

INCEPTION IMPACT ASSESSMENT			
TITLE OF THE INITIATIVE	Communication on Modernising and Simplifying the Common Agricultural Policy		
LEAD DG – RESPONSIBLE UNIT – AP NUMBER	DG AGRI AGRI.DDG1.C.1 "AGRICULTURAL POLICY ANALYSIS AND PERSPECTIVES" 2017/AGRI/001	DATE	02/02/2017
LIKELY TYPE OF INITIATIVE	Communication from the Commission to the EP, the Council, the EESC and the COR		
INDICATIVE PLANNING	4 <sup>th</sup> quarter 2017		
ADDITIONAL INFORMATION	<i>Website for the initiative</i> <a href="https://ec.europa.eu/agriculture/consultations/cap-modernising/2017_en">https://ec.europa.eu/agriculture/consultations/cap-modernising/2017_en</a>		

**This Inception Impact Assessment aims to inform stakeholders about the Commission's work in order to allow them to provide feedback on the intended initiative and to participate effectively in future consultation activities. Stakeholders are in particular invited to provide views on the Commission's understanding of the problem and possible solutions and to make available any relevant information that they may have, including on possible impacts of the different options. The Inception Impact Assessment is provided for information purposes only and its content may change. This Inception Impact Assessment does not prejudge the final decision of the Commission.**

## A. Context, Problem definition and Subsidiarity Check

### Context

As part of its Programme of Work for 2017, the Commission will take forward work and consult widely on **simplification** and **modernisation** of the CAP to maximise its contribution to the **Commission's ten priorities** and to the **Sustainable Development Goals** (SDGs). This will focus on specific policy priorities for the future, taking into account of the **REFIT** Platform and without prejudice to the financial allocations for the CAP in the next Multiannual Financial Framework (MFF). The starting point will be a well-founded assessment of the performance of the current policy.

With the future of the Common Agricultural Policy (CAP) already debated in various instances, the process will include a broad **consultation** and an **impact assessment**. The goal is to summarise available evidence on the performance of the CAP so far, draw lessons from the implementation of the 2013 reform, have a structured dialogue, confirm what the current difficulties are, and anticipate needs for modernisation and simplification of the CAP.

The outcome will be presented before the end of 2017 in a **Communication** that will include conclusions on current performance and policy options elaborated using a sound and reliable evidence basis.

### Problem the initiative aims to tackle

The latest reform of the CAP was decided in 2013 and implemented in 2015. Since then, the context in which that reform was forged has shifted significantly. In particular:

- Agricultural **prices** have fallen substantially and market uncertainty has increased, due amongst other to macroeconomic factors and geopolitical tensions, making long-term planning for the sector more challenging.
- The emphasis of **trade negotiations** has moved more visibly from multilateral to bilateral deals and from domestic policies to market access. This requires a careful balancing of offensive and defensive interests, with due attention paid to certain sensitive sectors.
- The EU has signed up to **new international commitments** especially those concerning climate change mitigation (through COP 21) and broad aspects of sustainable development (through the UN's Sustainable Development Goals – SDGs), and is also exposed to other geopolitical developments such as new large-scale **migration**.

All these drivers have prompted a vigorous public debate about whether the 2013 reform goes far enough to meet broad ongoing challenges related to balance of support, the economic and social prospects for agriculture and rural areas, care for the environment (e.g. greening), action over climate change, sustainable and safe food production. Emerging opportunities for action in the areas of health, trade, the bioeconomy, the circular economy and the digital economy also need to be further considered.

Against this changing background, the CAP must be **modernised** to meet these challenges, **simplified** to be more efficient with a minimum of administrative burden, and made even more **coherent** with other EU policies to maximise its contribution to the ten Commission Priorities and the Sustainable Development Objectives.

Amongst other building blocks, the process will take into account all available evidence on the performance of the CAP so far based on the monitoring and evaluation framework of the CAP 2014-2020, the ongoing debate within EU Institutions and stakeholders, lessons from the crisis in the dairy sector and recommendations of the Agricultural Market Task Force, and the Cork Declaration "A Better Life in Rural Areas". The process will include an open public consultation, impact assessment, external expertise and analysis, as well as the relevant REFIT Platform opinions. A major part of the work and conclusions will focus on assessment of the current performance and challenges with a strong focus on excessive complexity and regulatory burden of all kinds, identifying the elements of the current CAP that are delivering on the objectives and where there are problems or gaps.

#### Subsidiarity check (and legal basis)

The EU's right to act flows from Art. 38-39 of the Treaty on the Functioning of the European Union (TFEU), which establishes the Common Agricultural Policy and its objectives.

EU value added and subsidiarity will be duly considered, including simplification steps. The EU added value of the policy intervention stems from the following needs that require an EU-wide policy framework:

- First, to guarantee a level playing field in a **single market** with common trade policy and standards.
- Secondly, to address **common and cross-border challenges** that require action based on a common set of objectives and common instruments, as well as a partly common budget (so that action can be financed in all parts of the Union, as necessary).
- Finally, a common policy strengthens the single market and allows the EU to better position itself in **trade** negotiations.

### B. Objectives and Policy options

Within the context of a CAP based on sustained market orientation, integration of environmental protection requirements, action to combat climate change and viable rural areas, the **modernisation and simplification of the CAP** will put emphasis on the following broad objectives/orientations:

- foster a **SMART** agriculture by enhancing competitiveness and innovation while ensuring sustainability and providing ecosystem services;
- promote a **RESILIENT** agriculture by addressing income volatility and reinforcing position of farmers in the food chain;
- encourage a **VIBRANT** rural economy by fostering growth and jobs in rural areas and encouraging generational renewal;
- build **BRIDGES** with other policies, especially environment, climate change, employment, social, education, food safety and supply chain, nutrition, public health, cohesion, competition law, trade, research and innovation, and migration;
- improve **GOVERNANCE** by better reflecting the diversity that exists within EU agriculture, simplifying the CAP and implementing cost-efficient tools, strengthening the focus on results.

To test how these objectives can be best met, and reflecting broad ideas of the ongoing public debate, a set of **possible policy options** is being developed. The first two options from this set will be assessed to identify potential impacts from the scenarios of no policy change and no policy; the other three options will assess the expected economic, environmental and social impacts stemming from a different set of policy instruments, and examine the scope of simplification as well as increased focus on results and performance of each option. The options are briefly described below:

- **Option 1 (baseline)** will assess the impact of the CAP remaining as it currently stands, except for simplifications already adopted or proposed, including in the Omnibus proposal, based on the most recent agricultural market outlook developed by the Commission services.
- **Option 2 (no policy)** while dismantling CAP would not be in line with the Treaty, hence not realistic nor desirable, this scenario is considered nonetheless useful in demonstrating the EU value-added of CAP as well as the economic, social and environmental impact of the absence of an EU-wide policy intervention.
- **Option 3** sees Member States/regions **programming CAP operations against EU priorities**, based on identified needs. It enhances the focus on risk management and investments in restructuring and business development in agriculture and rural SMEs. It puts emphasis on incentives concerning climate change and environment services in a single performance framework, and access to innovation, knowledge, ICT and infrastructure at the local level.
- **Option 4** will consider a redefinition of the division of tasks between EU, MS and farm level to enhance the income safety-net with synergies between **direct support** (including area payments) and **risk management**. It also aims to better link farm practice to EU-wide environment/climate action **targets**. Incentives to better integrate existing technologies and the results of research and innovation (through advisory services) will contribute to simplify and modernise controls towards performance-based outcomes.
- **Option 5** envisages a **strong redistribution of support** from larger to **smaller and environmentally-friendly farms**. A mandatory "capping" places an absolute ceiling on direct payment receipts. This option promotes stricter environmental requirements, short supply chains and local markets.

C. Preliminary Assessment of Expected Impacts
Without prejudging the impact assessment, the following sections list expected objectives and possible impacts on economic, environmental, social and cross-cutting issues, such as stimulating innovation.
<b>Likely economic impacts</b>
Relevant impact <b>indicators</b> are considered for the following objectives: <ul style="list-style-type: none"> <li>• supporting viable farm income</li> <li>• ensuring food security</li> <li>• becoming more consumer driven and market oriented</li> <li>• increasing competitiveness (e.g. value added, productivity, innovation)</li> <li>• improving the positioning of farmers within the food system (including integration in producers organisations to enhance efficiency)</li> <li>• strengthening resilience to cope with crisis</li> </ul>
<b>Likely social impacts</b>
Relevant impact <b>indicators</b> are considered for the following objectives: <ul style="list-style-type: none"> <li>• fostering employment, income, added value and inclusive growth in rural areas</li> <li>• promoting generational renewal</li> <li>• improving access to infrastructure and services in rural areas</li> <li>• increasing social capital in rural areas</li> <li>• encouraging territorial balance</li> <li>• contributing to public health and nutrition objectives</li> </ul>
<b>Likely environmental impacts</b>
Relevant impact <b>indicators</b> are considered for the following objectives: <ul style="list-style-type: none"> <li>• fostering mitigation and adaptation to climate change</li> <li>• promoting sustainable management of natural resources (water, air, soil and biodiversity) and sustainable use of agrochemicals and antimicrobials</li> <li>• preserving nature and landscapes</li> </ul>
<b>Likely impacts on fundamental rights</b>
The planned measures are not expected to have any impact on fundamental rights.
<b>Likely impacts on simplification and/or administrative burden</b>
This initiative will lead to simplification for the beneficiaries and for public administration. It will build on ongoing efforts, in particular in liaison with the REFIT Platform. It will strive to reduce unnecessary red tape including administrative burden by, among other means, using relevant modern digital technologies. In line with the principles of Budget Focused on Results (BFOR), this initiative will aim to improve the performance of the CAP, as well as appropriately and efficiently protect the financial interests of the EU.
D. Data Collection and Better Regulation Instruments
<b>Impact assessment</b>
An impact assessment is being prepared to support this initiative. This process follows the logical sequence of assessing the current performance of the CAP, identifying existing problems and their drivers along with possible solutions, considering EU value-added, challenges, objectives and policy options. The economic, social and environmental impacts of options will be assessed using multi-criteria analysis, encompassing indicators, modelling, expertise and stakeholder consultation. Pending specifications of options for the next MFF, the impact assessment will not include assumptions on EU budget Post 2020.
<b>Data collection</b>
The first data source will be the evidence collected through the <b>Common Evaluation and Monitoring Framework</b> for measuring the performance of the CAP 2014-2020 (established in Art. 110 of Regulation (EU) No 1306/2013 and the Commission Implementing Regulation (EU) No. 834/2014). DG AGRI has commissioned a number of <b>evaluation studies</b> to assess the contribution of the CAP to the general objectives identified in the 2013 reform (see Annex). In this context, a number of evaluations and studies have already been scheduled, with first results available by April 2017. Results concerning progress towards targets and corresponding budget envelopes are available in the annual implementation reports. Relevant targets and indicators agreed for monitoring the <b>SDGs</b> are also considered, in line with the approach outlined in the related Commission Communication "European Action for Sustainability" COM (2016) 739 final. Relevant targets and indicators related to other policies areas, such as human health, will also be included.

## **Consultation strategy**

A wide consultation process is being carried out to encourage a structured debate with all types of stakeholders, including non-agricultural actors. The process builds on the long series of outreach initiatives of the past two years. Main events include:

- "Cork 2.0": European Conference on Rural Development (5/6 September 2016)
- "EU Agricultural Outlook Conference" (6/7 December 2016)
- The Civil Dialogue Group on the CAP (16 December 2016)

Further events will be linked to the Impact Assessment, especially:

- Open public consultation launched in February 2017 aiming to collect views of a broad range of stakeholders
- REFIT Platform and simplification exercise
- Workshops with experts to collect evidence and experience on targeted thematic areas
- Conference to present the results of the consultation in the summer of 2017
- Further interaction with the Civil Dialogue Group and with other EU stakeholders.

## **Will an Implementation plan be established?**

- No implementation plan (SWD) will be established for the present initiative, given that it takes the form of a Communication. Further follow up will be considered as part of the legislative proposals for the next Multiannual Financial Framework.

## **ANNEX – Relevant scheduled Evaluations and Studies**

### **Evaluations**

- Evaluation of the Greening of the CAP) (contribution with preliminary findings, finalisation scheduled for end 2017)
- Evaluation of the impact of the CAP measures towards the general objective of viable food production (first findings/overview on CAP impact on farm income, competitiveness and prices expected by Mid 2017, finalisation of Staff Working Document by 1<sup>st</sup> quarter 2018)
- Ex-Post evaluations on Rural Development Programmes 2007-2013 (individual RDP evaluations carried out by Member States and the synthetic overview will be available by Spring 2017; finalisation of Staff Working Document by 1<sup>st</sup> Quarter 2018)
- Synthesis of ex ante evaluations of rural development programmes 2014 - 2020 (2015)
- Horizon 2020 interim evaluation on societal challenges.

### **Studies**

- Study "mapping and first analysis of the CAP implementation" completed in November 2016
- "Scenar 2030" (JRC): This study, which will provide the analytical background for the options' assessment, will be finalised by Spring 2017
- "Ecampa2 study" (already finalised) on greenhouse gas mitigation policy options for EU agriculture will be used to assess the specific needs of the EU agricultural sector
- Study on the implementation of the new European Innovation Partnerships (EIP) in agriculture (already finalised)
- Study on risk management in EU agriculture (intermediate results by Mid 2017)

### **Previous relevant evaluation findings**

- Evaluation of Article 68 measures (specific support), published in January 2016
- Synthesis of ex ante evaluations of rural development programmes 2014 - 2020 (2015)
- Evaluation of the Investment support under rural development policy (2014)
- Evaluation of the structural effects of direct support (2013)

### **Other studies to be taken into account**

- "Delivering on EU food safety and Nutrition in 2050 – future challenges and policy preparedness".
- The common ESIF studies on the consistency with other EU policies and on the preparation of the post 2020 MFF
- Study on the simplification of delivery mechanisms focussing in particular on simplification for beneficiaries through the ESIF High Level group for simplification
- Existing analysis for the implementation of relevant EU legislation and policies