

# Simplification of the CAP

Assessment of the European Commission's  
reform proposals



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# Simplification of the CAP

Assessment of the European Commission's  
reform proposals

Pim Roza

Trond Selnes

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Roza, P. and T. Selnes

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# Preface

The Common Agricultural Policy (CAP) is the EU's largest common policy, both in terms of budget and in terms of policies and regulations. Understandably, it requires a lot of managing by farmers and other beneficiaries of CAP payments, national administrations and the European Commission. In the past twenty years the CAP has been reformed several times to increase the competitiveness of farmers, to increase sustainability and to improve the targeting of policy measures. Since 2003, when the cross compliance requirements for an environmental-friendly agriculture were introduced, the call for simplification of the CAP has become increasingly important in the debate on CAP reforms.

Currently negotiations are underway for a new CAP reform. In October 2011 the European Commission has presented legislative proposals for the design of the CAP after 2013. These proposals partly introduce new elements (e.g. on greening of direct payments) but also sustain and streamline existing policies, such as the rural development policy. The question is whether these proposals lead to a net simplification of the CAP. The European Commission also presented an overview of the simplification elements foreseen in the five main legislative proposals, including a list of ten main simplification aspects.

Already in March 2011 EU Member States almost unanimously confirmed their support to a Council paper, which sets out six key principles that are considered necessary to govern the policy-making process in order to bring about meaningful simplification of the CAP. The subscribers to the paper encouraged the Commission to reflect these principles in the legislative proposals for the new CAP.

The Dutch Ministry of Economic Affairs, Agriculture and Innovation (within the theme 'Common Agricultural Policy' of the Policy Supporting Research, BO-11.16-001-LEI-6) and the Swedish Ministry for Rural Affairs/Swedish Board of Agriculture have asked LEI to present an analysis and judgement of the ten main simplification aspects presented by the European Commission and to present an overall simplification assessment of the five main legislative proposals. This analysis has been conducted against the background of the Council paper with the six key principles to assess whether the Commission has taken these principles into account.



The researchers greatly acknowledge the stimulating cooperation and useful comments of Hans Brand (Dutch Ministry of Economic Affairs, Agriculture and Innovation) and of Magnus Olsson and Sone Ekman (Swedish Board of Agriculture), who supervised this study. Petra Berkhout, Roel Jongeneel and Ida Terluin (all LEI) gave useful comments on draft versions of the report.

L.C. van Staalduinen MSc  
Managing Director LEI ad interim

# Summary

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## S.1 Key results

**To simplify the Common Agricultural Policy after 2013, adjustments are needed to the current legislative proposals. In particular, the complexity of the direct payments proposal needs to be tackled. (See [section 6.3](#))**

The simplification impact of the legislative proposals for the Common Agricultural Policy differs largely between farmers/beneficiaries, national authorities and the European Commission. Particularly implementation costs of direct payment schemes will increase for national authorities (see figure S.1). The simplification impact also differs between the different Member States. (See [section 6.2](#))

The six key principles on simplification presented by the Member States have to some extent been addressed by the European Commission, but only marginally. These principles therefore still remain important in the current phase of negotiations and drafting of delegated and implementing acts. (See [section 6.2](#))

## S.2 Complementary findings

The impact on administrative burden and implementation costs of the ten simplification aspects presented by the European Commission is disappointing. In particular, the small farmers scheme, greening, common indicators and cross compliance do not lead to simplification. Small direct payments schemes (such as the small farmers scheme) should be made voluntary, while the greening payment scheme needs to be more adapted to local circumstances. (See [Chapter 4](#))

Overall, the picture is quite positive for the market and pricing policy and rural development, although simplification is needed in the Common Monitoring and Evaluation Framework. In addition, overlap between the two pillars of the CAP creates confusion and needs to be avoided. (See [Chapter 5](#))

Discussion on simplification does not end with the legislative proposals, but continues with the drafting of delegated and implementing acts by the

Commission. These acts should not further increase the administrative burden and implementation costs. ([See section 6.3](#))

**Figure S.1 Overall judgement on simplification**

<b>Simplification aspect</b>	<b>Impact on farmers/beneficiaries</b>	<b>Impact on national authorities</b>	<b>Impact on European Commission</b>
Small farmers scheme	+	-	0
Greening payment scheme	-	-	0
Voluntary coupled support	+	0	+
Simplified costs in pillar 2	+	0	+
LEADER local development	0	0	+
Common indicators	+	-	+
Reduction on-the-spot controls	+	0	+
Cross compliance	-	-	0
Alignment of rules on management and controls	+	0	+
Repealing certain aid schemes	+	+	+
<b>Legislative proposal</b>	<b>Impact on farmers/beneficiaries</b>	<b>Impact on national authorities</b>	<b>Impact on European Commission</b>
Direct payments system	0	-	+
Market and pricing policy	+	+	+
Rural development policy and CSF	+	0	0
Horizontal rules	+	0	+

Green (+): decrease of burden and costs, aspect/proposal is recommended; Yellow (0): no real simplification, with some uncertainties; Red (-): increase of burden and costs, aspect/proposal is not recommended.

### S.3 Methodology

The Dutch Ministry of Economic Affairs, Agriculture and Innovation and the Swedish Ministry for Rural Affairs/Swedish Board of Agriculture have asked LEI to assess whether the legislative proposals for the Common Agricultural Policy (CAP) post-2013 lead to more simplification for farmers/beneficiaries and national authorities. They also wanted to know whether the European Commission

has used the six key principles on simplification which were presented by the Member States in March 2011.

The assessment consist of two parts:

- An analysis of the ten main simplification aspects in the CAP proposals presented by the European Commission;
- An analysis of the five main legislative proposals for the CAP.

These analyses have been conducted against the background of the six key principles and a set of criteria on policy acceptance. Based on the assessment, a judgement of the extent of simplification for farmers/beneficiaries, national authorities and the European Commission is provided for each aspect/proposal, using a traffic light assessment. ([See Chapter 2](#))

# Samenvatting

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## S.1 Belangrijkste uitkomsten

**Om het Gemeenschappelijk Landbouwbeleid na 2013 te vereenvoudigen, moeten de huidige wetgevingsvoorstellen worden aangepast. Met name het voorstel voor rechtstreekse betalingen moet minder complex worden gemaakt.**

De vereenvoudigingseffecten van de wetgevingsvoorstellen in het kader van het Gemeenschappelijk Landbouwbeleid verschillen aanzienlijk tussen boeren/begunstigden, nationale overheden en de Europese Commissie. Nationale overheden zullen met name te maken krijgen met hogere kosten voor het implementeren van regelingen inzake rechtstreekse betalingen (zie figuur S.1). De vereenvoudigingseffecten verschillen ook tussen de verschillende lidstaten.

De zes basisprincipes voor vereenvoudiging die door de lidstaten zijn gepresenteerd, zijn tot op zekere hoogte meegenomen door de Europese Commissie, echter uitsluitend marginaal. Deze principes blijven daarom ook belangrijk in de huidige fase van onderhandelingen en het opstellen van gedelegeerde en uitvoeringshandelingen.

## S.2 Overige resultaten

Het effect op de administratieve lasten en uitvoeringskosten van de tien vereenvoudigungsaspecten die zijn gepresenteerd door de Europese Commissie is teleurstellend. Met name de regeling voor kleine boeren, de vergroeningsregeling, de gemeenschappelijke indicatoren en cross compliance leiden niet tot vereenvoudiging. Bepaalde regelingen inzake directe betalingen (zoals de regeling voor kleine boeren) moeten vrijwillig worden gemaakt, terwijl de vergroeningsregeling beter moeten worden afgestemd op de lokale omstandigheden.

Het algehele plaatje voor het markt- en prijsbeleid en plattelandsontwikkeling is redelijk positief, hoewel er wel vereenvoudigingen moeten worden aangebracht in het gemeenschappelijk monitoring- en evaluatiekader. Bovendien zorgt een overlap tussen de twee pijlers van het GLB voor verwarring en dat moet vermeden worden.

De discussie over vereenvoudiging eindigt niet bij de wetgevingsvoorstellen, maar wordt voortgezet bij het opstellen van gedelegeerde en uitvoeringshandelingen door de Commissie. Deze handelingen mogen niet leiden tot een verdere verhoging van de administratieve lasten en uitvoeringskosten.

<b>Figuur S.1 Algehele beoordeling van vereenvoudiging</b>			
<b>Vereenvoudigingsaspect</b>	<b>Effect op boeren/begunstigden</b>	<b>Effect op nationale overheden</b>	<b>Effect op Europese Commissie</b>
Regeling voor kleine boeren	+	-	0
Vergroeningsregeling	-	-	0
Vrijwillig gekoppelde steun	+	0	+
Vereenvoudigde kostenstructuur pijler 2	+	0	+
LEADER lokale ontwikkeling	0	0	+
Gemeenschappelijke indicatoren	+	-	+
Vermindering 'on the spot' controles	+	0	+
Cross compliance	-	-	0
Stroomlijning van regels voor beheer en controle	+	0	+
Herroepen van bepaalde steunregelingen	+	+	+
<b>Wetgevingsvoorstel</b>	<b>Effect op boeren/begunstigden</b>	<b>Effect op nationale overheden</b>	<b>Effect op Europese Commissie</b>
Systeem van rechtstreekse betalingen	0	-	+
Markt- en prijsbeleid	+	+	+
Plattelandsonwikkelingsbeleid en GSK	+	0	0
Horizontale voorschriften	+	0	+
Groen (+): daling van lasten en kosten, aspect/voorstel wordt aanbevolen; Geel (0): geen echte vereenvoudiging, bevat bepaalde onzekerheden; Rood (-): stijging van lasten en kosten, aspect/voorstel wordt niet aanbevolen.			

### S.3 Methode

Het Nederlandse ministerie van Economische Zaken, Landbouw en Innovatie en het Zweeds ministerie van Plattelandszaken/Zweedse Landbouwwaad hebben het LEI gevraagd te beoordelen of de wetgevingsvoorstellen voor het Gemeenschappelijk Landbouwbeleid (GLB) na 2013 tot meer vereenvoudiging leiden

voor boeren/begunstigden en nationale overheden. Tevens wilden ze weten of de Europese Commissie gebruik heeft gemaakt van de zes basisprincipes voor vereenvoudiging die in maart 2011 zijn gepresenteerd door de lidstaten.

De beoordeling bestond uit twee onderdelen:

- Een analyse van de tien belangrijkste vereenvoudigingsaspecten in de GLB-voorstellen die zijn gepresenteerd door de Europese Commissie;
- Een analyse van de vijf belangrijkste wetgevingsvoorstellen voor het GLB.

Deze analyses zijn uitgevoerd tegen de achtergrond van de zes basisprincipes en een set criteria voor acceptatie van beleid. Op basis van de analyse is met behulp van een stoplichtmodel voor elk aspect/voorstel een oordeel geveld over de mate van vereenvoudiging voor boeren/begunstigden, nationale overheden en de Europese Commissie.

# 1 Introduction

---

## 1.1 Background

On 12 October 2011 the European Commission presented the legislative proposals for the Common Agricultural Policy (CAP) post-2013. The main five proposals consist of draft regulations on rules for direct payments; on a single Common Market Organisation (CMO); on support for rural development; on financing, management and monitoring (horizontal rules); and on the Common Strategic Framework (CSF) (European Commission, 2011a; 2011b; 2011c; 2011d; 2011e). Simplification is an important theme in the discussions on CAP reform, which is also reflected in the special impact assessment on simplification which accompanied the proposals (European Commission, 2011f). On 10 November 2011 the European Commission presented an overview of the simplification elements in the five main legislative proposals, including a list of ten main simplification aspects in the proposals (European Commission, 2011g).

In 2012 the Commission will discuss the proposals with the Member States and the European Parliament. Despite the final policy content of the CAP after 2013, there is a general agreement among EU Member States that the future regulatory framework of the CAP must be much simpler than at present. Simplification is an ongoing priority requiring continuous attention, which has been confirmed in several Council discussions. The European Parliament already confirmed its commitment to the further simplification of the CAP in its resolution adopted on 18 May 2010 (*Official Journal of the European Union*, 2011). According to almost all EU Member States real regulatory simplicity can only be ensured and maintained by enshrining some overarching principles into the policy-making process. In the Council of 17 March 2011 26 Member States (only Italy did not sign) confirmed their support for a paper submitted by the Dutch and Danish delegations on 'Simplification of the Common Agricultural Policy beyond 2013' (Council of the European Union, 2011). This paper sets out six key principles that are considered necessary to govern the policy-making process in order to bring about meaningful simplification of the CAP. Each principle is followed by some specific examples to illustrate how it might be applied.

The six key principles are:

1. *Net cost reduction*

The CAP 2014-2020 must overall be simpler and cheaper for national authorities to administer, and have reduced administrative costs for recipients.



Any increased cost or complexity to specific measures can only be justified where the benefits outweigh the costs. In that case compensation must be found elsewhere;

2. *Risk-based control*

A risk-based approach should be applied to all controls on both administrations and recipients. This means that controls are reduced where the administration has demonstrated that they have a robust system of controls in place, or the recipient has a good track record. Equally, controls should - as is already the case - be increased where systemic problems have occurred;

3. *Discretion and flexibility for Member States*

Give Member States the discretion and flexibility in programming and to define the detailed control, monitoring and evaluation of schemes in a manner appropriate to their particular circumstances, providing they can demonstrate that the policy measures taken are effective;

4. *Proportionality in control and penalties*

Apply greater proportionality to controls and penalties;

5. *Transparency and clarity*

Provide full transparency and clarity of all roles and responsibilities, and put in place mechanisms for providing the necessary clarity if there is any uncertainty about the interpretation of EU requirements;

6. *Maximum use of technology*

Maximise and incentivise the use of technology.

The subscribers to the paper encouraged the Commission to reflect these principles in the legislative proposals for the new CAP and to use them as evaluation criteria in the accompanying impact assessment. At the same time they recommended that any new proposals include measures to ensure a smooth transition from the current CAP to the future CAP, at minimum cost and to prevent disruptive effects to recipients and delivery bodies.

## 1.2 Objective and research questions

The objective of this study, which is supervised by the Dutch Ministry of Economic Affairs, Agriculture and Innovation and the Swedish Ministry for Rural Affairs/Swedish Board of Agriculture, is to present an analysis and judgement of the ten main simplification aspects presented by the European Commission (European Commission, 2011g; see section 3.3) and to present an overall simplification assessment of the five main legislative proposals mentioned at the

beginning of section 1.1. This analysis is to be conducted against the background of the Council paper with the six key principles to assess whether the Commission has taken these principles into account.

The main research question is: How can the CAP be simplified?

In order to specify this question, we have formulated six sub-questions:

1. Why is simplification needed: which problems need to be tackled?
2. Which aspects for simplification of the CAP have been put forward by the European Commission?
3. To what extent do these simplification aspects address the concerns of the Member States as put forward in the six key principles?
4. To what extent do these simplification aspects meet the criteria on policy acceptance?
5. To what extent do the legislative proposals for the CAP post-2013 overall represent a 'simpler CAP'?
6. In which way can the legislative proposals be adjusted or altered in order to improve the simplification process to create real and tangible simplification of the CAP post-2013?

### **1.3 Demarcation**

This study is a rough analysis, from which we have to leave out much detail which could be interesting as well. Some demarcation points help clarify what can be expected from this study:

- Simplification is viewed as:
  - a reduction of administrative burden for farmers and other beneficiaries;
  - a reduction of implementation costs for national authorities/paying agencies, which covers costs for implementation, control, monitoring and evaluation; and
  - a simplification of the work of the European Commission.
- The focus in this study will be on the reduction of administrative burden for farmers/beneficiaries and the reduction of implementation costs for national authorities/paying agencies.
- The study analyses the following five legislative proposals: proposal on rules for direct payments; proposal on a single Common Market Organisation (CMO); proposal on support for rural development; proposal on financing, management and monitoring (horizontal rules); proposal on the Common Strategic Framework (CSF) (art. 1-80).

- The study is based on a qualitative analysis, and no detailed assessment of costs and benefits is made, although in some cases secondary sources provide a quantitative assessment.
- The study will not provide detailed recommendations in the sense of legal amendments to the draft regulations.

#### **1.4 Outline of the report**

Chapter 2 presents the methodological approach and the analytical framework that is used for the simplification assessment. Chapter 3 presents information on (the need for) simplification of the CAP and shortly introduces the ten simplification aspects of the Commission. The assessment of ten simplification aspects is made in chapter 4, based on the analytical framework of chapter 2. Chapter 5 presents an overall 'simplification assessment' of the CAP proposals, also based on the analytical framework of chapter 2. Finally, conclusions are drawn and recommendations are made in chapter 6 on how to adjust the legislative proposals to create a simpler CAP post-2013.

## 2 Methodological approach

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The analytical framework will be used to assess both the ten simplification aspects presented by the Commission (chapter 4) and the five main legislative proposals for the CAP post-2013 (chapter 5).

### 2.1 Analytical framework

The assessment is carried out according to the analytical framework in figure 1. The assessment consist of three steps: problem, analysis and results.

#### 1. *Problem*

The first step is divided into two tasks. First, the task of presenting the problem definition that shows the need for more simplification (problem description). Second, the identification of the Commission's ideas for the solution of this problem (proposed solution). For each of the ten simplification aspects of the Commission a problem definition (description + solution) will be made (see chapter 4). For the legislative proposals only the problems with the current policy are described.

#### 2. *Analysis*

The second step consists of the assessment of the simplification aspects and legislative proposals. For this assessment we will use two sets of criteria. For every criterion we have formulated a leading question that serves as the essence for judgement. Note that we keep the level of detail limited, as this study is aimed at the identification of the main aspects of the issue at stake.

The first set of criteria consists of the six key principles brought in by the Member States. Principle 2 (risk-based control) and principle 4 (proportionality in control and penalties) have been put together in one principle: proportionality in control and penalties. The principles are (see also section 1.1):

- *Net cost reduction*

To what extent does the proposal contribute to a net reduction of costs and complexity (costs versus benefits)?

- *Proportionality in control and penalties*

To what extent does the proposal contribute to a more proportional system of controls and penalties (including risk-based control)?

- *Discretion and flexibility for member states*  
To what extent does the proposal provide Member States with appropriate discretion and flexibility?
- *Transparency and clarity*  
To what extent does the proposal provide transparency and clarity on roles and responsibilities?
- *Maximum use of technology*  
To what extent does the proposal provide possibilities for the (maximum) use of technology?

The second set consists of five scientific-based criteria on policy acceptance:<sup>1</sup>

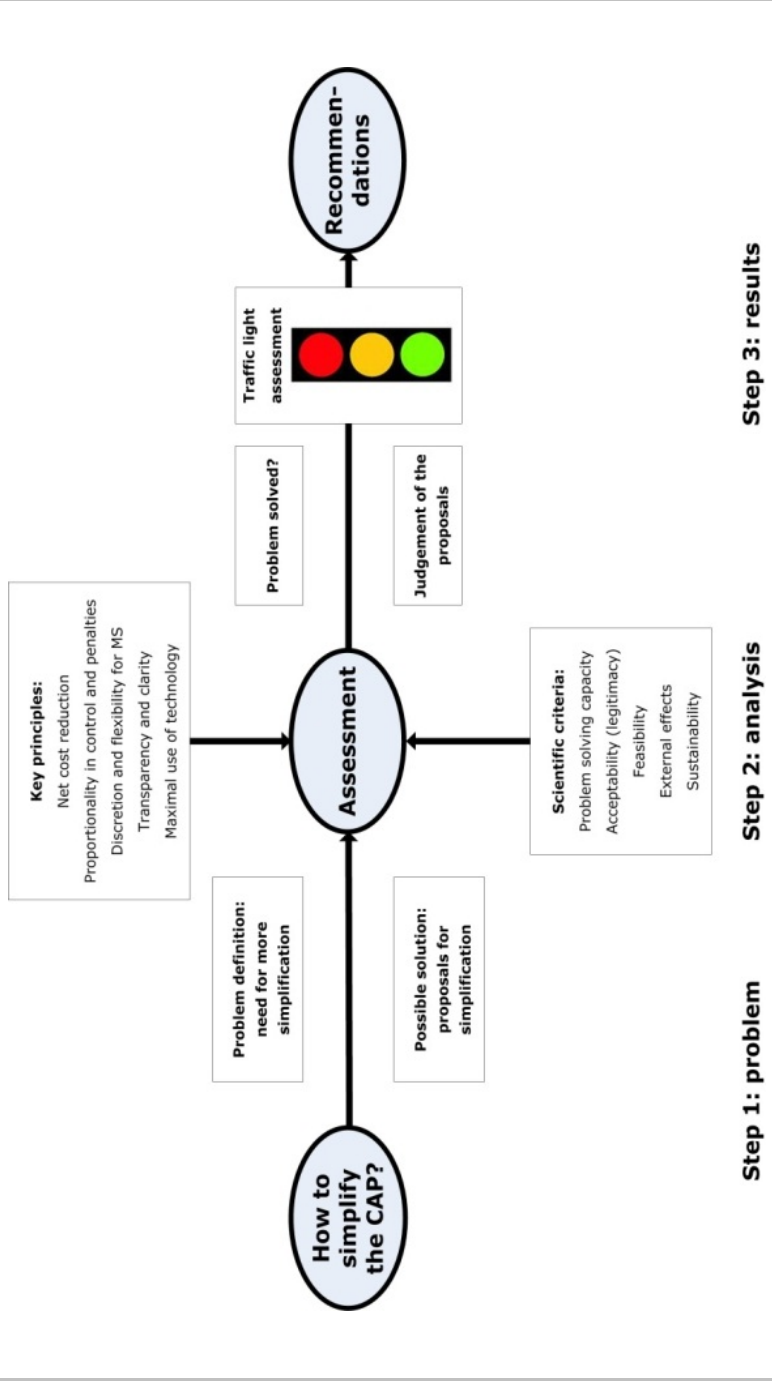
- *Problem-solving capacity*  
To what extent does the proposal contribute to the solving of the problem in society it is designed to solve (is the contribution large or minor, direct or indirect)?
- *Acceptability/legitimacy*  
To what extent are the proposal and its impact, including the financial impact, acceptable for society (e.g. what are the legal and financial risks, does it reduce or increase the level of controversy or trust)?
- *Feasibility*  
To what extent is the proposal understood and are the actors able to carry it out as intended? (Is the expertise needed present?)
- *External effects*  
To what extent does the proposal have external effects (on other policy areas, or other aspects of society/economy, on the power relations)?
- *Sustainability*  
To what extent does the proposal add to sustainable development (effect on economy, ecology, society; does it contribute to the greening of the CAP?)

The idea is to 'confront' the key principles on simplification with other factors that determine policy acceptance, since simplification should not be a goal unto itself. There are also other (policy) goals that the CAP has to address, such as effectiveness and legitimacy (e.g. for the tax-payer).

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<sup>1</sup> The second scientific set of criteria is inspired by the framework made by Fleurke et al. (1997).

**Figure 2.1** Analytical framework



### 3. *Results*

Step three contains an overall qualitative judgement of the simplification aspects and legislative proposals and a confrontation of this judgement with the problem definition (is the problem solved?). Step three will conclude with recommendations.

For the assessment of the simplification aspects and the legislative proposals, we use the metaphor of a 'traffic light'. The assessment of the proposals leads to either a red, yellow green or light. This traffic light assessment is only based on the six key principles on simplification:

- *green light (+)* means that the proposal in its present form decreases administrative burden and/or implementation costs and is therefore recommended;
- *yellow light (0)* means that there is no real simplification, but some aspects or conditions may be questionable or uncertain;
- *red light (-)* means that the proposal in its present form increases administrative burden and/or implementation costs and is therefore not recommended.

The aim is to make three traffic lights for each simplification proposal: one for the impact on the farmers/beneficiaries, one for the impact on the national authorities/Paying Agencies and one for the impact on the work of the European Commission.

## 2.2 **Research approach**

### *Document analysis*

The research refers to the documents below:

- proposal on rules for direct payments (European Commission, 2011a);
- proposal on a single CMO (European Commission, 2011b);
- proposal on support for rural development (European Commission, 2011c);
- proposal on financing, management and monitoring (European Commission, 2011d);
- proposal on the Common Strategic Framework (CSF) (European Commission, 2011e);
- relevant accompanying impact assessments, in particular annex 8: Simplification of the CAP (European Commission, 2011f).

The basis for the analysis is the paper 'Simplification of the Common Agricultural Policy beyond 2013' (Council of the European Union, 2011). This paper with the six principles provides the framework for the assessment of the five proposals.



# 3 The case for simplification and the Commission proposals

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## 3.1 The case for simplification

In this section the following research question will be answered:

- *Research question 1: Why is simplification needed: which problems need to be tackled?*

The Common Agricultural Policy is the EU's largest common policy, both in terms of budget and in terms of policies and regulations. Understandably, it requires a lot of managing of farmers and other beneficiaries of CAP payments, national administrations and the European Commission. In the past twenty years the agricultural and rural development policies of the CAP have been subject to four reforms in 1992, 2000, 2003 and 2008. These reforms have shifted the focus of the CAP from productivity towards competitiveness (2000) and sustainability (2008). In addition CAP policies have been brought more in line with societal expectations. Payments to farmers have been decoupled from production and have become more targeted with the aim to pay farmers for services they deliver, e.g. in terms of nature, landscape and water management.

At the same time there has been a growing call for more simplification of the CAP. The purpose of simplification is 'to ensure that policies, the mechanisms chosen to implement them and the necessary legal framework are never more complex than is necessary to achieve the intended objectives effectively' ([http://ec.europa.eu/agriculture/simplification/index\\_en.htm](http://ec.europa.eu/agriculture/simplification/index_en.htm)). Therefore it is of great importance to make the CAP as simple as possible for farmers, consumers, as well as the authorities and administrations in charge of its everyday management.

The process of simplifying the CAP is part of a broader attempt of the European Commission to make its policies less complex. Simplification of the CAP became an increasingly important issue in 2003 when Commissioner Fischler introduced his Mid-Term Review reforms and cross compliance became a compulsory part of the CAP. This means that recipients of direct payments were to meet several minimal on-farm standards, with the aim of promoting a more sustainable agriculture *and* making the CAP more compatible with the expectations

of society. Ever since the cross compliance regulations have been criticised for creating extra administrative burden for farmers and increasing implementation costs for national authorities.

As a reaction to the growing call for simplification the European Commission proposed adjustments to the CAP in 2005 with the aim of reducing red tape for both farmers and administrations by making rules more transparent, easier to understand and less burdensome to comply with. In 2006 the Commission introduced a Rolling Simplification Action Plan to implement the simplification actions. Within this action plan 62 projects have been developed, of which 56 have been implemented.

Some examples of CAP simplification since 2003:

- A large number of payment schemes were combined into the Single (Farm) Payment Scheme;
- A single Common Market Organisation (CMO) replaced the previously existing 21 CMOs. Its creation allowed the repeal of 86 Council acts and replaced more than 1080 legal articles with around 350;
- The 2008 'Health Check' further decoupled and abolished several schemes, such as payments for energy crops and durum wheat as well as the disposal scheme for cream, butter and concentrated butter;
- For imports, licence requirements were reduced from 500 to 65 and for exports, only 43 licence requirements remain;
- The Commission repealed specific marketing standards for 26 types of fruit and vegetables, meaning operators no longer face compliance costs, national authorities no longer need to carry out controls and less produce will be wasted;
- Farmers are no longer required to keep land at their disposal for 10 months to receive direct payments, thus gaining greater flexibility in their farm management and in responding to changing market developments.

All in all, the administrative burden for farmers and companies had been reduced by 36% in 2009 (well above the target of 25% reduction in 2012 which was set in 2007). The Commission has estimated that the reduction of administrative burden amounted to 1.9 billion euros. However, this includes one-off costs of 1.3 billion euros associated with the setting up of new systems (European Commission, 2011f).

Currently the Commission is still working on a number of projects, such as the establishment of one electronic system to facilitate the necessary exchange of information between the Commission and Member States, Information System for Agricultural Market Management and Monitoring (ISAMM), and the har-

monisation of provisions on payment deadlines between the first and second pillar.

### *Challenges*

Although the Commission claims that much administrative burden reduction has already been achieved, farmers/beneficiaries and Member States still call for further simplification, in particular on *rural development implementing rules* and *cross compliance*. In addition, for the future CAP the Commission aims to find the right balance between the simplicity of new measures and better efficiency, effectiveness and targeting of policy implementation. In particular, the *greening of direct payments* is regarded by Member States as a measure that would increase the administrative burden. Next to that other new elements of the CAP, in particular the *definition of active farmer* and a *special support scheme for small farmers* would rather lead to an increase in the administrative and control burden as well as in the risk of errors in the transactions (unless corrective measures, such as additional controls, would be taken). Therefore novel elements should be as simple as possible without too many complicated conditions.

Further simplification must be compatible with other policy objectives such as sustainability, food safety, cohesion and the protection of the EU's financial interests. In addition the objective of more simplification of the CAP may be contradicted by the objective of a better targeted CAP, which leaves more discretion to Member States.

## **3.2 Definition of simplification**

In this study simplification is defined as a reduction of administrative burden (e.g. complexity, time needed for administration) for farmers and other beneficiaries; a reduction of implementation costs for national authorities/paying agencies, which covers costs for implementation, control, monitoring and evaluation; and a simplification of the work of the European Commission.

In its proposals for simplification the Commission also mentions the reduction of the number of regulations under the heading of simplification. Since a reduction of the number of regulations does not have to lead to a policy simplification, these proposals are not taken into account in this study.

### 3.3 The Commission proposals for simplification

In this section the following research question will be answered:

- *Research question 2: Which aspects for simplification of the CAP have been put forward by the European Commission?*

Simplification is an important objective for the CAP post-2013. The Commission has defined three simplification objectives (European Commission, 2011f):

- Simplify the legal framework and ensure that the legal texts are as clear, comprehensible, coherent and as easily accessible as possible;
- Reduce the administrative burden for farmers and managing authorities (Member States and where possible the Commission) of existing tools without watering down their efficiency and increasing the risk of errors;
- Keep the level of administrative burden of the new key concepts of the CAP as low as possible.

In his letter of 10 November 2011 to the Agricultural Council, European Commissioner Ciolos presents an overview of the ten main simplification aspects that are included in the Commission proposals for the CAP post-2013. These main aspects are (European Commission, 2011g):

1. Direct payments
  - a. Small farmers scheme
  - b. Greening: as simple as possible
  - c. Streamlining of voluntary coupled support
2. Rural development/Common Strategic Framework
  - a. Simplified costs in the second pillar
  - b. LEADER local development
  - c. Common indicators
3. Horizontal Regulation
  - a. Reduction on-the-spot controls
  - b. Cross compliance; scope, controls
  - c. Alignment of rules on management and controls
4. Single Common Market Organisation
  - a. Repealing certain aid schemes

These ten aspects are introduced in chapter 4, where more details are provided.

## 4 Assessment of the Commission's simplification aspects

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In this chapter the ten simplification aspects presented by the Commission in November 2011 will be analysed against the background of the six key principles for simplification presented by the Council in March 2011 and against a set of criteria for policy acceptance. The following research questions will be answered:

- *Research question 3: To what extent do these simplification aspects address the concerns of the Member States as put forward in the six key principles?*
- *Research question 4: To what extent do these simplification aspects meet the criteria on policy acceptance?*

### 4.1 Aspect 1: Direct payments - Small farmers scheme

#### 4.1.1 Problem

##### *Problem description*

Small farmers (with an area of 3 ha or less) face the same regulations and obligations as other farmers, but in most cases these obligations with respect to cross compliance or control are not proportional to the amount of support these small farmers receive. Therefore there is a need for more simplification in the payment of support to small farmers in pillar 1, in order to reduce the administrative burden for these farmers and the implementation costs for public authorities - both EU and national.

##### *Proposed solution*

The European Commission has envisaged a simple and specific scheme for small farmers in order to reduce the red tape linked to the management and control of direct support. To that purpose, a lump-sum payment replacing all direct payments is created. In addition, small farmers will be exempt from green-

ing and cross compliance, whilst at the same time obligations related to the application for support and to controls will be eased.

Any farmer claiming support in 2014 may decide by 15 October 2014 to participate in the small farmers scheme and thereby receive an annual payment fixed by the Member State of between €500 and €1,000 regardless of the farm's size. (The figure will either be linked to the average payment per beneficiary, or the national average payment per hectare for 3 ha.) This should create a simplification for the farmers concerned and for the national administrations. Participants will face less stringent cross compliance requirements, and be exempt from greening.

The total cost of the small farmers scheme may not be more than 10% of the national envelope, and the level of the payment will be adjusted accordingly if necessary. Approximately 30% of beneficiaries in the EU-27 (almost 2.3 million farms) will be eligible for this scheme. It foresees a major reduction in administrative burden for farmers and for public authorities.

Next to the small farmers scheme in pillar 1 there will also be rural development funding in pillar 2 for advice to small farmers for economic development and restructuring grants for regions with many such small farms.

#### 4.1.2 Analysis

For the farmers, the small farmers scheme appears to result in a *net cost reduction*. The scheme leads to a reduction of the administrative burden thanks to the exemption from cross compliance requirements, the exemption of small farmers from greening, and the simplification of controls. The largest reduction of administrative burden (€143 million) will be realised through the simplified application for small farmers. According to the Impact Assessment of the EC the small farmers scheme leads to a reduction of the administrative burden for farmers of €151 million.

On the other hand we do not necessarily expect a cost reduction for national authorities. This is not in accordance with the expectations of the Impact Assessment of the EC, which states that the small farmers scheme leads to a reduction of the administrative costs for national authorities of €17 million thanks to simplified application and controls. Indeed a scheme with lump-sum payments might lead to a lower intensity of controls. On the other hand, the agricultural areas would still have to be defined and checked, and the scheme needs to be administered by the national authorities. It is a new scheme with new definitions, which has to be implemented in the national systems. This creates transition

costs. In fact, among Member States, there is a concern that the proposal will instead lead to a large increase in implementation costs. National authorities should keep track of the farmer's status as a small and an active farmer and should do this annually. In some Member States the measure would not even be suitable or useful for more than just a few farmers and for these Member States a new scheme will therefore not be cost reducing at all, but rather the opposite. These Member States might run the risk of being forced to administer and control a scheme that only benefits a few small farmers. At this point, it should be added that although the impact assessment shows that approximately one third of farms applying for CAP funding have an area of 3 ha or less, this accounts for just 3% of the overall agricultural area in the EU-27. In addition there are large differences between Member States with respect to the relative number of small farms.

The small farmers scheme contributes to more *proportionality in control and penalties*, since small farmers receiving only a limited amount of payments will face less stringent controls. At the same time most infringements on cross compliance are found on small farms, so it can be questioned whether a reduction of controls is justified. In principle, the lump-sum payment and the reduction of the amount of obligations and controls for farmers that receive a low total payment (€ 500-1,000), add much to the proportionality. However, national authorities have to ensure that no payment is made to farmers for whom it has been established that they have divided their holding with the sole purpose of benefiting from the small farmers scheme. In turn, this also creates costs for control.

The current Commission proposals leave no room for *discretion and flexibility* for the Member States, neither for the definition of 'small farmer' nor for the payment requirements. Some Member States have called for a voluntary scheme, which means that Member States have the choice whether or not to use the small farmers scheme.

In a strict sense, on the one hand the proposal adds to *transparency and clarity*, as the requirements for small beneficiaries of CAP payments will be simplified. On the other hand, the proposal may create some confusion on the division between pillar one and pillar two, since there is also a measure for small farmers in pillar two.

With respect to a *maximum use of technology*, the introduction of a new small farmers scheme creates opportunities for the use of a simplified digital application form that has to be submitted by participating farmers.

In general, the *problem-solving capacity* of the small farmers scheme is high: about 30% of all beneficiaries of direct payments in the EU-27 are eligible for

the scheme and the scheme contributes to 41% of the total reduction of administrative burden for farmers, based on the Impact Assessment. But there will be great differences between the Member States, as the administrative benefits of the proposal will not be evenly distributed. And this again is linked to the degree of *acceptability and legitimacy*. On the one hand, the proposal has the potential to increase the legitimacy of the CAP since it shows that the Commission is willing to introduce a lump-sum payment in order to reduce administrative burden. It shows that the Commission responds to the demand for more trust. This will be useful for increasing the acceptability in the Member States where this is most relevant. On the other hand, it does also raise questions about the legitimacy, as the proposal might result in the exemption of about 30% of all beneficiaries from cross compliance, while at the same time most infringements on cross compliance are found on small farms.

With regard to the *feasibility*, the picture is mixed. In general, the implementation of the proposal is feasible, in terms of clear criteria. But there are still some details to be addressed: will the scheme become voluntary or compulsory, and can the Member States adjust the definition to their own circumstances? With respect to the details, the trouble here might be the definition of 'active farmer'. There might be many farmers applying for the small farmers scheme, without being active farmers at all. And this might cause problems, including implementation problems, as these farmers must be identified and checked. And the main concern for Member States might even be to prevent that farmers divide their holding into different small farms, in order to be eligible for the small farmers scheme.

The proposal will not have *external effects* on other policy areas. But it might have negative effects on *sustainability*, as the small farmers will not have to comply to the same standards as other farmers (no cross compliance and no greening).

#### 4.1.3 Results

##### *Judgement of the proposal*

This proposal exempts small farmers, who receive only small amounts of payments, from heavy red-tape and strict control. This appeals to an instant sense of justification. And according to the Impact Assessment of the EC, the small farmers scheme indeed leads to more simplification; it is the only policy tool in the 'Integration' scenario that receives +2 points. But at the same time, there are three main concerns:



1. if many farmers are exempted from rules concerning environmental standards, the very idea of a sustainable development of European agriculture might be compromised;
2. for some Member States, the small farmers scheme is only relevant to a limited amount of small farmers;
3. the national authorities must carry out controls regarding the status of the small farmers, and as such it will increase the implementation costs, and not decrease them.

By introducing this measure, administration and control will become necessary, for instance to prevent the risk of unintended divisions of farms into small entities, or to check whether beneficiaries actually are active farmers. Thus, as an overall judgement, the proposal will provide simplification for farmers, but it will increase the implementation costs for national authorities. As a result, the proposal is provided with the following traffic lights:

Farmers/beneficiaries	National authorities	European Commission
+	-	0

*Recommendations*

- The small farmers scheme should be made voluntary for Member States, depending on the relevance of the scheme in the national circumstances;
- The consequences of the exemption of small farmers from the cross compliance requirements for environmental conditions should be critically examined.

**4.2 Aspect 2: Direct payments - Greening as simple as possible**

4.2.1 Problem

*Problem description*

The contribution of the direct payments system to sustainable development is considered to be insufficient and therefore the European Commission proposed to introduce a more targeted payment for agricultural practices beneficial to climate change and the environment, the 'green' payment. This greening of the direct payments system should contribute to a more sustainable CAP. Since 'greening' is not part of the current CAP, there are no existing problems with re-

spect to administrative burden or implementation costs. However, just as with other new CAP elements, there is a fear that the introduction of the green payment would increase the administrative burden for farmers and the implementation cost for national authorities.

#### *Proposed solution*

To address the concerns regarding the complexity of greening, the European Commission proposed to keep greening 'as simple as possible' and to include only measures that have an environmental impact and are manageable/control-able without major extra costs. More specifically, the Commission proposes three greening measures. Member States are obliged to spend 30% of their national direct payments envelope on greening. The three measures are:

- *crop diversification*: farmers with more than 3 hectares of arable land shall grow at least 3 different crops. None of those three crops shall cover less than 5% of the arable land and the main one shall not exceed 70% of the arable land.
- *permanent grassland*: an annual obligation to maintain permanent grassland at farm level.
- *ecological focus areas*: farmers shall ensure that at least 7% of their eligible hectares as defined, excluding areas under permanent grassland, is ecological focus area such as land left fallow, terraces, landscape features, buffer strips and afforested areas.

The Commission states that in the case of greening simplification should be seen in light of accomplishing other policy objectives (i.e. sustainability). In other words: if the greening payment would increase bureaucracy, this would be justifiable in case other benefits would be generated.

In order to make greening 'as simple as possible' the Commission has proposed measures which are 'easy to control and verify and easy for farmers to integrate in their daily farming practice if they are not already part of it'. In order to simplify the green payment, the green cover measure has been excluded from the greening package. In addition, organic farms can benefit from the greening payment without any additional obligations (they already qualify). Small farmers (3 hectares or less) are exempted from the greening obligations.

#### 4.2.2 Analysis

Important to notice is that the green payment in itself does not lead to more simplification. The Commission only aims to make greening as simple as possi-

ble. However, from the Commission's own impact assessment on simplification it already becomes clear that the proposal on greening does not lead to a *net cost reduction*. Farmers need to adjust their practices and will face additional controls, while the national authorities will have to conduct these additional controls (administrative and on-the-spot). Administrative burden for farmers and implementation costs for national authorities will thus increase, while the benefits of the payment scheme are not clear. Studies have pointed at the low effectiveness of a one-size-fits-all approach as is currently proposed, while crop diversification and the maintenance of permanent grassland are measures which are already applied by farmers.

In its present form, the proposal on greening itself does not say much about the *proportionality in control and penalties*, but the expectation is that the implementation of this new payment scheme will lead to higher costs for control. In particular, the requirement of 7% ecological focus area will increase the reliance on on-the-spot checks, since this involves small elements which are difficult to control with IT/remote sensing.

The current proposal does not leave much *discretion and flexibility* to the Member States, as it suggests a set of three measures for the whole EU, with no room for flexibility for the Member States to target these measures to particular circumstances or to draw up their own national measures. In addition, the Commission leaves room for itself to adopt delegated acts with more detailed definitions and rules. This might decrease the flexibility for Member States even more, when definitions and rules will be too strict.

With respect to *transparency and clarity* of legislation, the picture is somewhat blurred, since more detailed definitions and rules will be laid down in delegated acts. Currently a main discussion point concerns the question whether pillar 2 commitments on agri-environment can be counted against the greening requirement. This shows that there is some confusion about the relationship between the compulsory green payment and the voluntary agri-environmental schemes in pillar 2. At the same time, greening is sometimes perceived as a sort of 'super cross compliance'. In any case the contribution of the payment scheme next to other environmental CAP elements needs to be clarified.

The greening proposal limits the *maximum use of technology*, since it is questionable whether IT systems are suitable to monitor and control the implementation of greening.

The green payment should make the CAP more sustainable, through better targeting of payments. However, there are doubts about the effectiveness and efficiency of the chosen way to achieve this. Looking at the *problem-solving capacity* of the proposal, there is an unease at Member State level concerning the

expected greening effect of the greening proposal (see also under 'sustainability'). In short, there are doubts about the intended positive effects: these may be very small (see Westhoek et al., 2012). A part of this doubt is related to the fact that the greening consists of a mix of measures already present 'in the system'. There is a fear that some Member States will have to remove targeted measures already existing and replace them with less efficient measures. Pillar 2 (agri-environmental schemes) is seen as more suitable for targeted measures. When greening means that some measures are shifted from pillar 2 to pillar 1, this questions the role of the agri-environmental payments and whether higher standards will be set for these payments.

It also expected that the impact is likely to be very different in the various Member States, both with respect to effects and costs. For some Member States, it imposes measures on areas where no effects are to be expected. It is thus not cost-efficient to introduce the measures everywhere. And for some areas, it will mean a doubling of measures, as the measures are already applied. Parts of the greening, such as crop diversification, are already common practice in Sweden and the Netherlands (and even obligatory). And the permanent grassland measure will have little greening effect at all in Sweden and the Netherlands. It might prevent some grassland from being abandoned or turned into forest. But we want to add that the grassland measure will make it more difficult for farmers who use arable land for grass production to adjust their production to changing market conditions. The ecological focus areas, however, will have an impact in these countries. For Sweden, the greening measures have no positive effects in Swedish forest regions or in cold climate regions. The reason is that agriculture is already green in these areas. Instead, the proposed measures might have negative impacts in these areas, for example forcing many farmers to leave the current crop mix alternating cereals and grass in favour of grass monoculture.

The doubts presented above form a great risk for the very *acceptability/legitimacy* of the greening. This is fuelled by two powerful sources: 1) doubts about the actual greening effect, and 2) the notion of increased administrative burden and costs. To be acceptable, increased red tape must at least be legitimised by substantial greening effects. Besides, no room for flexibility at the Member State level might decrease the potential support further, and increase the level of controversy. Even with positive expectations of the effects, changes might increase the level of irritation, although this could be temporary. Changes surrounded by doubts about the usefulness of the changes are possibly destructive for the sense of acceptability. An additional aspect concerns the sensitivity of the ecological focus area measure, which is also referred to as

'ecological set-aside'. In the current era of high food prices and food insecurity questions arise about the ethical aspects of such a measure.

The *feasibility*, or to what extent the proposal is understood and the actors are able to carry it out as intended with the expertise needed, will depend on the sum total of all proposed changes. But the changes due to greening are likely to produce uncertainties at first (as change tends to do), and this might diminish later. The feasibility will thus for a part depend on the quality of the communication and intermediate activity as well.

Although there seems to be limited *external effects* on other policy areas or aspects of society/economy, there is at least one external effect: the greening will, at least on the short term, reduce the ability of farmers to produce optimally. Therefore EU production will somewhat decrease. But the greening clearly has potential when it comes to the effects on *sustainability*, as it goes directly to the heart of the agricultural activity. But again, it is the concrete choice of measures that will decide whether these will be substantial effects or merely a 'greenwash', as pointed out by the Institute for European Environmental Policy (Hart and Baldock, 2011).

#### 4.2.3 Results

##### *Judgement of the proposal*

The greening payment can be regarded as an important element of the pursuit for a more sustainable CAP. However, as this study is about simplification of the CAP, we have to conclude that greening is not merely a simplification proposal. It is a proposal to make this greening as simple as possible. In its present form, the greening will increase the administrative burden of farmers and the implementation costs of national authorities. In addition, the increased burden and costs do not seem to be compensated by large greening effects. On the contrary: there are doubts about the usefulness and the sustainability character of the proposal. The introduction of measures that are part of the CAP produces further unease. The lack of flexibility at the Member State level adds to this unease. In addition, there are Member States that fear that they will have to replace efficient measures with inefficient measures.

At the same time, it is of paramount importance to state that the further concretisation of the proposal will be decisive for the simplification effects (implementing and delegated acts). Many concrete choices are thus still to be made.

As an overall assessment of this proposal, we conclude that it does not produce simplification at all. In fact, it will increase the administrative burden for

farmers, the implementation costs for national authorities and also, to some degree, the work of the Commission. As a result, and due to the uncertainties involved, the proposal is provided with the following traffic-light code:

Farmers/beneficiaries	National authorities	European Commission
-	-	0

#### *Recommendations*

- The greening of direct payments could be more effective and efficient when measures are more targeted towards local circumstances. This could be achieved through regional differentiation of the greening scheme, providing the Member States with more freedom to choose measures which deliver the highest environmental outcome in their countries;
- The European Commission should be clear on the link between agri-environmental schemes and greening. In case agri-environmental schemes can be counted against greening, it has to be clear whether farmers would receive a double payment or whether higher standards will be required for agri-environmental payments;
- Control of greening measures should be integrated in controls on eligibility for payment and cross compliance controls. It is recommended to use the same samples for different controls, in order to limit the control costs for national authorities.

### **4.3 Aspect 3: Direct payments - Streamlining of voluntary coupled support**

#### 4.3.1 Problem

##### *Problem description*

Today, the voluntary coupled support exists in various formats and schemes. It exists as a partial implementation of the Single Payment Scheme (SPS), the application of article 68, and the Complementary National Direct Payments (CNDP). This makes it hard to oversee and apply, and therefore hard to use properly and ultimately it makes it inefficient in usage.

##### *Proposed solution*

Member States may grant coupled support to farmers within the sectors and productions of cereals, oilseeds, protein crops, grain legumes, flax, hemp, rice, nuts, starch potato, milk and milk products, seeds, sheep meat and goat meat,

beef and veal, olive oil, silk worms, dried fodder, hops, sugar beet, cane and chicory, fruit and vegetables and short rotation coppice. It may only be granted to sectors or to regions with difficulties and also of significant importance.

The proposal is to group together all the different provisions related to the granting of voluntary coupled support into one heading. This replaces existing modalities and reduces the number of coupled aid schemes. This is intended to harmonise all coupled payments, rendering the legal framework more user-friendly. It is also expected to facilitate the management at the national level. Coupled support may only be granted to the extent necessary to create an incentive to maintain current levels of production in the regions concerned. It shall take the form of an annual payment and shall be granted within defined quantitative limits and based on fixed areas and yields or on a fixed number of animals. Any coupled support granted under this Article shall be consistent with other Union measures and policies. The Commission shall be empowered to adopt delegated acts in accordance with Article 55 concerning (a) the conditions for granting the support referred to in this Chapter, and (b) rules on consistency with other Union measures and on the accumulation of support. For the financing of the voluntary coupled support, Member States may decide, by 1 August of the year preceding the first year of implementation of such support, to use up to 5% of their annual national ceiling set out in Annex II. Under certain conditions, Member States may decide to use up to or even more than 10% of the annual national ceiling.

The Member States shall notify their decisions to the Commission by 1 August. The notification shall include information on the regions targeted, the selected types of farming or sectors, the level of granted support, with detailed descriptions of the situation in the regions targeted and the characteristics of the specific types of farming and sectors. It shall be up to the Commission, by means of an implementing act, to approve the decisions and judge whether the needs in the regions and/or sectors concerned are sufficiently demonstrated (necessity; alternatives; the risk of production abandonment; social and environmental problem reduction; social and economic consequences). The Commission decides whether it is necessary to compensate disadvantages resulting from continuing disturbances, and whether it is necessary to intervene where the existence of any other support available is deemed insufficient. The Commission shall also adopt rules on the procedure for the assessment and approval of the decisions by Member States.

#### 4.3.2 Analysis

There is certainly potential for *net cost reduction* in this proposal of streamlining the many provisions. But the remaining administrative burden and the corresponding complex set of demands attached to the voluntary coupled support will be substantial. This is due to the large amount of documentation which is still required.

The proposal does not have much effect on the *proportionality in control and penalties*.

Regarding *discretion and flexibility*, the Member States decides how much to spend and they also make many of the actual choices concerning the implementation of the grants, and also the related assessments. The Member States have to notify the Commission on their decisions on a yearly base. However, the adoption of further rules on the procedure and the conditions for granting is left to the Commission through implementing acts. That makes the expected effects of the proposition uncertain.

But it does seem to add *transparency and clarity* to the provision, as it will become streamlined and more user friendly, and therefore easier to oversee and assess.

And as a consequence of the more user friendly streamlining, this proposal makes the *maximum use of technology* more achievable.

The effect on the *problem-solving capacity* is still hard to estimate, as it depends on the actual choices for conditions and procedures. The same is the case for the effect on the *acceptability/legitimacy*. One important question is whether the far reaching powers to the Commission in this case will be acceptable to the Member States.

In principle, there should be few problems regarding the *feasibility* of the proposal. However, it should be noted that both for the acceptability and for the feasibility, the ability of the Member States to deliver the information needed without too much red-tape will be decisive. The *external effects* will depend on whether and how the Member States (can or want to) make use of this provision. It should be noted that there are Member States which consider the very principle of voluntary coupled support to be a competition distortion. Other Member States argue that it is needed in certain regions and for certain sectors to increase the *sustainability*.



### 4.3.3 Results

#### *Judgement of the proposal*

If the voluntary coupled support is continued, few would disagree on the principle of streamlining it. In that respect the proposal will be supported. There are uncertainties though, in particular related to the rules on procedures and conditions that will be made by the Commission, and also the actual implementation at the Member State level. An important question is whether the proposed delegation of powers to the Commission will be acceptable.

Farmers/beneficiaries	National authorities	European Commission
+	0	+

#### *Recommendations*

- Further clarification is needed for this proposal to become accepted among Member States.
- There is a need to look closer at the delegated powers involved.

## **4.4 Aspect 4: Rural development - Simplified costs in the second pillar**

### 4.4.1 Problem

#### *Problem description*

At present, there is no provision for making payments from the EAFRD on the basis of applying simplified costs, except for area-based payments. The payments are made on the basis of detailed invoices and documents of proof. And there is no clear method for paying indirect costs, and this leads to confusion and ad-hoc approaches.

#### *Proposed solution*

The simplified costs proposal aims for clear and simple approaches to reimbursing indirect payments by beneficiaries. This involves standard scales of cost units, lump sums and flat-rate financing determined by an application of a percentage to defined types of eligible costs. The processes of claiming, administering and auditing reimbursements for payments made will be easier for everyone, making rural development policy more accessible. Grants may take any of the following forms:

- Reimbursement of eligible costs actually incurred and paid, and where applicable, in-kind contributions and depreciation;
- Standard scales of unit costs;
- Lump sums not exceeding 100,000 euro of public contribution;
- Flat-rate financing, determined by the application of a percentage to one or several defined categories of costs

Combining these options is allowed only where each covers different categories of costs or where they are used for different projects forming a part of an operation or for successive phases of an operation. If an operation or part of an operation is implemented exclusively through the procurement of works, goods or services, combining options is not allowed.

The amounts referred to shall be established on the basis of:

- a. a fair, equitable and verifiable calculation method based on: (1) statistical data or other objective information; or (2) the verified historical data of individual beneficiaries or the application of their usual cost-accounting practices;
- b. methods and corresponding scales of unit costs, lump sums and flat rates applicable in Union policies for a similar type of operation and beneficiary;
- c. the methods and corresponding scales of unit costs, lump sums and flat rates applied under schemes for grants funded entirely by the Member State for a similar type of operation and beneficiary;
- d. rates established by this Regulation or the Fund-specific rules.

The document setting out the conditions for support for each operation shall set out the method to be applied for determining the costs of the operation and the conditions for payment of the grant.

The Commission shall be empowered to adopt delegated acts concerning the definition of the flat rate and the related methods referred to above.

#### 4.4.2 Analysis

On the short term, this proposal will not lead to a *net cost reduction*, at least not for the Member States, as the adjustments will take time and manpower. On the longer run, it might have a potential for cost reduction. The proposal does not require high investment costs for authorities (no major organisational or institutional change) or farmers (merely a simpler system). The proposal is not about *proportionality in control and penalties*, but it does have a potential for supporting a more risk-based control. The effect of this proposal gives substantial *discretion and flexibility* for Member States, through more flexibility in the

making of payments. A simpler framework for these payments would also add to the *transparency and clarity*, and it will ease the *maximum use of technology*.

With regard to the *problem-solving capacity*, the question arises whether the restrictions added to the proposal are not removing many of the benefits of the proposal? If procurement of works, goods or services are excluded, what is then left? And that is exactly the reason why it is hard to state whether the irritation factor is lowered by this, and thus whether it will increase the *acceptability and legitimacy*. But also the *feasibility* is rather uncertain, since the necessary definitions and methods are yet to be worked out in a concrete sense and also decided upon. Much is still forwarded to the Commission through delegated acts. The proposal will call for discussion on the concrete methods and procedures of choice, and is subsequently open up for interpretations. There is a risk that practice in one region or Member State might differ from another. It does however not have *external effects* or effects on the level of *sustainability*.

#### 4.4.3 Results

##### *Judgement of the proposal*

It is still uncertain what the end result will be, but it will probably be an increase of administrative burden in the short run, in particular for the national authorities.

Farmers/beneficiaries	National authorities	European Commission
+	0	+

##### *Recommendation*

- Further analysis and policy preparation work is needed in order to fully spell out the effects of the intentions in relation to for instance the restrictions involved.

## 4.5 Aspect 5: Rural development - LEADER local development

### 4.5.1 Problem

#### *Problem description*

Leader is a project based approach to put local development strategies into practise, built on local public private partnership participation. It is part of the

EU rural development policy, in the Second Pillar of CAP. At present, the coordination between the use of the Leader approach and similar approaches available through other EU funds is difficult. It has led to unclear responsibilities between local action groups (LAGs), management authorities and paying agencies. Also the project selection became unclear because of this, especially in relation to the responsibilities of paying agencies. And many Member States choose to link the support for projects through the Leader approach to the rules of the predefined measures of the rural development Regulation, which according to the Commission makes Leader inflexible, and does not do justice to the essential integrated and bottom up character of Leader. The implementation of the various systems and programmes differs considerably; for instance, they define the tasks differently. All this puts constraints on a smooth functioning of Leader and its genuine character. The Commission sees that this reflects different administrative traditions, but the LAGs must at least have the competence to select their own projects and to decide which project is to be funded. Within many Member States, the LAGs are also in charge of the formal approval of projects and even fulfil tasks in the payment of funding.

#### *Proposed solution*

The proposal states that in the decision making of Leader, neither the public sector nor any single interest group shall represent more than 49% of the voting rights. Support from the CSF Funds to local development shall be consistent and coordinated between the CSF Funds, and this requires coordinated capacity-building, selection, approval and funding of local development strategies and local development groups. Where the implementation requires support from more than one Fund, a lead Fund may be designated. The running costs, animation and networking activities shall be financed from the lead Fund only.

The Commission proposes a number of obligatory criteria: the LAG must define the area and population covered; and make an analysis of the needs, strengths, weaknesses, opportunities and threats of the area; including a description of the strategy, hierarchy of aims and the integrated and innovative character of the strategy, and also clear and measurable targets for outputs or results. The strategy shall be coherent with the relevant programmes of all the CSF Funds involved. An action plan demonstrates how objectives are translated into actions; and how the management, monitoring and evaluation arrangements are organised; and also the financial plan, including the planned allocation of each of the CSF Funds.

Member States shall define criteria for the selection of the local development strategies. But also Fund-specific rules may set out selection criteria.

The strategy shall be selected by a committee set up for this purpose by the relevant managing authorities. The approval of all strategies shall be completed by 31 December 2015. It shall also set out the roles of the authorities responsible for the implementation of the relevant programmes. The Commission shall adopt delegated acts concerning the definition of the area and population covered by the strategy. Local action groups shall design and implement the strategy further. Member States shall define the respective roles of the local action group and the authorities responsible for the implementation of the relevant programmes. The managing authority shall ensure that the local action groups either select one partner within the group as a lead partner in administrative and financial matters, or come together in a legally constituted common structure. The administrative checks and the on-the-spot control are the only tasks which will not be delegated.

#### 4.5.2 Analysis

The initial impression is that this proposal involves many regulative demands, and many detailed instructions. In the Commission Staff Working Paper, it is argued that this is needed, as the strategy must have an appropriate level of precision, and have a clear link between the actions and the objectives. The local development strategy is meant to be the decisive element for this check. And in order to harmonise this work, requirements at EU level will ensure the minimal obligatory elements of the strategies in the sense of strategic objectives and priorities. The formalised rules for Leader are needed to delegate tasks to the LAGs. The main issue here is to establish a better and clearer division of tasks and responsibilities between the LAGs, the managing authorities and the paying agencies. The common principles presented in the proposal are designed for this task. By that, a harmonisation of the rules governing the approaches in various EU funds is achieved. Using a lead fund for covering running costs, animation and networking activities will simplify the activity. And in that way it is supposed to be easier to use more than one fund. No link will be made to the predefined measures of the rural development Regulation. Besides, the Commission Staff Working Paper states, the LAGs are already used to the paying agencies making eligibility checks. Any activity corresponding to a priority of the rural development policy will be eligible for support. In that way, it will be easier to implement genuine integrated, multi-sectoral local development strategies, which favour innovation.

The intention here of making Leader more flexible and smooth is very likely to meet broad support. Whether these aims will be achieved and whether the

measure will result in a *net cost reduction* is doubtful. In first instance it will cause increasing costs, as the changes lead to new procedures and rules of conduct. Thus in the short run it will increase the administrative burden for all involved. On the other hand, if more clarity is achieved, the costs will eventually be reduced. The proposal must then lead to a reduced need for coordination.

This proposal is not concerned with the *proportionality in control and penalties*. The proposal contains more decision powers to the LAGs and also for the Commission, but it does not leave much *discretion and flexibility* for the Member States. In its present state, the effects on *transparency and clarity* are not very certain. The rules proposed seem very much open to interpretation, despite the many detailed regulations and instructions meant to prove otherwise.

The proposal might eventually score well on transparency and clarity, but based on this proposal this cannot yet be concluded. In fact, there is reason to be concerned about the likely effects on clarity: The Commission 'shall adopt delegated acts concerning the definition of the area and population covered by the strategy', while at the same time the LAG must define the area and population covered. Besides, the role of the Member States is not clear: they are set to 'define criteria for the selection of the local development strategies'. But the question is what this means amidst the powers of the Commission on this issue, and the central role of the LAGs. There is no mention of *maximum use of technology*, although this could offer opportunities for simplifications (it might be covered by other proposals).

The *problem-solving capacity* of the proposal is still to be determined as the concrete details of how to actually deal with this are not yet worked out. Also the *acceptability and legitimacy* will largely be determined by these details. And the same goes for the *feasibility*. By that, it is too early for a final judgement. Without details, the effects on *sustainability* are still hard to predict, but assuming that the Leader implementation is boosted and smoothed by this measure, it will add to the greening of the CAP.

#### 4.5.3 Results

##### *Judgement of the proposal*

The Leader approach will remain complex for the LAGs. On the short run, the proposal even results in a higher administrative burden, as new ways of working require more time and costs (of making strategies, linking them to objectives, adjust to procedures).

Farmers/beneficiaries	National authorities	European Commission
0	0	+

*Recommendation*

- A more general framework with less detailed instructions and regulations would be recommendable as a tool for simplification.
- The dilemma of control versus the need for simplification is not resolved with this proposal and it is recommended to follow up on this subject.

## 4.6 Aspect 6: Rural development - Common indicators

### 4.6.1 Problem

*Problem description*

The more than seven million beneficiaries of the CAP receive support from a large variety of aid schemes, and each of them have detailed and sometimes complex eligibility criteria. With regard to monitoring and evaluation, there are a large number of indicators with many sub-divisions. There is also much room for interpretations, and many resources are spent on these interpretations, and the collecting, verifications and corrections of data.

*Proposed solution*

The proposed solution is to create a better definition of the system, with fewer and better defined indicators. This will simplify the system and improve the use of the common indicators.

A list of common indicators relating to the initial situation as well as to the financial execution, outputs and results of the programme and applicable to each programme shall be specified in the monitoring and evaluation system for the purpose of aggregating data at Union level. Indicators for the impact will be included in the evaluation but not the monitoring.

The common indicators shall be linked to the structure and objectives of the rural development policy framework and shall allow assessment of the progress, efficiency and effectiveness of policy implementation against objectives and targets at Union, national and programme level. A common monitoring and evaluation system shall be drawn up in co-operation between the Commission

and the Member States and shall be adopted by the Commission by means of implementing acts.

#### 4.6.2 Analysis

The proposal is of paramount importance for the *net cost reduction*. However, much work remains before a clear picture can be made of the contribution to the net impact. Member States fear that the proposal will lead to bigger administrative burden. In fact, the very issue of Common Indicators has been, and is still, a very cumbersome one, and the fear now is that this will remain so. The proposal does not yet say much about the *proportionality in control and penalties*, or the *discretion and flexibility* for Member States. The question is to what extent the Member States may have a say in the further interpretation of the system definition and the actual simplification of the common indicators. There are concerns among Member States that they will have to deliver the statistics and other information, and that the Commission will do the evaluation. In general, this measure might add significantly to the *transparency and clarity* of the rural policy, although it does not say much about the effects on the roles and responsibilities. Neither does it say anything about the *maximum use of technology*. The use of information technology might have two opposite effects: it provides opportunities for creating an overview and a better usage of data. But on the other hand, information technology also means better systems, which might create more need for data.

It is too early for an unequivocal judgement of the *problem-solving capacity* of the proposal. But the Member States fear they run the risk of more administration without any gain in insight. There is a conflict between the need for monitoring tools for financial control versus improvement of the implementation. This includes a dilemma between the need to know about the impact, and the need to keep the red-tape to a minimum. On the background is yet another challenge: that is the growing need for evaluation and at the same time simplification of the whole policy framework. The present proposal for changes in the Common Indicators does not provide the solutions necessary. It is still a struggle to define simple indicators that say something significant on effects. As such, the issue is still too much of a black-box, and it is likely to remain a cumbersome one. The Member States do not have much confidence in the proposal. At the moment, it is impossible to state with certainty whether the proposed improvements will be achieved. In its present form, the *acceptability and legitimacy* of the proposal is low among the Member States. Due to the present uncertainty, it is not possible to say much about the *feasibility*. However, con-



sidering the high complexity of the present system, and the state of the present proposal, there are reasons to believe that the process of simplifying the Common Indicators will be difficult.

In principle, this proposal does not have much of *external effects* or even effects on issues of *sustainability*, although the process of and actual reduction of common indicators might have its effects on these matters.

### 4.6.3 Results

#### *Judgement of the proposal*

This proposal represents a very problematic issue. Member States are very concerned that the proposal produces more administrative burden, without any gain for policy. At present, there is thus no confidence in the proposal among the Member States.

Farmers/beneficiaries	National authorities	European Commission
+	-	+

#### *Recommendation*

- Due to the doubts among Member States, the Commission and the Member States should engage in a joint initiative to improve the proposal and create trust for mutual gains.

## 4.7 Aspect 7: Horizontal Regulation - Reduction of on-the-spot controls

### 4.7.1 Problem

#### *Problem description*

The problem approached in this proposal is the burden of red-tape related to control. Member States and farmers often complain about the administrative burden attached to the controls. At present, a minimum of 5% is on-the-spot controlled. In case of high error rates, more controls will be carried out, although one cannot go below the 5% margin, even if the control system works properly and the error rates are low.

### *Proposed solution*

The proposal allows Member States with a properly functioning control system as well as low error rates to reduce the number of on-the-spot controls. It states that the Member States must set up their own management and control system. This system must be able to check the legality and regularity of the operations in question, and offer an effective prevention, detection and correction of irregularities and fraud. This system shall include a systematic administrative checking of all aid applications and shall be supplemented by on-the-spot checks. The authority responsible shall draw its check sample from the entire population of applicants comprising one random part and one risk-based part in order to obtain a representative error rate, while also targeting highest errors. A report must be made on every on-the-spot check. All the on-the-spot checks shall be carried out at the same time. The Commission aims at a uniform application and will adopt the necessary rules to ensure such a practice. This means that the Commission will provide for rules regarding the administrative and on-the-spot checks; the rules for the minimum level of on-the-spot checks necessary for an effective management of the risks; as well as the conditions under which Member states have to increase such checks, or may reduce them where the management and control system function properly and the error rates are at an acceptable rate. The Commission also decides the rules and methods of reporting of the checks and verifications carried out and their results. In addition, the Commission will also adopt the necessary rules for the authorities responsible for performing the checks for compliance as well as to the content, the frequency and the marketing stage to which those checks shall apply.

#### 4.7.2 Analysis

The Commission expects with this proposal a *net cost reduction*. A net reduction of administrative costs and complexity (costs versus benefits) is expected, although the control burden in first instance will increase as the Certifying Body is adjusting to the increasing, additional, work on the legality and regularity. After a while, according to the Commission, fewer on-the-spot controls will lead to lower costs and less burden, as these controls are the most costly ones. A Cap Gemini study concludes that on-the-spot controls, carried out by either national or regional authorities, have a relatively low impact on the total administrative burden at EU level (Cap Gemini, 2011). This is because the number of farmers controlled is much lower than the number of applications and payments claims submitted, since the overall on-the-spot control is limited to a sample of 5% of

all beneficiaries or expenditures declared to the Commission. But the issue at stake is very important for the involved.

The actual contribution of the on-the-spot control reduction to a more *proportional system of controls and penalties* depends on the types and levels of punishments involved. These details of the sanctions are not yet worked out. The sanctions should be sufficiently punishing to encourage or discourage behaviour, but should also be free from arbitrary decisions. The proposal does not seem to leave much room for *discretion and flexibility* for the Member States. The Commission will provide all necessary regulation for the set-up of a control system and its implementation. But the actual work has to be done by the Member States, and these must invest in manpower and other resources to get this detailed regulation functioning properly. The question is how detailed the final proposal will be, and how much actual discretion the Member States will get. The issue of a proportional system of on-the-spot control must be seen in relation to the need for more self-regulation at the regional level. The proposal does not mention this, but the issue raises questions about certification and control that should be further clarified. Who exactly will be controlled, are these mainly individual farmers, or can for instance groups of farmers be controlled? Do they qualify as one legal person for the sake of control? And who are the controllers? Is it the government? Or, can private parties also carry out controls? And who is controlling the controllers? Do we need a system of certification of the controllers? There are many ways to organise certifications. They can be based on a range of options: individuals; groups, products, processes. Which options will be available? It is possible that the need for variety at the national and sub-national level will clash with the need for detailed uniform regulation at the Commission level. The Commission will for instance need a uniform stream of trustworthy data, while these must be delivered from many types of sources and practises. Will these data and practises then be comparable? In any case, the issue of certification becomes important. The situation might occur that reducing on-the-spot controls will demand a type of *transparency and clarity* on roles and responsibilities that is hard to bring about. The proposal does not mention how this will be secured.

Reducing the control costs will benefit from *maximum use of technology*, but a EU wide uniformity of data and other information might be hard to obtain. Again, the proposal makes no point out of this. But the Commission is, in the rural development proposal, currently proposing the installation of three management bodies per Member State: a) One Managing Authority; b) One accredited Payment Organ, and c) One certification body. This might be a way to reach a match between the national and sub-national need for stimulating diversity and

yet produce a trustworthy and comparable transparency. The Commission has stated that these bodies do not have to be governmental, they can also be private parties. The essence is that they are independent, transparent and user-oriented. The need for safe and functional electronic systems are here obvious, but might at the same time be a bottleneck, as such systems might be vulnerable to the complexity in question.

For the *acceptability and legitimacy*, it is of vital importance that a match is made between the need for national and sub-national self-regulation and the need for EU regulation. At present, beneficiaries might even be confronted with several types of control every year for different EU subsidies. And in addition, there might be yet other types of control for national and subnational subsidies. The end result is that the acceptability and legitimacy might come under stress. For a broad sense of legitimacy, a streamlining of these institutional and administrative devices will be an advantage. This is also about a broader view on control, where control is no longer solely a top-down check on compliance. Van den Burg (2006) stated in his dissertation that the contemporary role of control also (should) fulfil demands for more citizen-based control and influence. The proposal does not take up this discussion: it seems that the control mainly is made for top-down control. It is possible to see tensions rising between the need for citizens-based transparency and a reluctance among farmers and possibly governments to release such data. The *feasibility* of the proposal is not very clear. The regulations made by the Commission will be detailed, but Member States must still interpret the requirements and make them workable within their own context. During the process of implementing the rules as intended, the Member States will have to come up with the expertise and agencies needed, producing the necessary information. The proposal does not say much about the amount, content and complexity of the documentation needed.

The overall *problem-solving capacity* will depend on how broad the matter of reduced on-the-spot control is looked upon. Cap Gemini concludes that the gain in financial terms is relatively low. The reason is, Cap Gemini argues that the population of farmers affected by these controls is much lower than the number of applications and payment claims subjected, as only 5% of the beneficiaries are controlled. Cap Gemini concludes that the advantage mainly is to be found in the reduction of irritation. But in a wider institutional framework, this is a matter of new and better management system of control, including matters like certification. The risk involved here is that the road to a proper system might be long and on the way control and certification might trigger new and more red-tape due to local, regional or national measures related to the control.

### 4.7.3 Results

#### *Judgement of the proposal*

The notion of less on-the-spot control is important and will be broadly supported. However, the proposal contains very demanding tasks, and success is related to how this is followed up, and the wider institutional functioning of bodies and arrangements involved. It must be noted that the first 'transition stage' means that the administrative burden will increase as the Member States will have to introduce the organisations and institutions, and learn to use the arrangements in a proper way. This will take time, and might even be hard to realise. The legitimacy of the measure depends heavily on the ability to make this work: whether the agencies needed are properly facilitated and whether the people are able and enabled to make use of them.

Then there is the issue of the sense of justification concerning the sanctions. Obviously, an overall reduction of on-the spot control can count on support, but the road to reduction might be paved with difficulties. Failure to comply with the detailed regulation will mean more control and other types of punishment. There is also the danger of different or even arbitrary treatment within various Member States or between various regions. This will fuel hostility to all (supra)government involvement. Besides, the link between this issue and cross compliance control is not yet clear.

<b>Farmers/beneficiaries</b>	<b>National authorities</b>	<b>European Commission</b>
+	0	+

#### *Recommendations*

- The issues addressed here should be subject to further investigation and deliberation. The seemingly feasible propositions might carry nasty surprises in terms of making them work in an effective and legitimate way. In particular, it is recommended to look closer at equal opportunities and an absence of arbitrariness will require special attention. The proposal also involves substantial transition costs, which is an issue that deserves further attention.
- The link between this issue and cross compliance control needs to be clarified.

## 4.8 Aspect 8: Horizontal Regulation - Scope & control of cross compliance

### 4.8.1 Problem

#### *Problem description*

Cross compliance is a set of conditions which CAP beneficiaries of direct payments have to meet. It includes payments made under the Single Payment Scheme and some rural development schemes. It covers requirements for the health of people, plants and animals, the environment, animal welfare and landscape features. The trouble with the cross compliance is that despite major efforts of simplification, it is still criticised for being complex and creating administrative burden.

#### *Proposed solution*

The conditions valid for the cross compliance is currently spread over three regulations. The proposal is to regroup all cross compliance rules into one single act. In addition, it is proposed to merge together the Statutory Management Requirements (SMR) and the standards of good agricultural and environmental condition (GAEC) into one single list. Also existing SMRs and GAECs have been revised:

- 1: The SMR on the use of sewage sludge and three SMRs on notifications of animal diseases have been removed as they are viewed to be unsuited for the cross compliance system;
- 2: The Water Framework Directive is considered included once implemented by all Member States;
- 3: The Directive on protection of groundwater has been removed, as it will be repealed in 2013 anyway. But the rules for this are maintained under the GAECs, while awaiting the inclusion of the Water Framework Directive;
- 4: A framework for sustainable use of pesticides will be considered part of the scheme, including obligations relating to integrated pest management;
- 5: A number of provisions on the conservation of wild birds have been removed from the scope of the SMR, as they are not sufficiently relevant to the farming activity. In addition, the number of GAECs has been reduced from 15 to 8.

For further simplification, the following proposals are made:

- A: Minor infringements: no follow-up checks on the farms, valid also for the 'de minimis' rule (where farms receives minimal support). Sample checks

however will continue, as non-compliance might be serious. The Commission will decide the sample percentage;

- B: Remove the link between the cross compliance reduction system and the minimum requirements for fertiliser and plant protection product use under Agri Environmental Measures;
- C: Non-systematic check on hormone ban: The SMS 10 on hormone ban will no longer be subject to systematic checks. SMR 10 will remain in the cross compliance and reduction of aid will apply if non-compliance is found in controls by sanitary and veterinary bodies;
- D: Calculation of reductions at farm level: Member States will be given a larger scope of discretion when determining reduction rates at farm level;
- E: Farmers in certification systems: checks only in the random sample, if the accredited certification is viewed by Member States to offer sufficient guarantees;
- F: One control sample: Member States will be allowed to select one control sample covering both the first and second pillar. This will also simplify control statistics.

For the checks of the cross compliance, the Member States shall make use of: a) a computerised database; b) an identification system for agricultural parcels; c) a system for the identification and registration of payment entitlements; d) aid applications; e) an integrated control system; f) a single system to record the identity of each beneficiary of the support. The Member States may use their existing administration and control system to ensure compliance with the rules.

The Commission expects this revision to improve the overall readability; make the rules easier to comprehend for farmers; it will reduce the administrative burden and produce less irritation. There will be fewer SMRs and GEACs; and the controls will take less time and cost less. The main simplification for farmers, the Commission states, will be noticed in the execution of controls which will take less time. Further simplification results from the repeal of follow-up checks to cases of minor violations of the rules.

#### 4.8.2 Analysis

The proposal is meant to deliver a *net cost reduction*. But if we look closer at the proposal, the question is raised whether this represents a simplification at all. In fact, it might even lead to a major increase in the administrative burden, as a number of complicating new norms, regulations and requirements are put

forward. The Water Framework Directive and Integrated Pest Management will for instance be added to the structure, which at least on the short run will add burden due to the costly operation of introducing new management systems. With this proposal, the effect on *proportionality in control and penalties* is also uncertain. A study by Soderberg (2011) shows that there is much to gain with regard to control and penalties. Large numbers of farmers experience uncertainty and anxiety regarding non-compliance and the fear of disproportionate aid deduction. It is also uncertain how for instance the Water Framework Directive and the pest management will influence the control system. The proposal does contain concrete measures that are likely to enhance proportionality, as the intention to exclude minor violations of the regulations. But uncertainty is also due to the many delegated acts and further regulative decisions that will be made by the Commission, as the SMRs and GEACs involved and the percentage of farms to be checked. But Member States will be in charge of deciding the reduction rates at farm level. The overall picture of the effect on the *discretion and flexibility* for Member States is that very much will be regulated by the Commission and that therefore the intended effects will be limited. Member States have expressed their concern about the powers delegated to the Commission. Also when it comes to the effect on the *transparency and clarity*, much is still uncertain. Streamlining procedures and information, and introducing one single system to record beneficiaries points towards more transparency and clarity. But, on the other hand, the overall picture is that there is no clarity at all, it might even bring less clarity: many essential decisions and definitions are still to come (for instance concerning the Water Framework Directive). Some Member States have declared parts of the cross compliance scheme to be so complex that even experts are no longer able to completely understand them. This is for instance the case for calculating cuts and exclusions. In addition, there are many new and complicating regulations proposed that points towards even less transparency and clarity. On this point, *maximum use of technology* might be useful. The new structure will be built on a computerised system. But this is still to come and the effects are therefore unknown. With regard to the *problem-solving capacity*, only a radical simplification of the entire cross compliance scheme can bring substantial improvements. It is worth noting that the SMRs were largely existing rules of law by most Member States previous to the cross compliance. Whether the simplification proposals will have a problem-solving effect therefore depends on the national practise. Three of the removed GEACS are not removed at all, as they come back in the Greening. In general, many Member States are sceptical to the proclaimed advantages of the proposals. The Commission expects for instance that the execution of control for farmers



will take less time. Member States do not share that view. On the contrary, they fear the control time will increase as a consequence of the proposal. The proposed distinction of minor and major non-compliance is expected to reduce the irritation and enhance the *acceptability/legitimacy*, but overall this is not the main issue regarding the cross compliance. The main issues are the great concerns among Member States on the delegating powers of the Commission, and the very usefulness of including the whole Water Framework Directive, and not just the parts relevant and measurable to the farmers.

The merging of the regulatory schemes into one list will make it easier to access the relevant information and comprehend the content. In that sense, the proposal will add to the *feasibility* of cross compliance. The same can be said about the exclusion of minor infringements. But on the whole, and as stated above, the proposal brings many new elements into the cross compliance, and it might even be more complicated than before. It should be added that a lack of clarity concerning the reviewing of non-compliance and the level of sanctions imposed makes the overall assessment uncertain. Although the present proposals contain measures to increase the clarity of priorities, it is still uncertain how the payment, the control and the penalties will interact in order to improve the feasibility. Member States such as Germany, Sweden and the Netherlands are pleased to note that there will be one control sample for both the first and the second pillar. They would however have a lower control percentage than proposed by the Commission.

The cross compliance is meant for internalising the *external effects* of agriculture, and it is mainly the GAECs that add to that. As such, it is also the GAECs that contribute to the effects on *sustainability*.

#### 4.8.3 Results

##### *Judgement of the proposal*

Since its introduction in 2005 cross compliance has been through several attempts of improving its structure and functioning, and creating better targeted requirements and standards. The problem is that it still is very complicated, and Member States do not trust this proposal to bring simplification. The exclusion of minor infringements will add to the reduction of administrative burden and implementation costs, but for the rest, there are doubts about the real effects. Some measures are removed but others are added, such as the Water Framework Directive and the Integrated Pest Management. Besides, some of the removed GEACS come back in the Greening. At least for the short run, the administrative burden will increase significantly. And there is a danger that the

transition period might be a long one. On the whole, the proposal is complicating instead of simplifying. It might even undermine the trust in EU policy in general. The end assessment at this stage is as follows:

Farmers/beneficiaries	National authorities	European Commission
-	-	0

### *Recommendations*

- There is an urgent need for clarification of the powers involved and how far the delegated acts of the Commission reaches. This is related to the scope of the cross compliance and why for instance the whole of the Water Framework Directive is included while much of it is not directly related to the farming activities in question.
- We recommend a full analysis of how to seriously simplify the cross compliance structure. Interaction between users/beneficiaries, policy makers and researchers should be central to such an analysis.
- Cross compliance should only embrace those matters that are specific, measurable, attainable, realistic and timely. This will be important for the simplification of the cross compliance, and it will also clarify what will be controlled and penalised under the cross compliance. This will add to the sense of acceptability, and the long-run legitimacy.

## **4.9 Aspect 9: Horizontal Regulation - Alignment of rules on management and control**

### 4.9.1 Problem

#### *Problem description*

There are different sets of rules governing the financial management and controls under the EAGF and EAFRD. This causes problems for the coordination and it creates much administrative burden. It is also a system that suffers from a lack of transparency. Rules currently vary between the two pillars. In addition, the application of rules varies according to the relationship between the national authorities and the final beneficiaries. And its application also varies between the Member States and the Commission.

### *Proposed solution*

The proposal is to align the rules on management and control for the two pillars of the CAP as far as possible, thereby making the system more transparent and reducing administrative costs. The Commission Staff Working Paper brought forward two different approaches as possible solutions. One possible approach is to fully align the rules with the ones applicable for direct payments, which is said to have the advantage of full coherence of a single set of rules. The second approach is to assess the specific simplification impact of each possible alignment and retain the ones with the best impact on simplification. It is also proposed to align the definition of what is eligible land, which at present is different in pillar one and two.

#### 4.9.2 Analysis

The Commission intends to keep the two pillars, and alignment of the management rules between the two pillars is a way to achieve a *net cost reduction*. The Impact Assessment of the Commission Staff Working Paper states that in general, it is possible to align claims, controls and payment deadlines. To align the rules of the two pillars is important for simplifying the system, although it is emphasised that certain specific control requirements will have to remain in the second pillar. As a measure of simplification of the system of payment, it is suggested that the simplest and most efficient approach is to avoid the present system of payments in advance and then a final payment. This is a system that produces administrative burden on the paying agencies.

This proposal does not directly address the matter of *proportionality in control and penalties*, and it is not clear whether the proposal involves more or less *discretion and flexibility* for Member States. The proposal is too general to draw conclusions on these subjects. With regard to more *transparency and clarity*, an important issue is the alignment and clarification of the roles of paying agencies and the managing authorities. The managing authorities are responsible for establishing programmes, selecting projects, monitoring and evaluation, and the paying agencies takes care of the entire management and implementation of the measures. The further work on this proposal must address these issues in more detail. Changes to the rules on management and control will increase the burden of work for the managing authorities. The proposal does not mention the *maximum use of technology*, but this will be an essential feature of the alignment.

For the *problem-solving capacity* of the alignment, it is of great importance that more is done to identify the main opportunities and obstacles. Both re-

search and deliberations between Member States and the Commission should be employed for this aim. Also the *acceptability and legitimacy*, as well as the *feasibility*, depends on the actual effects on implementation. At this stage it is not possible to say anything on the *external effects* or the effects on *sustainability*.

### 4.9.3 Results

#### *Judgement of the proposal*

The proposal is general and it is impossible to draw far-reaching conclusions based on the proposal. But the most important aspect is that changes to the rules on management and control will increase the administrative burden of work for the managing authorities and paying agencies, as the changes will have impacts on the management, monitoring and evaluation of programmes, projects and measures. The further work on this proposal must address these issues in more detail.

Farmers/beneficiaries	National authorities	European Commission
+	0	+

#### *Recommendation*

- It is recommended to follow closely the impact of the proposed changes for the managing authorities and paying agencies. There is a danger of hidden work-loads within this structure, and this might stand in the way of goal attainment.

## 4.10 Aspect 10: Single CMO - Repealing aid schemes

### 4.10.1 Problem

#### *Problem description*

There are certain regulation elements of the single Common Market Organisation (CMO) that do not fulfil any useful objective anymore. They have become obsolete or will become so in the near future. But they are still burdensome and costly to manage for the various national policy administrations. Examples are the aid scheme for the use of milk. There are also inconsistencies in the present regulations.

### *Proposed solution*

The proposal is based on a replacement of the current scheme of CMO Regulation by a new regulation covering all agriculture products, and thereby remedying legal inconsistencies. The powers to deal with this are handed over to the Commission, to remove non-essential elements by way of delegated acts, including the removal of unnecessary details from the basic act.

The proposal includes a streamlining of provisions covering more than one sector (this is the case with for example rules on intervention schemes, exceptional measures, producer organisations and interbranch organisations. The control provisions are moved to the horizontal regulation and regrouped with other control rules. The measures proposed are:

1. Decoupling of the silk worm egg scheme, and the decoupled amount will be integrated in the national envelopes, with an option to grant specific support (art.68-type instrument);
2. Abolition of the two aid schemes for the use of casein and caseinates in cheese;
3. Simplifying the apiculture aid for improving the general conditions for production and marketing by removing unnecessary details;
4. Removing the requirement for registration of hops supply contracts;
5. Importing hops from third countries: removing the requirement for attestation of equivalence (at least equal quality with EU-products);
6. Removing the requirement for the Commission to fix the level of export refunds every 3 months, even when the rates are zero;
7. Deleting the provision on minimum export prices for live plants,
8. Ending the sugar quota scheme (by 1 October 2015, no more quotas, withdrawal, minimum beet price or production charges).

The intention is that this will provide a complete and transparent set of rules, covering all agricultural products for which DG Agri is responsible. The text will be clearer, more concise and more user friendly. As detailed provisions are transferred to delegated or implementing acts, they will become easier to update in line with market and technical developments.

#### 4.10.2 Analysis

On the one hand, it is rather striking that this is launched as a simplification proposal, as cleaning up obsolete regulation could be viewed as part of the regular work. On the other hand, this 'cleansing' will reduce the administrative burden and implementation costs for producers, industrial operators, national authori-

ties and the Commission. As such, it does represent a *net cost reduction* for the involved. But the effects of the measures vary:

1. The silk worm eggs scheme is relevant to only 4 Member States and is of marginal importance: 0.5 million euro.
2. Casein en caseinates in cheese: the rules are obsolete and the effect will be marginal.
3. Apiculture aid (beekeeping): the proposition is to recast the rules. Essential components are maintained in the basic act (e.g. scope, financing and non-accumulation of funding with R&D programme). Non-essential components are transferred to delegated acts. The gain is mainly that the Commission can more easily update the rules through a delegated act. It will not have much effect on the reduction of administrative burden for farmers or implementation costs for Member States.
4. Hops supply contracts: this does mean removing a burdensome requirement. But in practise a number of Member States are already using other and less expensive ways of collecting market information. The net effect is thus limited.
5. Attestation of equivalent quality by hop imports from outside the EU: hop is above all for beer production. The EU is a net exporter, and the import has decreased since the 1990s but comes mainly from the US. The general effect of this proposal on simplification throughout the EU is limited, although mainly the industrial operators and to some degree the national administrations will profit from this simplification.
6. Fixing of export refunds: it is mainly the Commission that will profit from this nearly superfluous regulation.
7. Minimum export price for live plants: as the Commission states, this is practically an obsolete provision; the net effect on simplification is marginal.
8. Ending the sugar quota scheme. This was already in the policy 'pipeline' but will have significant simplification effects.

Based on this, we conclude that the net effect on simplification is very limited.

The proposal is not about *proportionality in control and penalties*, or the *discretion and flexibility* for Member States, except marginally. It will have some positive effect on *transparency and clarity* on the whole, as the regulation framework and its texts are 'cleaned up'. But this effect is mostly for the Commission itself and a some specific sectors. The proposal does not make any mention of *maximum use of technology*. It might indirectly provide better possibilities for the use of information technology, as the legal texts become a bit

easier to read and interpret for information technology usage. The opposite might also be the same, use of information technology might support the work of identifying unnecessary details and obsolete regulation.

Overall, the proposal has a very limited potential for adding *problem-solving capacity*. As many of the proposed measures are obsolete rules, or valid for marginal sectors or otherwise very specific sectors. For an enhanced effect on the *acceptability and legitimacy* of the CAP, the proposal should have covered more of the CMO schemes. The proposal should be *feasible*, and with few *external effects*. And as the proposal is about removing obsolete regulation, it will not influence the *sustainability* in a negative sense.

#### 4.10.3 Results

##### *Judgement of the proposal*

The overall assessment is that this is work that definitely needs to be done. And over the years, much has been done to simplify the CMO. At the same time, this proposal does not represent a major simplification plan. The proposal does however deserve a green light, provided it is carried out in a transparent way, leaving plenty of room for dialogue with stakeholders.

Farmers/beneficiaries	National authorities	European Commission
+	+	+

##### *Recommendation*

- Simplification of the CMO is an ongoing process, and removing obsolete regulation deserves permanent attention. It is recommendable to continue this work and by that look at the complete CMO.

# 5 Overall assessment of the Commission's legislative proposals

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## 5.1 Introduction

In the previous chapter the ten specific simplification aspects presented by the Commission were assessed. In this chapter the main five legislative proposals for the four main CAP 'building blocks' (direct payments, single CMO, rural development (including the Common Strategic Framework) and the horizontal regulation) are discussed with the aim of presenting an rough overall assessment on simplification of the CAP reform proposals. The following research question will be answered:

- *Research question 5: To what extent do the legislative proposals for the CAP post-2013 overall represent a 'simpler CAP'?*

Some of the elements of the four CAP building blocks have been discussed in chapter 4. However, since the ten simplification aspects of the Commission do not cover all concerns regarding the complexity of the CAP, some other concerns are addressed in this chapter. These other concerns relate to well-known issues such as the structure of the proposed direct payment system, the definition of active farming, the programming of rural development policy, monitoring and evaluation of rural development policy and the Common Strategic Framework. The assessment of these CAP elements will also be conducted according to the three steps of the analytical framework: problem, analysis and results. The difference with the simplification aspects from chapter 4 is that these ten specific aspects present concrete solutions deemed possible by the Commission. In this chapter the legislative proposals are assessed in a broader perspective with the aim to give an opinion on whether they make the CAP overall simpler or not.

To structure this overall assessment, the legislative proposals are assessed in the following sequence:

- issues relating to direct payments (European Commission, 2011a);
- issues relating to the market and pricing policy (Single Common Market Organisation) (European Commission, 2011b);



- issues relating to rural development and the Common Strategic Framework (European Commission, 2011c; 2011e);
- issues relating to financing, management and monitoring ('Horizontal regulation') (European Commission, 2011d).

## 5.2 Legislative proposal on direct payments

### 5.2.1 Summary of the proposal on direct payments

The European Commission proposes a new design of the direct payments system. The diversity of Single Payment Schemes (SPS) in the EU-15 (historic, regional and hybrid models) and the Single Area Payment Scheme (SAPS) in the EU-12 will be replaced by one model with a national or regional flat rate per eligible hectare. An important aim of this new system is to reduce the current inequalities between the levels of payments, between farmers, regions as well as Member States. To this end all Member States will be obliged to move towards a uniform payment per hectare at national or regional level in 2019.

Although the Commission proposes a uniform payment system that replaces the current diversity of models, the proposed system is quite complex. Currently farmers receive one Single Farm Payment and Member States have the option (Article 68) to retain up to 10% of their national ceilings for direct payments to provide support to specific sectors, for an expanded range of purposes. The proposal for the CAP post-2013 instead introduces a number of payment schemes:

- *Basic payment scheme*  
A uniform payment per hectare at national or regional level.
- *Greening payment scheme*  
Payment per hectare for respecting certain agricultural practices beneficial for the climate and the environment. Three measures are foreseen: maintaining permanent pasture, crop diversification and maintaining an ecological focus area of 7% of farmland. Member States are obliged to use 30% of their national envelope for this scheme.
- *Young farmer scheme*  
A top-up payment of 25% for starting young farmers (<40) for the first five years (not for large farms). This scheme shall be funded by up to 2% of the national envelope.
- *Coupled support*  
The Commission reintroduces the option of coupled support in order to ad-

dress the adverse effects of a redistribution of direct payments. Member States may use up to 5% or even 10% of their national envelope for this support.

- *Natural constraints support*

Additional payments may be granted to farmers in areas with national constraints. Member States may use up to 5% of their national envelope for this support.

- *Small farmers scheme*

As an alternative to the schemes mentioned above, the Commission also proposes a simple and specific scheme for small farmers (< 3 ha). These farmers may choose to receive a lump-sum payment replacing all other direct payments. Small farmers will be exempt from greening and face less stringent cross compliance requirements and controls. Member States may use up to 10% of the national envelope for this scheme.

Next to these six payment and support schemes there are some other, including new, elements in the direct payment system:

- *Cross compliance*

The basic requirements concerning environment, animal welfare and plant and animal health standards will continue to be conditional for farmers in order to receive payments and support. However, the number of existing cross compliance rules will be reduced and new requirements for example resulting from the Water Framework Directive and the Sustainable Use of Pesticides Directive will be added.

- *Definition of active farmer*

In order to make sure that payments will only be provided to recipients which can be viewed as 'active farmers', applicants whose direct payments are less than 5% of their total receipts from all non-agricultural activities or which do not carry out the minimum agricultural activity are excluded.

- *Capping*

The amount of support to individual farms from the Basic Payment Scheme will be limited to €300,000 per year. Between €150,000 and €300,000 support is decreased digressively. In the case of holdings with employees, often many, the costs of salaries may be deducted before the reduction is applied.

- *Eligibility of land*

The year 2014 will be set as a new reference year for land areas, but in order to avoid speculation (holdings quickly buying land to profit from the area

payment) there will be a link to beneficiaries of the direct payments system in 2011.

- *Transferring funds between pillars*

Member States in the EU-15 may shift up to 10% of their direct payments envelope to their rural development envelope, while Member States in the EU-12 may transfer up to 5% of their rural development envelope to their pillar one envelope.

## 5.2.2 Problem

The current Single Payment Scheme (SPS) exists in various models (historic, regional and hybrid) and has different categories of payment entitlements, with specific rules with regard to the transfer of these entitlements. According to the Commission these different categories and rules have created a complex system of schemes. Therefore the Commission wants to simplify the system.

In the Agricultural Council of 14 November 2011 the Member States expressed their wish for more flexibility and subsidiarity with respect to the implementation of the pillar 1 rules. Member States would like to have more policy discretion to adjust the policy to national and regional needs. The new Member States currently benefit from a simplified Single Area Payment Scheme (SAPS). Some of them wish to maintain this scheme in the 2014-2020 period.

Another concern of the Member States and the Paying Agencies is that the proposed new elements of the direct payments proposal will increase the administrative burden for Paying Agencies and farmers. Therefore they have asked to keep the accompanying regulations, rules and interpretations as simple as possible and to involve Member States in drafting delegated and implementing acts. It is important that Member States have enough time to implement new schemes. Important concerns relate to the administrative burden created by the definition of 'active' farmer, the greening of direct payments and the capping of direct payments.

## 5.2.3 Analysis

The impact assessment of the Commission shows that the current proposal for the direct payments system overall leads to an increase of the administrative burden for farmers and national authorities. On the one hand the new distribution (uniform payment per hectare) and the small farmers scheme may lead to a simplification. Capping, greening and the new definition of active farmers create an additional administrative burden, both for farmers (information provision and

additional controls) and for national authorities. For example, as for the definition of 'active farmer' it is very difficult and therefore costly for national authorities to determine whether farmers earn 5% of their income from direct payments. A complicating element in this respect is that many active farmers have considerable revenues from non-agricultural activities, but in several Member States these revenues can be highly variable. Thus the share of direct payments in total income may vary per year. With respect to cross compliance some requirements will be abolished, but new requirements will be added. This means that overall there will be no *net cost reduction*, but instead the administrative burden and implementation costs will increase due the introduction of many new elements. For EU-12 Member States the proposed system will increase the administrative burden compared to their current SAPS scheme.

With respect to the *proportionality of controls and penalties* the assessment of the horizontal regulation (section 5.5) gives more information. In any case small farmers participating in the small farmers scheme face less stringent rules and requirements as well as fewer controls. Because of the greening payment additional controls will be introduced, which increases the burden for farmers and national authorities. The introduction of an 'active farmer' definition may lead to a high burden of implementation and control, since national authorities have to check whether recipients are eligible or still eligible to receive payments.

To a certain extent the proposal provides Member States with *discretion and flexibility* since some of the schemes are optional and Member States may choose themselves how to divide the direct payments envelope between the different schemes. Furthermore, Member States have some discretion in transferring funds from pillar 1 to pillar 2. Also, a remaining question is whether some schemes, such as the small farmers scheme, become compulsory or voluntary. The set of measures to be placed under the greening scheme is also subject of discussion. However, many details are not yet known; the delegated and implementing acts of the Commission will for a large part determine how much discretion will be left to the Member States.

On the one hand the introduction of a uniform model for direct payments creates more *transparency and clarity*, but on the other hand the multi-layered direct payments system with several schemes has become quite complex, as was also stated by many Member States at the November 2011 Agricultural Council. In addition, the overlap between pillar 1 and pillar 2 has increased (e.g. with respect to young and small farmers). This does not benefit the transparency. The greening component may also create confusion, since it adds a third

environmental 'dimension' to the CAP, next to cross compliance and voluntary agri-environmental commitments.

*Maximum use of technology* may become even more important with the diversity of schemes. However, the delegated and implementing acts will only make clear how the Commission intends to promote this. In any case there is a high potential for use of technology.

The *problem-solving capacity* of the proposal is quite high. The proposal creates more uniformity between the different models that currently exist. The redistribution of direct payments between the Member States is also an important achievement from the perspective of the Commission. Better targeting of direct payments (greening, young farmers, small farmers) also contributes to this problem-solving capacity. However, with respect to the *acceptability/legitimacy* of the proposal, some remarks can be made. The CAP is still the most important European policy in budgetary terms. Compared to the current period the CAP budget will remain the same in nominal terms. In order to keep its legitimacy CAP payments would be made more targeted, rewarding farmers for their contribution to tackling environmental and climate concerns. However, the proposal on the greening payment has raised doubts about its effectiveness in bringing environmental gains. In addition, the proposal on coupled support received criticism for its market- and trade-distorting effects. Finally, the proposed redistribution of direct payments between Member States is heavily discussed.

In principle the proposal is *feasible*, but the question is: against which price? The multi-layered system with several schemes is quite complex and takes time to implement, while the transition costs will be considerable.

With respect to the *external effects* and *sustainability* the effects of the proposal are not clear. In particular, the greening component is applauded by the Commission for making the CAP more sustainable. However, the environmental gains are not clear. Further the reintroduction of coupled support may increase the market- and trade distortive effects of the CAP, e.g. on developing countries.

#### 5.2.4 Results

##### *Judgement*

In summary the proposal on direct payments has both its pros and cons. A net increase of administrative costs for farmers and national authorities is foreseen. The additional and transition costs of the new CAP elements in pillar 1 will large-

ly be paid by the farmers and national authorities. Therefore the judgment on this proposal will be as follows:

Farmers/beneficiaries	National authorities	European Commission
0	-	+

### *Recommendations*

- In order to reduce or limit the costs of the new payment system for national authorities, it is very important that some smaller schemes (e.g. small farmers scheme, young farmers scheme, coupled support) will be made voluntary for Member States. This will provide Member States with the necessary flexibility and discretion to build a payment system which is most suitable for their own circumstances.
- The greening payment scheme and cross compliance should be simplified and are not feasible in their current form, since they increase administrative burden for farmers and implementation costs for national authorities, while the effect of these measures is not clear.
- It is important that the Commission involves the Member States when drafting the delegated and implementing acts, so that concerns on the complexity of new elements of the direct payments system can be taken into account in drafting detailed implementation rules for these new elements. In this sense the objectives of the Commission might differ from the Member States objectives.

## **5.3 Legislative proposal on market and pricing policy (Single CMO)**

### 5.3.1 Summary of the proposal on market and pricing policy

The market and pricing policy of the CAP post-2013, which has been laid down in the Single CMO regulation, can be summarised under four headings:

#### 1. *Enhanced safety net*

The existing safety net mechanisms of public intervention and private storage aid that help producers at times of market difficulties (e.g. a food crisis) will be simplified and made more responsive and efficient. In addition a new safeguard clause is introduced for all sectors so that the Commission can take emergency measures to respond to general market disturbances (e.g.

the e-coli crisis of May-July 2011). A separate Crisis Reserve apart from the CAP budget will be available for these measures.

2. *Continued market orientation*

After the planned abolition of the milk quota regime and wine planting rights, the last remaining production quota regime (for sugar) will also be ended, in 2015. This is seen as the only option to provide the sector with a long-term perspective for growth. In addition some small aid schemes (for skimmed milk powder, hops and silkworms) will be ended.

3. *Better positioning of farmers in the food supply chain*

In order to improve the negotiating position of farmers, the Commission wants to facilitate farmers' organisations in Producer Organisations and inter-branch organisations. Support for setting up organisations will be provided with rural development funding.

4. *Sustainable consumption*

The School Fruit and Milk Schemes will be extended, with increased funding and more possibilities for private co-funding.

### 5.3.2 Problem

The creation of a single CMO regulation in 2007 has already simplified the legal framework on market measures to a large extent and therefore no big problems with respect to administrative burden exist in this CAP element. However not all agricultural sectors are covered by the 2007 regulation. In addition the current safety net mechanisms of public intervention and private storage aid still differ from sector to sector; more streamlining is needed. Furthermore, a number of sectoral aid schemes are not used anymore and therefore have become obsolete. Also some small issues need to be tackled, for instance with respect to requirements of permits and certificates: many of these import and export documents may be eliminated.

### 5.3.3 Analysis

According to the impact assessment of the European Commission the proposal on market measures does not lead to a *net cost reduction*. Although the intervention mechanisms are streamlined (which mainly benefits the national authorities), these benefits are offset by the costs of measures (farmers) and controls (national authorities) needed to improve the position of farmers in the food supply chain.

With respect to the *proportionality of controls and penalties* the assessment of the horizontal regulation (section 5.5) gives more information.

The safety net mechanisms and common market organisations (e.g. for sugar) are part of a common policy which does not leave so much room for *discretion and flexibility* for Member States. There is more discretion when it comes to the positioning of farmers in the food chain and the selection of rural development measures accompanying the market measures.

The new regulation brings more *transparency and clarity*, mainly with respect to emergency measures where clear responsibilities for the Commission are formulated, but also with respect to the synchronisation of intervention mechanisms.

The single CMO regulation does what it should do: streamlining the remaining common market organisations and setting clear rules for (crisis) intervention (*problem-solving capacity*).

The abolition of the last remaining quota regime for sugar helps to make the market organisation regime more *acceptable* for society, since production controls have been criticised in distorting the functioning of the market. The Commission however keeps the option of export refunds, which have always been criticised for being trade-distortive and harming developing countries (*external effects*).

The proposal is also *feasible* and has not raised much discussion among Member States, except for the sugar quota abolition, which is planned one year earlier (in 2015 instead of 2016).

#### 5.3.4 Results

##### *Judgement*

In summary the proposal on the single CMO primarily has simplification benefits for the European Commission, as it is mainly a reduction of legislation (regulations and acts). For the national authorities the ending of some sectoral aid schemes means that capacity to implement these schemes is no longer needed. The impact on the farmers is somewhat more diffuse and differs per aid scheme. E.g. for sugar beet growers the impact of quota abolition will be large in terms of reduced administrative burden. But other farmers who do not participate in the reformed aid schemes might not be affected at all (neither positive nor negative). The judgement of this proposal is as follows:



Farmers/beneficiaries	National authorities	European Commission
+	+	+

*Recommendations*

- No recommendations.

## 5.4 Legislative proposals on rural development and the Common Strategic Framework

### 5.4.1 Summary of the proposal on rural development and the CSF

The rural development policy of the CAP will be further streamlined in accordance with the objectives of the Europe 2020 strategy. To this aim the European Agricultural Fund for Rural Development Fund (EAFRD) will be fit into the new Common Strategic Framework (CSF). This CSF will also be applicable for the regional, social and fisheries policies of the European Union so that more coherence between the funds can be achieved. The CSF not only translates the goals of Europe 2020 into thematic objectives, but also sets common rules on monitoring and evaluation, eligibility and financial instruments. Furthermore, the LEADER approach will be used as the common community-led local development approach for all funds involved in the CSF. Instead of separate strategies for all individual policies, the Member States have to set up one Partnership Contract, which serves as the national framework for the EAFRD and the other Structural Funds (ERDF, ESF, CF and EMFF). The contract outlines the use of the funds in reaching the EU 2020 objectives and how coordination between the funds is arranged.

The basic idea of the current concept of multiannual rural development programmes designed and co-funded by Member States (or regions) will be continued. However, instead of 3 axes linked to economic, environmental and social issues with minimum spending requirements for each axis, the new programming period will have 6 priorities. Member States are required to spend at least 25% of their rural development envelope on priorities 4 and 5 together. The 6 priorities are:

1. fostering knowledge transfer and innovation;
2. enhancing competitiveness;
3. promoting food chain organisation & risk management;
4. restoring, preserving & enhancing ecosystems;

5. promoting resource efficiency & transition to low carbon economy;
6. promoting social inclusion, poverty reduction and economic development in rural areas.

In order to introduce a clearer link to performance, quantified targets will have to be set for all rural development programmes for the 6 priorities. Some 5% of the funds will be held back in a so-called 'Performance Reserve' and only made available when it can be shown that progress towards meeting these targets is being made. In order to meet the quantified targets, Member States will have to design combinations of measures that meet their own needs. The number of measures has been reduced compared to the 2007-2013 period. EU co-financing rates will be 85% in less developed regions, the outermost regions and the smaller Aegean islands, and 50% in other regions for most payments, but can be higher for some specific measures. In addition, Member States will have the possibility to design sub-programmes with higher support rates to address the needs of young farmers, small farmers, mountain areas and short supply chains.

Innovation, climate change and the environment will be cross-cutting themes in the rural development policy. The innovation theme will be served by several rural development measures, including existing ones. A new initiative is the European Innovation Partnership for Agricultural Productivity & Sustainability whereby greater cooperation between agricultural and research is foreseen. Another new rural development measure is the risk management toolkit, which includes funds for crop, weather and animal disease insurance and funds for income stabilisation in case income drops by 30%.

The Common Monitoring and Evaluation Framework (CMEF) which was introduced in the current period will be simplified and improved based on experience gained in the current period. The mid-term evaluation will no longer be required and there will be a stronger focus on ongoing evaluation during the programming period. A common list of indicators will be linked to the policy priorities for the purpose of monitoring and evaluation.

#### 5.4.2 Problem

The rural development policy is mainly criticised for its complex and detailed implementing rules and for its complex monitoring and evaluation system. Currently there are obligatory minimum percentages for the application of funds across the four axes of the rural development policy. In addition rural development measures are formulated at a very detailed level, leaving almost no room

for national interpretation. Furthermore measures may only contribute to one goal.

The Common Monitoring and Evaluation Framework (CMEF) has a large number of indicators, of which some may not be very relevant to all Member States. In addition the number of evaluations puts a heavy administrative burden on Member States, whereas the purpose of these evaluations is not always clear.

### 5.4.3 Analysis

According to the Impact Assessment of the European Commission the rural development proposal leads to a reduction of administrative burden, thereby offsetting the increase in administrative burden of the direct payments proposal. According to the Impact Assessment of the Commission the single 'guichet' (desk) for all EU structural funds (including the EAFRD) through the Common Strategic Framework is the main benefit for farmers and other beneficiaries (more coherence between the funds), while the streamlined structure of the rural development policy (reduced number of measures, abolition of the axes) will benefit the national authorities. Analysis of the draft rural development regulation shows that the proposal will indeed bring gains to farmers and other beneficiaries, mainly by simplifying the payment system (e.g. flat-rate, lump sum) and reducing the number of controls in case of low error rates. This means less paperwork and administration for beneficiaries (especially in cases where payments are relatively low, as in the case of local LEADER groups) and thus a *net cost reduction* for beneficiaries. In a recent study on the administrative burden of selected rural development measures Cap Gemini already concluded that the burden on beneficiaries of the current rural development policy represented only 4.7% of the total public expenditure on these measures (Cap Gemini, 2011).

For national authorities additional burden is foreseen compared to the current situation since the proposal introduces a list of new conditions and elements for the rural development programmes (article 9). All in all the list of requirements seems larger than in the current programming period. A new element is the description of national approaches towards innovation, the environment (including Natura 2000) and climate change. Member States also have to set quantified targets for the six priorities and have to fulfil certain ex ante conditionalities. Some of these conditionalities go beyond the scope of rural development policy and are therefore criticised on the basis of the principles of proportionality (extra administrative burden) and subsidiarity. Another new element is the requirement for managing authorities to provide the Commission, on

a quarterly basis, with relevant indicator data on activities selected for funding (including data on beneficiaries and projects). This also increases implementation costs for national authorities. With respect to monitoring and evaluation, a mid-term evaluation will not be required anymore, although there will be more focus on ongoing evaluation. To conclude, the streamlining of rural development is accompanied with new requirements that increase the implementation costs for national authorities.

The rural development proposal in itself does not provide for more *proportionality in control and penalties*, but the reduction of on-the-spot checks in the horizontal regulation also contributes to more proportionality in the control of implementation of rural development measures.

The proposal does increase the *discretion and flexibility for Member States*, although more improvement in this respect is possible. The axis structure has been abandoned and Member States can now choose which combinations of measures they want to use for which priorities. There are only minimum spending requirements (25%) for the two priorities on nature and environment together. But the menu of prescribed measures remains, which means that Member States cannot fully determine themselves how to achieve the targets of the six priorities. A new element creating flexibility is the possibility to enter into contracts with groups of farmers/beneficiaries.

The proposal wants to create more *transparency and clarity* on the role of the paying agencies: the Commission wants to deal with one paying agency per Member State. This may increase the implementation and transition costs for Member States which currently work with different paying agencies. At the same time Member States have questioned the transparency of the information and monitoring tasks of the different management authorities and networks (the Commission proposes the establishment of a general network, a network on evaluation and a network on innovation). This increases the administrative burden and costs. Lastly, as has been argued in section 5.2.3 and 5.3.3, the proposals create overlap between pillar 1 and pillar 2 which may increase confusion and complexity. Examples are the policy on small and young farmers, farmers in less-favoured areas, risk management and the impact of greening in pillar 1 on agri-environmental measures in pillar 2.

The proposal does not provide much detail on the *maximum use of technology*, but this certainly is an important aspect in the implementation, as was also expressed in the Cap Gemini report. However, we will have to wait for the delegated and implementing acts to show how the Commission intends to promote the use of technology.

With respect to *problem-solving capacity* the proposal aims to contribute to the Europe 2020 objectives. The good thing is that the rural development policy is now more in line with the other European structural policies (through the CSF) and focuses on current challenges concerning environment and climate change. However, the rural development policy has always been criticised for its complexity and the focus of accountability on input and output, instead of outcome and impact. It remains to be seen whether this proposal will change this. In this respect the cancellation of the mid-term evaluation may create problems, since this has been an important instrument for policy adjustment (also in the next programming period).

Compared to the pillar 1 policies, the rural development policy does not create so much controversy in society. Most probably the current proposal, with a strong focus on tackling the important Europe 2020 challenges, does not lead to problems with respect to *acceptability or legitimacy*.

The *feasibility* of the proposal may be a problem, since especially for national authorities the implementation (even with the coherence created by the CSF) is quite complicated. For instance Member States have to set out intervention logics illustrating how (combination of) measures contribute to a certain target or priority. This has proven to be very difficult.

The most important *external effect* of the proposal (especially on the CSF) is the coherence it should create between the rural development policy and other European policies. Thus far it seems that most coherence will be achieved at the strategic level, since programmes, project and implementation will remain separated.

With respect to *sustainability*, the 25% spending requirement on priority 4 (nature) and 5 (environment) is most important. In addition the consequences of the greening proposal on the ambition for agri-environmental schemes is an aspect that has to be carefully assessed.

#### 5.4.4 Results

##### *Judgement*

It is expected that farmers and other beneficiaries benefit most from the simplification aspects in the rural development proposal. Their administrative burden will decrease, mainly because of the simplified costs model. For national authorities the reduction of the number of measures and the abolition of the axis structure means a simplification, but on the other side new requirements and conditions are introduced. Therefore no net reduction of implementation costs is foreseen. For the Commission the new approach to rural development policy will lead to extra work

with respect to coordination and assisting Member States. The judgement of this proposal is as follows:

Farmers/beneficiaries	National authorities	European Commission
+	0	0

### *Recommendations*

- Although a simplification for farmers/beneficiaries will be achieved through the simplification of the reimbursement system, the challenge remains to address the information obligations of the EU. Cap Gemini already pointed out that eGovernment solutions, less strict requirement for supporting documents, and guidelines on the content and level of detail of information provision all will contribute to a reduction of administrative burden (Cap Gemini, 2011).
- In order to achieve simplification for national authorities the list of requirements and conditions of article 9 of the draft regulation should be revised. Some of these obligations can be questioned on the basis of the principles of proportionality and subsidiarity.
- A real simplification of the common monitoring and evaluation framework (CMEF) also needs to be considered. The Commission plans to make a list of common indicators to reduce the administrative burden (fewer indicators). However, at the same time programme-specific indicators are still needed. Furthermore, alternatives to the quantitative CMEF approach should be considered, see for instance the mixed case study approach of Terluin and Berkhout (2011).

## **5.5 Legislative proposal on financing, management and monitoring (Horizontal regulation)**

### 5.5.1 Summary of the proposal on financing, management and monitoring

The 'horizontal regulation' firstly contains the rules on the financial management of the two agricultural funds, the EAGF and the EAFRD. In addition, the proposal presents rules on the management and control systems (checks and penalties) that Member States have to put in place and on the cross compliance system.

With respect to the financial management, the Commission proposes a reduction of the number of paying agencies and a stronger role of the coordinat-

ing body. This should make the system more transparent and less burdensome for both national and Commission administrations. At Member State level fewer accreditations and declarations of assurance will be required and the number of Commission audits will be reduced.

The rules on management and controls will be aligned, as far as possible, for the two pillars of the CAP. This should create more legal clarity and a harmonisation of procedures. An important simplification may be achieved by the proposed reduction of the number of on-the-spot checks for Member States with properly functioning control systems and low error rates. However in Member States or regions with high error rates checks will be increased.

The cross compliance rules will all be regrouped in the horizontal regulation. There will be 13 statutory management requirements (SMRs) under EU legislation and 8 standards for good agricultural and environmental condition (GAECs) of land established at national level. Compared to the current situation the cross compliance rules will be reviewed to make them simpler, to strengthen the climate change dimension within GAEC and to ensure consistency with the provisions of greening and of relevant environmental measures offered under rural development. However, some new requirements resulting from the Water Framework Directive and the Sustainable Use of Pesticides Directive will be added.

A final new element is the introduction of a common monitoring and evaluation framework which will be used to measure the performance of the whole CAP during the next period. Before the end of 2017 and every four years thereafter the Commission will present a report on the impact of the CAP on the three main priorities of the CAP: viable food production, sustainable management of natural resources, and balanced territorial development.

### 5.5.2 Problem

With respect to the horizontal rules of the CAP, two main concerns can be identified, both of which have been discussed in chapter 4. The first concern relates to system of cross compliance, which is seen as too complex and rigid. The number and character of the requirements (GAECs and SMRs) are criticised as well as the complex calculation rules for applying cross compliance reductions of direct payments. A second concern relates to the on-the-spot checks, which can be reduced in case of low error rates when Member States have well-functioning control systems.

### 5.5.3 Analysis

The horizontal regulation may lead to a *net cost reduction* when Member States have well-functioning control, certification and self-assurance systems. In those cases fewer controls and audits are required and administrative burden and implementation costs for farmers and national authorities can be reduced.

An important aim of the horizontal regulation is to create more *proportionality in controls and penalties*. According to the proposal, Member States with well-functioning control systems are 'rewarded' with a reduction of the number of controls. For Member States with high error rates the control intensity will be increased. The reduction of the control intensity thus requires more efforts (and costs) to improve the control system.

The proposal mentions a reduction of the number of paying agencies and a stronger role of the coordinating body. The question is whether there will be room for *discretion and flexibility* for Member States in organising this.

However, the aim of this proposal is to create more *transparency and clarity* by redefining the roles and responsibilities at national level. Although an alignment of rules and procedures of pillar 1 and 2 may increase transparency, the increasing overlap between pillar 1 instruments and rural development measures might create more diffusion instead.

The *problem-solving capacity* of the horizontal regulation in the sense of streamlining rules and procedures of pillar 1 and 2 is good.

The proposal is also *acceptable* and *feasible* and there are no *external effects* foreseen.

In terms of *sustainability*, the cross compliance rules are important. In this sense it remains to be seen which additional requirements resulting from the Water Framework Directive and the Sustainable Use of Pesticides Directive will be added, and whether these new requirements bring environmental benefits or only add extra administrative burden.

### 5.5.4 Results

#### *Judgement*

In summary, the horizontal regulation presents some valuable simplifications although the effects in terms of administrative cost reduction might not be that large. It is expected that farmers/beneficiaries and the European Commission might benefit from this proposal. The impact on the national authorities which will need to adjust their organisation of paying agencies and their certification of



control systems, remains somewhat unclear. Therefore the judgement on this proposal will be as follows:

<b>Farmers/beneficiaries</b>	<b>National authorities</b>	<b>European Commission</b>
<b>+</b>	<b>0</b>	<b>+</b>

*Recommendation*

- Member States should be given time to adjust their organisation of paying agencies and their certification of control systems, in case this is necessary. It should be prevented that the simplification of the control system creates an uneven high burden for national authorities when they have to prove that their systems are functioning well. Trust is very important in this respect, not only between the European Commission and the Member States, but also between EU and national auditors.

# 6 Conclusions and recommendations

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## 6.1 Introduction

The assessment shows that indeed simplification has been one of the considerations in the reform proposals for the CAP post-2013. This becomes clear in specific CAP elements, such as the streamlining of cross compliance, the simplification of market instruments and the introduction of the small farmers scheme. In addition, the Commission tried to make the design of new CAP elements such as the greening payment scheme as simple as possible to minimise the extra administrative burden. The question is however who benefits from these proposed simplifications: farmers/beneficiaries, national authorities or the European Commission?

In this chapter conclusions will be drawn regarding the effectiveness of the simplification proposals and the extent to which the Commission has addressed the concerns of the Member States as put forward in the six key principles. In addition recommendations will be presented for adjustments and alterations to the legislative proposals. The chapter ends with some discussion points that should be taken into account in the debate on simplification.

## 6.2 Conclusions

### *Summary of the CAP reform proposals*

The CAP reform proposals maintain the current structure of the CAP with two pillars. Pillar 1 contains the annual mandatory measures of general application (direct payments and market management measures). This is complemented by voluntary measures under a multi-annual programming approach in pillar 2 (rural development policy). More synergy and coordination both between the two pillars of the CAP and between the rural development policy of pillar 2 and other EU structural funds (through the Common Strategic Framework) is an important aim. There are five main regulations: for direct payments, market measures (single CMO), rural development, the Common Strategic Framework (which also includes the rules for other EU structural funds), and a horizontal regulation, which not only contains the financial management but also brings together other common provisions.

In November 2010 the European Commission distinguished three alternative policy scenarios for the CAP 2014-2020: the adjustment scenario (policy continuity with limited improvements), the far-reaching refocus scenario (accelerating structural adjustment) and the integration scenario (targeting and greening). In its October 2011 proposals the Commission has chosen for the integration scenario since it 'is the most balanced in progressively aligning the CAP with the EU's strategic objectives'. However in its impact assessment on simplification the Commission concludes that:

'all in all, the expected effect of adjustment and refocus scenarios is a decrease of administrative burden while the integration scenario may lead to a slight increase of administrative burden. Expected increase of administrative burden for some new key concepts allowing a better targeting of the first pillar payments (greening and active farmers) are likely to be partly offset by the simplification achieved with the small farmers scheme and the new distribution of direct payments via a flat rate per hectare at national or regional level' (European Commission, 2011f).

*Are the six principles taken into account?*

The question is to what extent the legislative proposals address the concerns of the Member States as put forward in the six principles. In summary, these are the main conclusions for the six principles (principle 2 and 4 have been put together):

- *Net cost reduction*

The legislative proposals are likely to bring extra costs, mainly due to the introduction of new schemes in the direct payments system and the introduction of new requirements and conditions in the rural development policy. Furthermore there are doubts about the benefits of cost-increasing new elements. In particular, the greening payment is criticised in this respect.

- *Proportionality in control and penalties*

The planned reduction of controls in case of well-functioning control systems seems promising. However, the Commission wants to decide upon this in delegated acts, which makes the outcome uncertain.

- *Discretion and flexibility for Member States*

There are some improvements in pillar 1, where Member States are provided with discretion to combine different payment schemes. In pillar 2 more flexibility is provided through a more flexible design of the rural development programme. However, the devil might be in the details and the delegated

and implementing acts may limit this flexibility. Furthermore there is a large potential for more discretion and flexibility.

- *Transparency and clarity*

On many aspects the proposals lack detail and therefore the role of the Commission in issuing additional acts and guidelines can be questioned, since no final assessment of the proposals can be made. Another concern is the increased overlap between pillar 1 and 2. This may create confusion and adds to the perception that the CAP has grown into a very complex policy.

- *Maximum use of technology*

There is general agreement that the potential of technology and IT solutions in the CAP is very high. Also additional administrative burden and costs of new elements might be decreased by using technology, but their effects remain unclear. Also there is the question: Who has to pay for new IT systems?

In summary, the six principles presented in the March 2011 Council have to some extent been addressed, but only marginally. The Commission has only presented a concrete proposal to create more proportionality in controls and penalties through the proposal on a reduction of on-the-spot checks. With respect to the net cost reduction the picture is blurred: some elements have net benefits, other elements have net costs. But overall no net costs reduction is foreseen, as is also admitted by the Commission in its impact assessment. The picture on discretion/flexibility and transparency/clarity could also have been more positive, while there is a lack of concrete proposals on how to maximise the use of technology. As a conclusion the principles still remain important in the current phase of negotiations and drafting of delegated and implementing acts.

*Overall simplification assessment*

Our analysis shows that both simplification gains and additional administrative burden and implementation costs can be identified. The impact of the proposals may be different for farmers/beneficiaries, national authorities and the European Commission and, depending on the proposals, the impact may also differ between Member States. Figure 6.1 presents a summarised overview of the judgements on simplification, based on the traffic light presented in chapter 2. The colour green (+) means that the aspect/proposal in its present form decreases administrative burden and/or implementation costs and is therefore recommended; the colour yellow (0) means that there is no real simplification, but some aspects or conditions may be questionable or uncertain; the colour

red (-) means that the aspect/proposal in its present form increases administrative burden and/or implementation costs and is therefore not recommended.

**Figure 6.1 Overall judgement on simplification**

<b>Simplification aspect</b>	<b>Impact on farmers/beneficiaries</b>	<b>Impact on national authorities</b>	<b>Impact on European Commission</b>
Small farmers scheme	+	-	0
Greening payment scheme	-	-	0
Voluntary coupled support	+	0	+
Simplified costs in pillar 2	+	0	+
LEADER local development	0	0	+
Common indicators	+	-	+
Reduction on-the-spot controls	+	0	+
Cross compliance	-	-	0
Alignment of rules on management and controls	+	0	+
Repealing certain aid schemes	+	+	+
<b>Legislative proposal</b>			
<b>Legislative proposal</b>	<b>Impact on farmers/beneficiaries</b>	<b>Impact on national authorities</b>	<b>Impact on European Commission</b>
Direct payments system	0	-	+
Market and pricing policy	+	+	+
Rural development policy and CSF	+	0	0
Horizontal rules	+	0	+

The figure shows that the impact on farmers/beneficiaries is positive for seven out of ten simplification aspects. For LEADER no clear impact could be identified, while an increase in administrative burden is expected for the greening payment scheme and cross compliance. The overall picture of the legislative proposals is quite positive for farmers/beneficiaries, only for the direct payments system no real simplification can be identified, which is mainly caused by new elements such as greening and the active farmer definition.

For national authorities the picture is less positive. Four out of ten simplification aspects will lead to an increase of implementation costs, next to the greening payment scheme and cross compliance these are the small farmers scheme and the common indicators. Only the repealing of certain aid schemes will lead

to simplification. For the other five proposals the traffic light has been put on yellow. As for the legislative proposals only the proposal on market and pricing policy will mean a simplification.

For the European Commission the picture is completely the opposite. With the exception of the small farmers scheme, the greening payment scheme and cross compliance the proposals will lead to a simplification of the work of the Commission. However the legislative proposals for rural development policy and the CSF will not deliver real simplification for the Commission.

Furthermore, the costs and benefits of the (simplification) proposals differ between Member States. For example the small farmers scheme is most beneficial to Member States with many small farmers, i.e. Member States in the EU-12. At the same time the reduction of on-the-spot-controls mainly benefits Member States with a well-functioning control system. Also the impact of the greening proposal differs per Member State, with great differences between local costs of implementation of greening measures.

### 6.3 Recommendations

The following research question will be answered:

- *Research question 6: In which way can the legislative proposals be adjusted or altered in order to improve the simplification process to create real and tangible simplification of the CAP post-2013?*

We will not present concrete amendments on the legislative proposals. These amendments will be presented by the Member States. Instead we will focus on the following question: what is needed for each proposal to change the traffic light from red or yellow to green?

In the chapters 4 and 5 recommendations have been provided for each separate aspect or proposal. Below the essence of these recommendations is summarised and some general recommendations are added:

- *Direct payments*  
In order to avoid unnecessary extra administrative burden and implementation costs, the proposed new payment schemes in the direct payments system (all but the basic premium and the greening payment scheme) should and can be made voluntary, so that Member States can choose whether they want to use these schemes.

- *Direct payments*  
The introduction of new CAP elements that increase the administrative burden and implementation costs should carefully be examined when their impact is not clear. The main example is the greening payment scheme where opinions differ on the effectiveness of the three measures currently proposed and Member States have therefore called for more flexibility (such as a menu of measures from which they can choose) to make the scheme more targeted.
- *Direct payments*  
The link between greening in pillar 1 and agri-environmental schemes in pillar 2 should be clarified. In case agri-environmental schemes can be counted against greening, it has to be clear whether farmers would receive a double payment or whether higher standards will be required for agri-environmental payments.
- *Rural development*  
It is important to coordinate the negotiations on the legislative proposal for rural development policy on the one hand and the negotiations on the legislative proposal for other structural funds on the other hand, in order to ensure harmonisation and coherence, so that real simplification can be achieved.
- *Rural development*  
Although a simplification for farmers/beneficiaries will be achieved through the simplification of the reimbursement system, the challenge remains to address the information obligations of the EU. Cap Gemini already pointed out that eGovernment solutions, less strict requirement for supporting documents, and guidelines on the content and level of detail of information provision all will contribute to a reduction of administrative burden (Cap Gemini, 2011).
- *Rural development*  
In order to achieve simplification for national authorities the list of requirements and conditions of article 9 of the draft regulation should be revised. Some of these obligations can be questioned on the basis of the principles of proportionality and subsidiarity.
- *Rural development*  
A real simplification of the common monitoring and evaluation framework (CMEF) also needs to be considered. The Commission plans to make a list of common indicators to reduce the administrative burden (fewer indicators). However, at the same time programme specific indicators are still needed. Furthermore alternatives to the quantitative CMEF approach should be con-

sidered, see for instance the mixed case study approach of Terluin and Berkhout (2011).

- *Horizontal*

A thorough analysis of how to simplify the cross compliance structure is recommended, since discussion on the administrative burden and implementation costs of cross compliance has been going on since 2003 and the perception of complexity of cross compliance remains. Interaction between users/beneficiaries, policy makers and researchers should be central to such an analysis.

- *Horizontal*

Member States should be given time to adjust their organisation of paying agencies and their certification of control systems, in case this is necessary. It should be prevented that the simplification of the control system creates an uneven high burden for national authorities when they have to prove that their systems are functioning well. Trust is very important in this respect, not only between the European Commission and the Member States, but also between EU and national auditors.

- *General*

Overlap between pillar 1 and pillar 2 creates confusion and should be avoided to improve the transparency and clarity of the CAP.

- *General*

Member States also have a responsibility to look for opportunities for simplification, whereby they have to make a trade-off between simplification on the one hand and flexibility and diversity on the other hand. When Member States want more room for flexibility and diversity, this also creates a more complex system for the Commission to control, with consequences for control and accountability systems. At the same time they should try to avoid to add extra (national) eligibility and/or accountability criteria when implementing the new system.

- *General*

The Commission has to take the six principles on simplification into account when drafting the delegated and implementing acts. (The first category, introduced in the Treaty of Lisbon (2009), is most important and allows the Commission to amend, supplement or delete non-essential elements of the legislative act). The six principles are still valid, especially since they have only marginally been taken into account by the Commission in drafting the legislative proposals. Since the devil is in the details, discussion on simplification does not end with the legislative proposals, but continues with the



discussion on delegated and implementing acts. These acts should not further increase the administrative burden and implementation costs.

- *General*

It is also important that these delegated and implementing acts will be drafted as soon as possible so that clarity will be provided at an early stage to Member States on the detailed requirements and conditions on policy implementation. Member States will need time to introduce new systems and schemes. In addition, the European legislators (Council and Parliament) have the power to oppose individual delegated acts on any grounds and can also revoke the delegation altogether, which may delay the legislative process.

## 6.4 Discussion

In this last section some points for discussion are provided. These points should become born in mind in the debate on simplification.

First, simplification is a major cross-cutting issue that is essential for modernizing the CAP, both in pillar 1 and 2. Moreover, it will have a direct effect on the costs of the CAP, the implementation costs in Member States and is an important factor in reducing the amount of errors in expenditures.

A second point concerns the perception that different actors have when it comes to simplification. In its measurement of administrative burden and costs in the impact assessment on simplification the European Commission focuses only on 'the administrative activities that must be undertaken in order to comply with information obligations laid down in the legislation'. However the perception of simplification by farmers, national authorities and society also concerns the overall (perceived) complexity of the CAP, and not only the information obligations.

A third point is that simplification is not a goal in itself, but is always related to the policy objectives to be achieved.

A last point concerns the relative importance of simplification in the debate. Next to simplification there are many other issues that play a role in the debate on the CAP post-2013, such as the debate on redistribution of direct payments between Member States, the effectiveness of the greening payment scheme, the discussion on targeting of CAP payments, the call for subsidiarity and flexibility and the importance of accountability. Next to simplification, all these issues and other political objectives play a role and in the end a compromise has to be made.

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