



EUROPEAN COMMISSION
Impact Assessment Board

Brussels,
D (2014)

Opinion

Title

DG AGRI – Impact Assessment on Commission Guidelines for State aid in the agriculture and forestry sector and in rural areas 2014 to 2020 and on the Block Exemption Regulation for the agriculture and forestry sector and in rural areas 2014 to 2020

(resubmitted version of 25 April 2014)*

(A) Context

Article 107 of the Treaty on the Functioning of the European Union prohibits state aid, subject to certain exceptions. Notably, the Treaty allows the Commission to approve state aid "to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest." The conditions for approval of state aid in the agricultural and forestry sector are governed by Community guidelines, the agricultural block exemption regulation (ABER) and the Regulation on notification forms. The current guidelines and ABER expire on 30 June 2014. This impact assessment supports their revision, which is also steered by the current modernisation of the EU State aid Policy (SAM) and linked to the revision of the rural development policy as part of the Common Agricultural Policy (CAP) reform.

(B) Overall opinion: POSITIVE

The report has been improved to some extent in line with the Board's recommendations, but needs further work on a number of aspects. First, the report should indicate the magnitude of the problem related to closing down of production capacity due to excess capacity and land purchase for young farmers. Second, it should clarify the content of the different options as well as sub-options for revising the State Aid guidelines with regard to compensation for damages caused by protected animals, investment aid for land purchase for young farmers and closing down of production capacity. Third, the report should support the qualitative assessment of impacts with concrete evidence and examples. It should better assess the administrative burden of the different options. In particular, the simplification and burden reduction benefits of the preferred option for SMEs should be clarified.

* Note that this opinion concerns a draft impact assessment report which may differ from the one adopted

(C) Main recommendations for improvements

(1) Clarify the problem definition and elaborate specific objectives. The intervention logic should be improved by better aligning problems and objectives. In this vein, the report should include the inconsistency with new Rural Development Regulation as a problem under section 2.1. given that consistency with the CAP and Rural Development objectives is presented as a general objective. The report should indicate the magnitude of the problem related to closing down production capacity due to excess capacity and land purchase for young farmers. It should also clarify why certain stakeholders' suggestions to include new types of aid in the Guidelines have been discarded (e.g. because of inconsistencies with the Rural Development Regulation or for other reasons?). Furthermore, the report should discuss the risk of potential overcompensation, in particular, with regard to the closing down of production capacity due to excess capacity. The report should elaborate specific objectives that would later allow assessing the extent to which this initiative has achieved the intended effects. For example, at the next revision, how will it be determined if State Aid rules in agriculture and forestry have focused enforcement on cases with real impact on competition and trade in the Single Market as well as simplified rules and procedures, and relieved burden on SMEs? Furthermore, some operational objectives need to be reformulated to make clear what needs to be achieved rather than providing a list of actions (e.g. review the specific agricultural and forestry notification form, review the scope of aid for closing down production capacity, or review the 10% limitation on purchase of agricultural land for investment aid).

(2) Improve the description of options. When describing option 3 on revisions, the report should provide a clearer structure for the sub-options, i.e. aid to compensate for damages caused by protected animals, investment aid for land purchase for young farmers and closing down production capacity. Moreover, the specific sub-options for investment aid for land purchase for young farmers should be clarified, e.g. what specific amounts above 10% have been considered? Furthermore, the report should better describe the sub-options for closing down of production capacity, e.g. do these sub-options (a) abandon aid for closing down of production capacity due to excess capacity (as the sector is not anymore characterised by over-production, p. 29); (b) abolish the condition of a 50% contribution and restriction of aid for creating new production capacities; or (c) grant aid for closing down production capacity due to early retirement, diversification or restructuring? The report should also clarify the precise content of policy options listing measures aimed at simplification of burdensome procedures (e.g. changes concerning notification forms and thresholds).

(3) Elaborate the assessment of impacts. The report should back up the qualitative assessment of impacts with concrete evidence and examples. For instance, what is the consequence of not increasing the 10% limitation on eligible cost of investment aid for land purchase by young farmers, in particular, as young farmers already seem to own bigger farms than average? The report should make a greater effort in assessing the impact on administrative burden for the different sub-options proposed, in particular, with regard to measures such as changes in forms or the one window approach. For example, it should explain what the 'high administrative burden' of the baseline option or the 'slightly reduced administrative burden' from abolishing specific conditions for giving aid for closing down production capacity due to excess capacity imply in practice. The report should provide concrete examples illustrating how the different options will simplify and consolidate the State Aid guidelines and block exemption regulation as well as reduce regulatory costs. The report should provide an estimate of the administrative

costs incurred by Member States in relation to the new publication requirements and clarify how these can be used for evaluation and monitoring. It should make a greater effort in providing evidence or concrete examples supporting the assigned scores, for example, by illustrating the positive economic impact of adding diversification and restructuring as justifiable reasons for giving aid to closing down production capacity. The report should clearly summarise the simplification and burden reduction benefits of the preferred option, in particular, for SMEs.

(D) Procedure and presentation

The report should differentiate between views of different stakeholder groups as they are currently presented as a homogeneous group. The description and numbering of sub-options should be further improved for option 3 by clarifying what specific measures are included in different sub-options. In this context, the report should clearly distinguish between the description of the options and the assessment of their impacts. The report should include a summary table comparing all options and sub-options in order to facilitate the comparison of the different sub-options in option 3 and how they compare to other options.

(E) IAB scrutiny process

Reference number	2013/AGRI/001; 2013/AGRI/002
External expertise used	No
Date of IAB meeting	Written procedure. An earlier version of this report was submitted to the IAB in 27 February 2014, for which the Board issued an opinion on 28 March 2014.