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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT AND THE COUNCIL**

A simplified CAP for Europe - a success for all

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COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

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1. THE COMMISSION AGENDA FOR A SIMPLER CAP

Since the beginning of its mandate, this Commission has striven for a simpler Common Agricultural Policy (CAP)¹. Farmers and other economic operators in the agricultural sector should be relieved from red-tape and requirements that are not necessary to reach political objectives and ensure proper management of taxpayers' money. Simplifying the CAP is essential to making our agricultural economy more competitive, preserving and creating jobs and contributing to a sound development of our rural areas. This is why a simplified CAP is a success for all.

The Commission presented in 2005 a Communication on Simplification and Better Regulation for the Common Agricultural Policy (CAP). This set out an ambitious programme for a significant simplification of the CAP. The programme and its implementation are fully embedded in the overall Commission strategy on Better Regulation² and in particular the Simplification Rolling Programme and the Action Programme for Reducing Administrative Burden.

In the meantime an impressive number of CAP-related simplification projects have been completed. It is now timely and appropriate to take stock and look at what has been accomplished. This communication will highlight the activities that have been carried out since 2005, and give indications of the resulting reduction in administrative burden for farmers and administrations³. Special attention will be paid to the rolling Simplification Action Plan, the single CMO, the 2007 study on administrative burden for farms and the results of the Health Check process. To conclude, the communication will explore paths to further simplification actions in the future.

2. ACHIEVEMENTS SINCE 2005

In 2005, the European Commission committed to taking on a series of activities that can be qualified as either technical or policy simplification⁴.

¹ COM(2005) 509, 19.10.2005.

² Third Strategic Review of Better Regulation in the European Union - COM(2009) 15, 28.1.2009.

³ In general, the figures used in this communication stem from preliminary results of the measurement carried out as well as the recommendations put forward in the context of the Action Programme for Reducing Administrative Burden. According to the standard cost model, used in that exercise, administrative burden is established on the basis of the cost of complying with information obligations resulting from EU legislation as well as related national transposition or implementation measures.

⁴ **technical simplification** (i.e. within a constant policy framework) implies revision of the legal framework, administrative procedures and management mechanisms to achieve streamlining and greater cost-effectiveness and attain existing policy objectives more effectively, without changing the underlying policies;

2.1. Technical simplification

2.1.1. *Cleaning up agricultural rules*

Identification and elimination of obsolete Council and Commission legal acts is done continuously, as for example in the milk sector⁵. When new legal acts are adopted, existing acts are repealed. Other acts that remained in existence without serving a purpose have been declared defunct via a declaration of obsolescence in 2006⁶ and at the start of this year⁷, covering a total of almost 300 obsolete acts. Later this year, a proposal to repeal a number of obsolete Council acts will be adopted.

2.1.2. *A Single CMO regulation*

On 22 October 2007, the Council adopted Regulation (EC) No 1234/2007⁸ also known as the single CMO. This regulation groups together all the sectoral common organisations of the market and replaces 45 Council Acts. More details on the single CMO may be found in paragraph 4.1.

2.1.3. *State aids*

In 2006 and 2007, the Commission modified and streamlined its policy on state aid in the agricultural sector. Apart from the revised state aid guidelines⁹ and the agricultural Block Exemption Regulation¹⁰, the Commission adopted a new *de minimis* Regulation¹¹ increasing the *de minimis* threshold of support that can be given by Member States in the agricultural sector. When the measure complies with the conditions set out in the *de minimis* regulation, it is not considered a state aid and therefore no notification is required. These changes led to a reduction of the number of relevant legal instruments from six to three.

2.1.4. *Administrative costs*

In 2006, the Commission launched a study to measure the administrative burden for farms arising from the 2003 CAP reform. The final results of the study were published in November 2007. More details on this study may be found in paragraph 4.2.

‘policy simplification’ reduces complexity through improvements to the agricultural support and rural development policy instruments. It may be described as ‘policy development with simplification implications’.

⁵ Commission Regulation (EC) No 1081/2008 (OJ L 296, 5.11.2008, p. 4).

⁶ OJ C 148, 24.6.2006.

⁷ OJ C 30, 6.2.2009.

⁸ Council Regulation (EC) No 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (OJ L 299, 16.11.2007, p. 1).

⁹ OJ C 319, 27.12.2006, p. 1.

¹⁰ Regulation (EC) No 1857/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to State aid to small and medium-sized enterprises active in the production of agricultural products and amending Regulation (EC) No 70/2001 (OJ L 358, 16.12.2006, p. 3).

¹¹ Commission Regulation (EC) No 1535/2007 of 20 December 2007 on the application of Articles 87 and 88 of the EC Treaty to *de minimis* aid in the sector of agricultural production (OJ L 337, 21.12.2007, p. 35).

2.1.5. *Sharing best practices*

For the purpose of exchanging views on simplification and sharing ideas and experiences, several platforms were established. First of all, an expert group of national simplification experts was set up. This group meets on average around three times per year. A number of Member States have used this platform to present and discuss national simplification initiatives.

Stakeholders and representatives of the agricultural sector and industry have participated in several meetings of the advisory group on simplification.

The conference on simplification of the Common Agricultural Policy, held in October 2006, as well as the simplification seminar organised in October 2007, offered a broad platform for discussion and exchange of experiences between all parties involved in the implementation of the CAP.

2.2. **Policy related actions**

2.2.1. *Sugar CMO reform*

The sugar reform, formally adopted in the beginning of 2006, resulted in a tangible simplification of the system. It merged the various quota types into one single quota system, included the budget for sugar-aid into the envelope of the Single Payment Scheme and replaced intervention by private storage.

2.2.2. *Single Payment Scheme*

In its first years of existence, the Single Payment Scheme has been adapted on several occasions with a view to simplifying its functioning and making it more "farmer friendly". This was achieved by for example the inclusion of landscape elements (such as hedges and walls) into the surface eligible for direct support and several modifications following the adoption of the cross-compliance report¹².

2.2.3. *Fruit and vegetables and wine sector*

Reforms in the fruit and vegetable sector as well as in the wine sector have made rules simpler. Most particularly, the fact that these sectors are now included in the Single Payment Scheme results in a more homogeneous system of direct income support.

The integration into the Single Payment Scheme of the fruit and vegetables sector may lead to a reduction of administrative burden to farms of EUR 2.2 million.

Moreover, these reforms provided increased flexibility in the implementation of policy through the use of programming, managed by either producer organisations in the fruit and vegetables sector or by Member States for the wine sector.

¹² COM (2007) 147, 29.3.2007.

2.2.4. *Impact assessment and evaluation*

During the past years, the instrument of impact assessment became an indispensable tool for preparing important reforms in the agricultural sector and comprises substantial involvement of stakeholders at an early stage. The impact assessment tool *allows for an ex ante assessment of administrative costs, identifying and assessing problems, formulating solutions and comparing the impact of these solutions*. This renders the legislative process more transparent. The impact assessment process also improves the quality of the proposal and the quality of the debate on the proposal.

Since 2005, 8 impact assessments have been carried out for all significant reforms of the CAP, as for example for the wine and fruit and vegetables reform and the Health Check¹³.

2.3. **Processes**

2.3.1. *Stakeholder consultation, screening, Action Plan*

The suggestions received from Member States authorities and stakeholders that could be classified as technical simplification were included in the newly created rolling Simplification Action Plan. This Action Plan allows for the planning and monitoring of simplification activities in the CAP and currently contains around 50 projects.

Since 2005, more than 200 suggestions for simplification of the CAP have been received.

2.3.2. *Conference*

On 3 and 4 October 2006, an international conference on simplification of the Common Agricultural Policy was organised by the Commission.

Representatives from various backgrounds and interests, farmers, operators, processing industry, academics and Member States' authorities, participated and contributed to the debate on simplification and showed that there was a political will to simplify the CAP, a process in which all need to be involved to ensure success.

A concrete project resulting from the conference concerned the use of export certificates which was taken up by the Commission. More details may be found in Chapter 3.

2.3.3. *Internal Training*

Prevention is better than cure, for legal acts as well. Internal training on legislative drafting has been, and will continue to be provided to staff members involved in drafting legislative proposals. The objective of the course is to ensure clear and simple texts from the start of the legislative process.

¹³ For additional information on impact assessment: http://ec.europa.eu/governance/impact/index_en.htm.

2.3.4. *IT systems*

Information technology is an important element in simplification and reducing administrative burdens. Considerable progress has been made in this context. A system to facilitate the electronic exchange of information between Commission services and Member States, ISAMM (Information System for Agricultural Market Management and Monitoring) is in its final development phase. A pilot project is currently up and running and module one of the system should become fully operational by summer 2009.

3. **THE COMMON AGRICULTURAL POLICY SIMPLIFICATION ACTION PLAN**

During the 2006 conference, the first version of the "rolling" Simplification Action Plan was presented. It set out 20 projects for technical simplification of the CAP. The plan has evolved to around 50 projects by January 2009¹⁴ of which 43 have been implemented. The projects taken up in the action plan were based on suggestions from Member States, stakeholders, farmers' organisations, processors as well as from ideas generated within the Commission services.

The following projects deserve to be explained in greater detail as they are good examples for the positive impact simplification can have on operators and/or farmers.

3.1. **Beef export licences**

The Commission adopted in 2007 a sector specific simplification measure in the beef and veal sector. Exports in this sector with or without an export refund used to be accompanied by a licence. While it is essential to continue monitoring trade in products exported with a refund, it no longer appeared necessary to monitor exports of goods traded without a refund. Therefore, the Commission removed the obligation to present an export licence for such exports.

Both exporting companies and national authorities are benefiting from this measure as it means less paperwork and administrative and control work.

To illustrate, this measure reduces the costs of exporting beef by an average of around EUR 16 per tonne. In addition, it removes red tape and improves the business environment.

3.2. **Egg labelling**

In 2007 the European Commission adopted a new set of detailed rules concerning marketing standards of eggs and in particular concerning the labelling of eggs. These rules create a modern, transparent legal environment without weakening the information and protection of consumers.

For example, it is no longer required to grade eggs that are used directly by the industry. The new rules allow eggs to be collected, graded, marked and packed

¹⁴ For further information: http://ec.europa.eu/agriculture/index_en.htm.

within 10 days of lay, rather than being collected every third working day. This helps the industry organise itself better, which is especially useful at busy times of year.

The new flexibility reduces costs for producers and the downstream sector as well as control costs for Member States.

3.3. 10-month rule

Article 44(3) of Council Regulation (EC) No 1782/2003 stated that parcels declared by a farmer for direct payments have to be at the farmer's disposal for a period of at least 10 months.

This provision has been abolished and the 10-month period replaced by a single date, which may be determined by the Member State. This means that farmers are no longer required to keep land at their disposal for 10 months to receive support. They gain greater flexibility in their farm management and in responding to market developments.

The abolition of the 10-month rule is likely to lead to a reduction in administrative burden for farms of around EUR 19 million.

3.4. Import-export licences

In June 2008, the Commission eliminated the vast majority of licence obligations in the agricultural sector. For imports, licence requirements were reduced from 500 to 65 and for exports, only 43 requirements remain¹⁵. In addition the legal framework for the remaining licence requirements has been simplified and now consists of a single regulation (except in the case of export refunds and tariff rate quotas). It governs all aspects of licences, clearly identifies all the products for which a licence is required and lays down the rules pertaining to the period of validity of the licence as well as the level of security.

The advantages for operators (importers and exporters) are:

- they will save on the administrative costs of handling the paperwork associated with imports or exports;
- they will no longer incur the costs of depositing (and recovering) licence securities.

For national administrations, the savings are clear as less administrative work and checking is required.

This measure is likely to reduce the overall burden associated with licences to operators by approximately EUR 7.4 million.

¹⁵ Commission Regulation (EC) No 514/2008 of 9 June 2008 amending Regulation (EC) No 376/2008 laying down common detailed rules for the application of the system of import and export licences and advance fixing certificates for agricultural products (OJ L 150, 10.6.2008, p. 7).

3.5. Marketing standards fruit and vegetables

As part of the reform of the fruit and vegetable sector, the Commission, against some reluctance of a number of Member States, reduced the number of specific marketing standards from 36 to 10 (apples, citrus fruit, kiwifruit, lettuces and endives, peaches and nectarines, pears, strawberries, sweet peppers, table grapes and tomatoes), rationalised the associated checking operations and established a general marketing standard covering most fruit and vegetables.

The 26 repealed standards represent 25% of the trade in fresh fruit and vegetables. As a result of this measure, operators no longer face compliance costs except for ensuring that their products are of sound, fair and marketable quality and national authorities no longer have to carry out controls for these 26 specific standards.

3.6. Cross-compliance

Even though the study on administrative burden on farms concluded that the administrative cost accruing from cross-compliance is relatively low, i.e. between 0.3% and 4.3% of the overall burden, farmers nevertheless see cross-compliance as an irritant.

To reduce the perceived discomfort and to ease the system, the Commission allowed advance notice for on-the-spot checks. Furthermore, farmers are no longer faced with a reduction of their payments if their infringement is of minor importance or the reduction would be less than the *de minimis* limit of EUR 100.

These improvements allow farmers to better plan their activities, demand less paperwork to remedy small infringements and remove the threat to be penalised for trivial infractions. The measure also simplifies the task of national administrations.

Providing advance notice for on-the-spot checks may lead to a reduction in administrative burden to farms of up to EUR 5.7 million.

4. SPECIAL FOCUS

In the next section, three CAP simplification activities of key importance are described in further detail. These projects relate to legislative simplification, administrative burdens and policy simplification and have a cross-sector impact: the single CMO, the study on administrative burden and the Health Check.

4.1. Single CMO

An important accomplishment within the context of legislative simplification of the CAP was the adoption in 2007 of the Council Regulation establishing a common organisation of agricultural markets⁸, commonly referred to as the Single CMO Regulation.

Given its technical character, the single CMO was not about changing the underlying policy but harmonising provisions, thereby making CAP rules easier to navigate, slimmer, more accessible and less burdensome to apply.

The new regulation groups together and replaces all 21 individual common organisations of the market into one single regulation, thereby reducing the number of articles from around 920 to around 230 and repealing a total of 78 Council acts¹⁶.

On a macro level, the adoption of the single CMO has substantially reduced the number of acts governing the CAP which is now mainly regulated by only 4 legal acts, namely the regulations on Direct Payments, the single CMO, Rural Development and the Financing of the CAP.

Finally, the single CMO facilitates further simplification and reduction of administrative burden at the level of Commission implementing provisions.

4.2. Study on Administrative Burden

Within the context of the Action Programme for reducing Administrative Burdens, a study "assessing the administrative burden on farms arising from CAP" was published¹⁷ at the end of 2007. This study, carried out in Denmark, Germany, France, Ireland and Italy, provides an assessment of the administrative costs associated with the Single Payment Scheme in 2006 and presents an outlook on future developments.

The study identifies several elements with an impact on the administrative burdens on farms.

The first element concerns Member States' transposition of the CAP regulation on direct payments. This relates for example to the choices they have made with regard to the SPS model (historic, regional, hybrid) as well as to whether they chose to decouple fully or maintain certain elements coupled. Other factors are the way the application procedure is set up and the system for transferring entitlements.

According to suggestions put forward in the context of the Action Programme for Reducing Administrative Burden, Member States could, for example, via the use of information technology in all Member States achieve a further reduction of administrative burden on farms by more than EUR 400 million.

Other aspects that impact on the level of administrative burden are the national business culture, for example the use of external consultants, and structural differences, such as farm size and differentiation in production.

The results of the study indicate that administrative burden to farms will decrease substantially. One factor is the learning curve effect and the disappearance of the administrative costs associated with the start-up of the Single Payment Scheme¹⁸. The changes decided in the Health Check are another important reason.

¹⁶ After inclusion of the provisions for fruit and vegetables, by means of Council Regulation (EC) No 361/2008 (OJ L 121, 7.5.2008, p. 1).

¹⁷ http://ec.europa.eu/agriculture/analysis/external/burden/index_en.htm.

¹⁸ A positive learning curve and the disappearance of start-up cost will reduce administrative burden to farms by over EUR 900 million.

4.3. Health Check

Simplification was one of the major drivers behind the Commission's Health Check proposals¹⁹. The Health Check simplifies the single payment scheme provisions and renders the 2003 CAP reform more efficient.

One of the main simplification elements in the Health Check consists of further decoupling and abolishing of several schemes, such as payments for energy crops and durum wheat, as well as the disposal scheme for cream, butter and concentrated butter. As the study on administrative burden²⁰ indicates, coupled support schemes give rise to additional administrative burden for farmers. Further decoupling leads therefore automatically to a reduction of such burden.

The Health Check also simplified the rules on the modulation franchise as well as the provisions concerning the functioning of the National Reserve and payment entitlements that originate from that reserve.

Moreover, the rules on set-aside are abolished and the conditions applicable to the transfer of payment entitlements are simplified.

The Health Check is likely to lead to a reduction in administrative burden to farms of around EUR 135 million as result of abolishing the special schemes for energy crops, crop area payment, durum wheat, nuts and starch potatoes. Moreover, the abolition of set-aside is estimated to reduce administrative burden to farms by EUR 146 million.

5. OUTLOOK

The progress made over recent years will by no means lead to a standstill of simplification activities for the agricultural sector. Simplification and reduction of unnecessary administrative burden are permanent tasks that do not take care of themselves. To keep the momentum going and to create an environment which establishes appropriate conditions for further simplification of the CAP, the following elements and projects are scheduled for the coming years.

5.1. Common Starting date

The start of application of legislative modifications in the CAP is generally centred on fixed dates, such as the beginning of the marketing year. To further facilitate an easier monitoring of policy and policy changes as well as anticipating them, the possible introduction of common starting dates²¹ for legislative changes in the CAP will be further examined.

¹⁹ COM(2008) 306, 20.5. 2008.

²⁰ See paragraph 4.2.

²¹ See also COM(2009) 15.

5.2. Cross-compliance

At present, cross-compliance rules are laid down in various legal acts. The idea of developing a proposal for one single legal act on cross-compliance by harmonising the current rules will be further evaluated.

5.3. Communications

The Commission will endeavour to simplify and harmonise the legal framework for communication and conservation of information and documents in the context of shared management of the CAP. The new framework could eventually apply to all communications of the CAP other than communication of financial information and, by means of information technology, to all systems in place in this context. These systems may be managed by the European Commission or the competent authorities of the Member States. What's more, the new legal framework could include provision for access to the information collected for all authorities concerned and the public.

5.4. "Harvest Experience"

As from 2010, a training programme will be set up for officials from the Directorate General for Agriculture and Rural Development which involves a farm stay. The purpose of this programme is to further deepen their understanding of the challenges the sector faces. This may lead to policies that connect even better to the practical situation of European farmers. The exact details of the programme are under consideration.

5.5. Quality Policy

The green paper on agricultural product quality was launched on 15 October 2008. This green paper initiates a broad public consultation on quality policy and addresses the issue of simplification and reduction of administrative burden, in particular with regard to marketing standards, certification schemes and geographical indication systems.

Following the public consultation, the Commission will issue a Communication in May 2009. Some of the options included in the Communication could have an important impact in terms of simplification and administrative burden reduction.

5.6. Continuation of the Action Plan

The Action Plan will continue to "roll" and new projects will be added and implemented. One of these new projects concerns the hops sector.

At the moment, hops growers are obliged to register production contracts. This registration allows for obtaining essential market information and creates a certain level of transparency in the market. At the same time it represents a burdensome activity for growers and administrations. With a view to reducing these administrative burdens, alternatives for generating market data in the hops sector will be evaluated. Depending on the outcome of the evaluation, appropriate proposals will be made.

5.7. Regular revision

The Commission will look into the possibility of performing a more regular review of legislation whereby acts of a certain age could be revised. This could involve analysing if existing provisions should be maintained and, if so, in which format. Consequently, the new legal act would be up to date and in line with the latest principles of legal drafting.

5.8. Language use and accessibility of legal texts

The language used in legal acts may limit their accessibility for ordinary users. The Commission will continue, by assessing its use of language and the possibility of providing training on writing skills, to render legal acts easier to read.

5.9. Continuation of sharing best practices

The Commission will continue organising meetings with Member States and stakeholders to discuss and further develop activities on simplification of the CAP. It is also in this context that possibilities for further simplification of cross-compliance may be elaborated.

6. CONCLUSION

The results of the simplification process show that the Commission's efforts to move towards a simpler CAP have been remarkably successful. Its active continuation in the future is a clear sign of the Commission's commitment to further simplification. On the basis of first results of the measurement exercise²² one can realistically expect the objective of a 25% reduction of administrative burden in 2012 to be met. This is all the more impressive as the CAP exists in a dynamic political environment with various and often divergent financial and political interests, against the background of a wide range of farming cultures and structures. Furthermore, as the CAP concerns the allocation of financial resources, it is inevitably subject to tough management and control rules to protect the integrity of the EU budget, i.e. taxpayer's money.

CAP simplification creates business conditions in which farmers and other economic operators are less burdened by administrative and compliance costs and renders the European farming community more competitive. Farmers are thus better placed to face their challenges and meet their customers' demands. Overall this is to the benefit of all citizens in the EU.

However, farmers and economic operators in agriculture perceive the complexity of their business environment not only on the basis of CAP rules but against the background of all legal parameters they are subject to. The Commission, therefore, looks at simplification and the reduction of unnecessary administrative burden as comprehensive objectives that need to be pursued in all policy areas relevant to the agricultural sector and at all levels including in the Member States and regions. All actors in the process should in the future pay particular attention to this aspect.

²² Available estimates suggest that the burden in the area of direct payments will be reduced by at least EUR 1 400 million.