COMMISSION DES COMMUNAUTÉS EUROPÉENNES

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AVIS DU COMITÉ DES ANALYSES D'IMPACT

COMMUNICATION DE LA COMMISSION AU PARLEMENT EUROPEEN ET AU CONSEIL

VERS UNE MEILLEURE DEFINITION DE L'AIDE AUX AGRICULTEURS SITUES DANS DES ZONES A HANDICAP NATUREL

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EUROPEAN COMMISSION
IMPACT ASSESSMENT BOARD

Brussels, 0 3 FEV. 2009
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Opinion

Title **Impact Assessment on: Commission Communication on the Review of the Less Favoured Areas Scheme (delimitation of designated areas)**

(draft version of 7 January 2009)

Lead DG **DG AGRI**

1) Impact Assessment Board Opinion

(A) Context

The draft IA report accompanies a Commission Communication on the Review of the Less Favoured Areas (LFA) Scheme, which is a longstanding measure of the Common Agricultural Policy (CAP). In 2003, the European Court of Auditors expressed strong concerns about the LFA scheme, in particular as regards the designation of so-called 'intermediate' LFAs, and recommended a complete and in-depth review of the existing classification as well as an overall evaluation of the aid scheme. In Article 50 of Regulation 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) the Council set out new principles for the LFA scheme: the aid to farmers in areas with handicaps will be part of Axis 2 of Rural Development Policy, which aims at improving the environment and the countryside by supporting sustainable land management, no reference is made anymore to the socio-economic criteria (widely used in the past for designating LFAs). At this time it could not agree, however, on possible Community wide criteria for LFA classification, and therefore decided to maintain the existing LFA system in force for a limited period of time. It called on the Commission to undertake a review of the implementation of the LFA scheme and to present, according to the new principles, a proposal for a future payment and delimitation system to be applied from 2010.

(B) Positive aspects

Substantial preparatory work has been carried out and the report is based on an extensive consultation of a broad range of stakeholders.

(C) Main recommendations for improvements

The recommendations below are listed in order of descending importance. Some more technical comments will be transmitted directly to the author DG.

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General recommendation: The report needs further work on several key aspects. Most importantly it should better present the political context and the objectives of the Communication including a more precise roadmap with indicative timetable on the follow-up actions. The report should also clarify the role of the LFA scheme in the more general context of the modernisation of the CAP instruments, paying more attention to the consistency and avoidance of overlaps with other CAP instruments. From a subsidiarity perspective and with a view to reduce complexity the report should assess whether the common biophysical criteria are simpler to apply than the current national criteria. Finally, the report should consider the economic and social impacts on the farmers who will no longer benefit from LFA support.

DG AGRI agreed to make changes along these lines and announced it would shortly submit a revised report to the Board.

(1) Clarify the political context of the LFA review exercise, the objectives of the Communication and the envisaged follow-up action. The report should explain why the Commission does not present a legislative proposal at this stage, and should present a roadmap on the envisaged follow-up actions with an indicative timetable. In addition, the report should define concisely the problems which need immediate action (incomparability/lack of transparency of the LFA delimitation criteria, ineffective targeting of aid), so that the limitations of the current review exercise, as set by the Council in 2005, would be more explicit.

Without prejudice to these limits, the report should reflect on possible future developments of the LFA scheme against the background of the current and future modernisation of the CAP instruments. In this respect the report should firstly address the plausibility of Option 4 (Applying High Nature Value criteria in addition the LFA criteria) in a long-term perspective and discuss whether the proposed biophysical criteria would be compatible with the principles to be applied in a possible definition of the High Nature Value Areas. Secondly, the report should reflect whether in the future some alternative CAP instruments (such as topping up direct payments) could be more effective/efficient for reaching the objectives of the LFA scheme.

(2) Pay more attention to the consistency/complementarity of the revised LFA scheme with other CAP instruments. Given that improved consistency with other agricultural policies is one of the objectives of the review exercise, the report should provide a thorough discussion of potential overlaps or synergies of the LFA support options with other CAP instruments.

(3) Assess further the simplification potential of the proposed set of common biophysical criteria and address subsidiarity issues. The report should discuss whether the biophysical criteria are simpler than the current national socio-economic and land productivity criteria. It should also examine whether, considering the regional peculiarities, the common biophysical criteria would be more effective and how these criteria would comply with the principle of subsidiarity in terms of implementation.

(4) Assess the economic and social impacts on farmers who will no longer benefit from LFA support as a result of the annulment of the socio-economic criteria. The report should explain briefly but clearly whether, and if so which, measures would be applied or put in place to compensate for the socio-economic handicaps up to now covered by the LFA support.

(D) Procedure and presentation
The report should respect the 30 page limit, follow the format for the Commission IA reports and be accompanied by an Executive Summary in the form of a separate staff working document as set by the IA guidelines.

2) IAB scrutiny process

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Author DG	AGRI
External expertise used	No
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