater emphasis on the environment and climate' (IA, p. 18), without explicitly listing the priorities of the 2021-2027 CAP MFF programme.

The IA offers three options and two baseline scenarios (pre/post-Brexit). The overall budgetary envelopes for all options are based on an assumed 8.9 % cut in the CAP budget after the UK withdraws (IA, p. 28). **Option 2** – discontinue the CAP – was discarded on the recommendation of the Commission's Regulatory Scrutiny Board (RSB). Since it is not possible to predict what choices Member States would make in their future CAP strategic plans, the options should be interpreted as illustrative of the different ways to achieve the general and specific objectives (IA, pp. 28-31):

- **baseline** (pre-Brexit): existing direct payments to rural development expenditure ratio;
- **updated baseline** (post-Brexit, 'option 1'): 10 % cut in direct support (Annex 5.1, p. 78);
- **option 3**: incentives for environment, climate action and health: voluntary eco-scheme to increase environmental sustainability; increased support for risk management tools (including income stabilisation tools); and lower direct payments (option 3a: environment has greater priority than economic sustainability; option 3b: lower environmental ambition than in 3a, but greater focus on direct payments redistribution);
- **option 4**: addresses environmental/economic sustainability via better-targeted direct payments and more ambitious implementation of conditionality (option 4a: environmental/climate ambition addressed via higher requirements exceeding basic conditionality; option 4b: no requirements beyond basic conditionality (more flexible: Member States can deliver more on their environmental goals using solely rural development schemes);
- **option 5**: focus on small and medium-sized farms and the environment (Member States need to allocate 30 % of first-pillar payments for topping up voluntary schemes).

The options are not mutually exclusive and are designed to test sets of instruments (IA, pp. 29, 80). The IA does not identify preferred option(s) and states that the results should not be interpreted as indicative of a preferred option (IA, p. 29, 80). It assesses the options' effectiveness/efficiency and their impact on farm income, environment, climate; societal expectations; knowledge and innovation/modernisation (IA, pp. 38-43). The options are not compared in terms of proportionality or coherence, although Annex 5 discusses the coherence of the future CAP (pp. 66-69). The assessments are a combination of qualitative and quantitative analyses.

The IA concludes discussing the options by listing the potential trade-offs involved in achieving the CAP's economic, environmental and social objectives and its modernisation and simplification (IA, p. 43). It states that 'the preferred option for the future CAP should combine the most performing elements of the various options, but avoid their weaknesses by introducing the necessary safeguards to ensure an EU level-playing field' (IA, p. 44). The challenges and risks of the new delivery model and the proposed safeguards to mitigate them are briefly mentioned in the IA (p. 27) and analysed further in Annex 4. This model features in all options, but its choice is not assessed. According to the IA, 'further specifications on elements included in the proposals for the next MFF can be added on the basis of the assessment of all the options' (IA, p. 44). These include, among others, external convergence of direct payment levels, increase of national co-financing rate for rural development, market measures and a crisis reserve (IA, pp. 44-45). However, these elements are only briefly considered and the IA does not make it clear whether they were part of the assessment.

Budgetary or public finance implications

The proposed 2021-2027 CAP budget is €365.2 billion in current prices for the EU-27, which is a 5 % cut to the allocation planned for 2020, after removing the budget pre-allocated to the UK (IA, p. 5).³

SME test / Competitiveness

The IA does not specify what share of SMEs would be affected by the proposals, nor feature an SME test in the sense of BRG [tool #22](#). However, it uses a mix of quantitative and qualitative approaches to assess the impacts of targeting support to small and medium-sized farms for all options (Annex 5, pp. 14-15, 44), and to assess the second specific objective of enhancing competitiveness and

market orientation (Annex 5, pp. 26-27, 43). Based on the assessments, Option 5 performs best and can almost offset the effects of budget cuts on small and medium-sized farms.

Simplification and other regulatory implications

The options are assessed for their efficiency in ensuring simplification and administrative burden reduction (IA, pp. 41-43 and Annex 7). The potential for such a reduction is estimated in percentage points for each option in Annex 7 (IA, p. 139). The IA concludes that options 3a and 5 score best with regard to the proportionality of the administrative burden (IA, p. 42 and Annex 7, p. 140).

Subsidiarity / proportionality

According to the Commission, the new delivery model affords greater subsidiarity and flexibility, where national CAP goals can better reflect local conditions and needs. The options are not assessed for their proportionality; the IA vaguely observes that Member States' greater flexibility 'should make it even less likely that the CAP oversteps a proportionate level of action' (IA, p. 20). No reasoned opinions were submitted by the national parliaments, although 10 of them submitted comments on the proposals, including after the subsidiarity deadline of 24 September 2018.⁴

Quality of data, research and analysis

The IA presents the lessons learned from the 2013 CAP reform on the basis of evidence collected through the Common Monitoring and Evaluation Framework (CMEF), annual rural development implementation reports and other Commission sources (IA, pp. 6-13). The models and tools used in the analysis are explained in Annex 5.2. Annex 3 gives a synopsis of the studies/evaluations used by the IA, but even though quite extensive, the majority of the references (listed in Annex 9) are rather out of date and the mid-term evaluation results for the 2014-2020 CAP are still forthcoming. Some [evaluation studies](#) on CAP measures' impact were still not finalised at the time of preparing the IA.

Stakeholder consultation

The CAP was not part of the six clustered [online public consultations](#) conducted for the MFF proposals. According to Annex 2 of the IA, the Commission consulted on CAP simplification and modernisation (as part of its mandate under its [work programme \(CWP\) 2017](#)), as a follow-up to the opinions issued by the REFIT platform. Besides the civil dialogue groups' meetings, the specialised workshops, the REFIT platform's input and the EESC and the CoR's formal input, a 12-week [public consultation](#) was conducted among the EU-28, collecting 58 520 replies and 693 position papers (excluding large public campaigns) (IA Annex 2, pp. 17-24). The focus was chiefly on CAP policy performance, challenges ahead, objectives and possible adjustments; and on views/concerns about EU agriculture in general (Annex 2, p. 15). Stakeholder views are grouped by category in Annex 2 to the IA and are also reflected in the main IA report (p. 14), in line with BRG requirements. Despite the broad scale of the consultation process, it is not apparent that a specific consultation was held on the IA's contents or options.

Monitoring and evaluation

According to the IA, the current CMEF would be the basis for the new performance monitoring and evaluation framework (PMEF). Performance would be measured in relation to the specific objectives through a set of common indicators related to output, result and impact (IA, p. 46). [Annex I to the proposal](#) on the CAP strategic plans sets such indicators for each specific objective and for the cross-cutting objective of modernisation. The Commission could present the first CAP performance results by December 2025 and then by December 2031 (IA, p. 50). The latter date is set in Article 127 of the [proposal](#) and both dates are part of each proposal's legislative financial statement.

Commission Regulatory Scrutiny Board (RSB)

On 20 April 2018, the RSB issued a negative [opinion](#) on the IA. On 8 May 2018, the RSB issued a positive [opinion](#) with reservations, recommending it to specify what safeguards would mitigate the

identified risks and to explain how mitigating measures (e.g. horizontal EU conditionality and budget earmarking) would be determined and on what basis. Annex 1 to the IA lists the modifications made to the IA on the RSB's recommendation. Overall, the mitigation measures could have been explained in more detail.

Coherence between the Commission's legislative proposal and IA

The Commission proposals appear to follow the IA's recommendations, in that they combine the different elements of the different options considered.

Conclusions

As part of the group of specific IAs accompanying the MFF proposals, this IA provides a balanced set of objectives and an extensive analysis of the potential trade-offs for achieving both the CAP's broad and cross-cutting objectives. Albeit extensive, the stakeholder consultation and views reflected in the IA did not specifically focus on the IA's contents or options. The IA combines qualitative and quantitative methods and tools, but several evaluation studies on the impact of current CAP measures were not yet finalised at the time of the IA's preparation. A broad range of options is proposed; these are extensively assessed for their efficiency, effectiveness, economic, social and environmental impacts, although not for their coherence or proportionality. Finally, all options are based on the new delivery model, but the choice of model is not assessed.

ENDNOTE

- ¹ The almost parallel adoption of the spending programmes and the MFF proposals had an impact on the IA process and resulted in simplified IAs, with their format and scope differing from the standard IAs as defined by the Commission's better regulation guidelines (see also [Toolbox 10 Financial Programmes and Instruments](#)).
- ² On the new delivery model and the proposals' key elements, see the following EPRS publications: J. McEldowney, [CAP reform post-2020 - Setting the scene](#), May 2018; R. Rossi, [CAP horizontal regulation](#), November 2018; J. McEldowney, [CAP strategic plans](#), December 2018; B. Rojek-Podgorska, CAP: amending regulation (CMO), forthcoming.
- ³ The budget cut depends on the baseline chosen for the comparison and on whether current or constant prices are used. In its [opinion](#) No /2018, the ECA gives a 15 % cut in 2018 prices; the Commission refers to a cut of 5 % in current prices.
- ⁴ See the Platform for EU Interparliamentary Exchange (IPEX).

This briefing, prepared for the Committee on Agriculture and Rural Development (AGRI), analyses whether the principal criteria laid down in the Commission's own Better Regulation Guidelines, as well as additional factors identified by the Parliament in its Impact Assessment Handbook, appear to be met by the IA. It does not attempt to deal with the substance of the proposal.

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