



EUROPEAN COMMISSION
Impact Assessment Board

Brussels,
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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

(draft version of 27 February 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: NEGATIVE

Firstly, the report should explain what criteria were used to limit the scope of the problems to be covered by this impact assessment. In particular, it should clarify why only aid for damage caused by protected animals, aid for closing down production capacity and investment aid for land purchase for young farmers are addressed in the report, while other stakeholder suggestions were discarded. The magnitude of the identified problems should also be underpinned by concrete evidence. Secondly, relying on a strengthened problem analysis, the report should clarify the justification for the retained options, referring either to the analytical underpinning and/or to stakeholder requests. Thirdly, the report should clearly explain to what extent the proposed options achieve the set objectives (i.e. aligning with the Rural Development Regulation and the ongoing modernisation of State aid policy). Finally, the report should better assess the impact on SMEs and the impact on administrative burden, providing quantitative estimates.

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

Given the nature of these recommendations, the Board asks DG AGRI to submit a revised version of the report, on which it will issue a new opinion.

(C) Main recommendations for improvements

(1) Clarify the scope of the problems addressed and better substantiate their magnitude. The report should be transparent on why it focuses on the three specific problems (i.e. damage caused by protected animals, closing down production capacity and land purchase for young farmers) as opposed to other discarded suggestions made by stakeholders. When presenting the problems, the report should better substantiate their magnitude by referring to concrete evidence and/or illustrating them with examples. In doing so, it should explain why provisions on a 50% contribution from the sector concerned and the restriction of aid for creating new production capacities following the termination of a capacity closure programme are considered burdensome and difficult to implement. The report should clarify whether there is an economic rationale behind the provision of aid to young farmers for land purchase, in particular as they already seem to be managing bigger farms than the average. It should clarify why the damage caused by protected animals is considered an emerging problem, indicating the possible magnitude of such damage and explaining why it needs to be addressed by state aid rather than by market instruments (e.g. insurance).

(2) Better present the options. The report should explain how the proposed options would achieve the objectives of aligning with the Rural Development Regulation and the horizontal State aid rules (e.g. refocusing of state aid where a positive contribution to the sector's development clearly outweighs the risks of distortions of competition, simplification). In this vein the report should also discuss issues of potential overcompensation. The report should better justify the proposed option to eliminate the requirement for a 50% contribution from the sector concerned with regards to aid for closing down production capacity. Considering that other Commission state aid initiatives aim to promote burden sharing, the report should analyse to what extent differences between the agricultural sector and other sectors could justify a differential treatment. The report should clarify the precise content of the policy options and clearly explain why they have been chosen, referring either to underlying evidence and/or to stakeholder requests. For example, it should describe how the options relating to the compensation for damages caused by protected animals and investment aid for land purchase for young farmers were chosen and how aid intensity levels were set (e.g. what specific amounts between 10 and 100% are considered for young farmers?). The report should also explain how the options for new block exemptions were selected and what evidence supports this choice.

(3) Improve the assessment of impacts. The analysis of all options should be underpinned by concrete evidence and examples, in order to justify the scoring of impacts. As the simplification of State Aid rules in the agricultural sector has been identified as a REFIT initiative, the report should clarify how different options will simplify and consolidate legislation and reduce regulatory costs. It should assess in more detail the administrative burden or its reduction providing quantitative estimates. The report should present a clear comparison of options in terms of effectiveness, efficiency and coherence in meeting the stated objectives, including a comprehensive comparative summary table. The underlying reasoning for assigning particular scores should be clearly explained. In comparing the options, the report should clearly identify any trade-offs between environmental, social and economic impacts, as well as any of the trade-

offs in reaching the different objectives (e.g. avoiding distortion of competition and aligning with Rural Development Regulation). Finally, the report should clarify how the preferred option for the revision of State Aid rules in agriculture and forestry will make them more economically significant, focusing enforcement on cases with real impact on competition and trade in the Single Market as well as simplify rules and procedures, and relieve burden on SMEs.

(4) Better present stakeholder views. The report should better present the different stakeholder views throughout the report, in particular regarding the options proposed and their impacts. It should better demonstrate the reasons why some of the proposals made by stakeholders during the public consultation process have been discarded.

Some more technical comments have been transmitted directly to the author DG and are expected to be incorporated in the final version of the impact assessment report.

(D) Procedure and presentation

The drafting of the report should be significantly improved (e.g. structure of the text, numbering of options). The annexes should be better integrated into the main text and consistently referred to throughout the report. All essential information for the decision making should be presented in the main text. For example, it should be explained how different stakeholder suggestions were taken into account when designing the options. The report should also be streamlined to avoid repetitions.

(E) IAB scrutiny process

Reference number	2013/AGRI/001; 2013/AGRI/002
External expertise used	No
Date of IAB meeting	26 March 2014