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*accompanying the*

Proposal for a

**COUNCIL REGULATION**

**amending Regulations (EC) No 1290/2005 on the financing of the common agricultural policy and (EC) No 1234/2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation) as regard food distribution to the most deprived persons in the Community**

**Impact Assessment**

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## COMMISSION STAFF WORKING DOCUMENT

### Food Distribution Programme for the Most Deprived Persons of the Community

**Lead DG:** DG AGRI

**Other services involved:** BUDG, EMPL, SG, TRADE, DEV, ESTAT, MARE, REGIO and SANCO

**CLWP reference:** 2008/AGRI/018

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## 1. PROCEDURAL ISSUES AND CONSULTATION OF INTERESTED PARTIES

This Impact Assessment has been carried out in the context of a review of the “Food Distribution programme for the Most Deprived Persons of the Community” (referred to in this report as the MDP).

The MDP has been in place since December 1987, when the Council adopted the rules<sup>1</sup> for releasing intervention stocks to Member States wishing to use them as food aid for the most deprived persons of the Community. The only major amendment to the Council Regulation was agreed in 1995<sup>2</sup>, to temporarily allow market purchases to supplement the dwindling stocks available from intervention and to permit a wider range of produce to be provided.

In 2007, when the "Single CMO" Regulation<sup>3</sup> was drawn up, to incorporate and replace existing sectoral Common Market Organisations (CMOs) and other specific agricultural measures, the MDP was, logically, embedded in the new, simplified overall approach.

A review of the Programme is now necessary because, due to the low level and erratic availability of intervention stocks, the use of market purchases has become structural. However, the legal provision allowing market purchases was introduced as a temporary solution only.

While the situation cannot be changed for the 2009 plan, which is already under discussion, a new legal framework should be in place for the 2010 programme.

This Impact Assessment is registered in DG AGRI’s Agenda Planning for 2008, with the reference 2008/AGRI/018.

In 2006 the European Parliament approved a written Declaration on the European food aid programme for the most deprived persons, as follows<sup>4</sup>.

*"A. whereas at least 40 million Europeans in the 25 Member States of the European Union do not have enough to eat,*

*B. whereas meeting the food needs of all Europeans is one of the priorities of the common agricultural policy and one of the founding principles of the EC Treaty,*

*C. whereas the European food aid programme for the most deprived has proved its worth and is now vital for millions of Europeans,*

*D. concerned about the future of this operation because Community public intervention stocks are steadily disappearing physically and the programme is thus losing its legal basis,*

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<sup>1</sup> Council Regulation (EC) No 3730/1987 of 10 December 1987 laying down the general rules for the supply of food from intervention stocks to designated organisations for distribution to the most deprived persons in the Community.

<sup>2</sup> Council Regulation (EC) No 2535/95 of 24 October 1995; for updates to this and the implementing Regulation see Annex 2.

<sup>3</sup> Council Regulation (EC) No 1234/2007 of 22 October 2007.

<sup>4</sup> Declaration of the European Parliament on supplying approved charities working to implement the European food aid programme for the most deprived, 4 April 2006: <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2006-0125+0+DOC+XML+V0//EN>

*calls on the Commission and the Council to*

- (a) recognise the fact that there are undernourished people in the European Union and acknowledge the need to meet their food requirements,*
- (b) place the European food aid programme on a permanent footing and provide a global multiannual budget allocation,*
- (c) open the measure up to new sectors such as pork, poultry and eggs,*
- (d) include in the programme innovative measures to ensure the distribution of balanced food rations,*
- (e) regard food aid as part of the aim of reducing poverty,*
- (f) modify the rules so as to allow:*
  - for the stocks reserved for the programme to be built up, i.e. set aside for and allocated to the most deprived,*
  - for the bartering procedure to be extended,*
  - for products that are not available as part of intervention stocks to be bought on the Community market."*

In its Communication on food prices<sup>5</sup> of 20 May 2008 the Commission made specific reference to the proposal that will be drawn up following this impact assessment process, in Section 7 "Elements for an EU response".

On 22 May 2008, the European Parliament adopted a resolution on rising food prices in the EU and the developing countries, in which it:

- "Stresses the fundamental nature of the right to food and the need to improve access for all people at all times to enough food for an active, healthy life;*
- Recalls that those suffering the most from this crisis are the less-favoured layers of the population and therefore stresses the need for appropriate social policies to empower poor or deprived populations and mitigate the effects of the current food crisis;*
- Recalls that the primary goal of the CAP is to guarantee market stabilisation, supply security and reasonable prices for consumers and underlines the need for a CAP post-2013, in order to ensure the sustainable food policy of the EU, while respecting the sustainability, the security and the quality of agricultural products."*

### **1.1. Inter-service Steering Group (ISG)**

Work on the Impact Assessment was carried out by a European Commission Inter-service Steering Group (ISG) set up by DG AGRI in March 2008. 17 Directorates-General (DGs) of the European Commission were invited to participate in the ISG. Of these, four attended ISG meetings regularly (BUDG, EMPL, SEC GEN and TRADE) and five others made *ad hoc* contributions to the work<sup>6</sup>.

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<sup>5</sup> COM(2008) 321 - "Tackling the challenge of rising food prices - Directions for EU action", p. 11.

<sup>6</sup> DEV, Eurostat, MARE, REGIO, SANCO.

Work on the IA was carried out from February to June 2008, during which the ISG met four times. Throughout the process, the ISG was kept informed of progress and provided with relevant working documents, on which their views were actively sought.

The content of this report has been developed thanks to the expert contributions of the services that participated in the ISG, their comments and criticisms.

## **1.2. Consultation of Member States, stakeholders and the public**

The framework of regular Management Committee meetings facilitated consultation of the Member States and the exchange of information, which continued throughout the IA process. In particular, in the Expert Group of the Management Committee for Cereals on 24 April 2008, Member States were invited to present their views about the programme's implementation since 1987<sup>7</sup>. In addition to the presentations made on this occasion, a number of written contributions were received.

Following this meeting, a questionnaire was sent to Member States asking for information on food aid programmes in their country, financed either by public authorities or run by charities. The answers received, from 16 Member States, are summarised in Section 2.3.

To ensure the participation of stakeholders in the impact assessment process 22 representatives of charitable bodies involved in the implementation of the Programme at EU and national level were invited to a workshop on 11 April. A number of academics working in the area of poverty alleviation and food recuperation also participated. A second stakeholder meeting was held on 15 July. More information about these meetings is given in Annex 5.

In order to keep Member State administrations, stakeholders and the general public informed about the Impact Assessment process and to invite their feedback, a webpage<sup>8</sup> was launched on the Agriculture and Rural Development site on Europa in February 2008.

An online consultation, in the form of a questionnaire, was open from 18 March to 14 May 2008. A total of 12 522 replies were received. The overwhelming majority approved EU action as a complement to Member State initiatives and policies in this field and were of the opinion that charities should continue to be responsible for channelling the aid. See Annex 6 for a complete breakdown and analysis of the replies.

In addition, a number of concerned NGO made more detailed submissions, which have been made available on the website.

As sufficient information and data were already available, no new studies were commissioned for the purpose of the Impact Assessment. Reference was, however, made to the evaluation of the programme carried out for the Commission in 1998 by ADE Consultants<sup>9</sup>. While changes to the CAP and the market context mean that some of this evaluation is no longer relevant, some elements were considered useful and have been incorporated into this report. The Executive Summary of the study is provided as Annex 7.

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<sup>7</sup> See Annex 3.

<sup>8</sup> [http://ec.europa.eu/agriculture/markets/freefood/index\\_en.htm](http://ec.europa.eu/agriculture/markets/freefood/index_en.htm)

<sup>9</sup> [http://ec.europa.eu/agriculture/eval/reports/foodaid/index\\_fr.htm](http://ec.europa.eu/agriculture/eval/reports/foodaid/index_fr.htm)

In conducting the Impact Assessment account has been taken of ideas and opinions put forward in the course of the consultations described. The Commission's minimum standards for public and stakeholder consultations have been met.

### **1.3. Impact Assessment Board opinion**

In drafting this final report, the recommendations in the written opinion of the Impact Assessment Board were taken into account.

In particular, the IAB asked for a clearer justification for a new food distribution programme, a more detailed description of experience with the present programme and the consequences of an unchanged policy. On the grounds of subsidiarity the report should demonstrate more clearly why EU action is still necessary, even though intervention stocks are disappearing; and how the programme offers an added value over national policies. The potential for simplifying the programme should be better described, as well as the administrative burden and implementing mechanisms.

The author DG followed these recommendations by substantially redrafting the relevant chapters on the problem definition and the justification for a new food distribution programme. Two new chapters were added on who the programme helps and food initiatives in the Member States. The "no policy change" option has been explicitly integrated into the options chapter, to be used as the baseline scenario. The added value of the food aid programme has been given a completely new section, and complemented by a new table comparing the options. The potential for simplification, in particular as concerns Options 2 and 3, have been highlighted and more details have been provided on the implementing mechanisms.

## **2. CONTEXT AND PROBLEM DEFINITION**

The essential purpose of the agricultural policies developed by countries around the world is to ensure the fundamental right of their populations to food. To satisfy this demand for food, the policies that have been put in place somewhat paradoxically tend to emphasise the supply side.

The recent surge in world food prices has reminded us that agricultural policies must not only be supply-driven but in the first instance their purpose should be to ensure that demand can be satisfied. This dual approach lies at the heart of the Common Agricultural Policy and was embodied in Article 33 of the Treaty. In other words, food production and food security have always been at the core of the CAP.

Food poverty re-emerged as an issue in Europe in the mid 1980s, triggered by the exceptionally bleak winter of 1986/87. The response at European level focused on the provision of food from intervention stocks, which had accumulated as a result of the CAP's over-concentration on supply side measures. The launching of the programme for the most deprived in 1987 can be seen as one of the first signs of the CAP's gradual reorientation towards a more demand-driven policy.

While Member State social policies existed to address all kinds of welfare and support needs, in most Member States there was no specific focus on food poverty. Welfare policies in any case often failed to reach the most vulnerable members of society, whose needs were traditionally met by charitable bodies which, in particular, channelled food aid to this marginalised, socially-excluded population.

Since the mid-1980s, the poverty situation in Europe remains in many respects unresolved. The latest available data<sup>10</sup> confirm that the lack of adequate food is still a striking aspect of material deprivation in today's EU-27. In Europe, the problem is not a structural one of under-nourishment and starvation, as seen in many countries of the developing world<sup>11</sup>. The problem in the developed world, including Europe, is very different.

Although we have, on average, some of the highest living standards in the world, and more than enough food to feed our population, there remains a stratum of people who, for a variety of reasons, are not able to feed themselves adequately. In this context, the food distribution programme has become an important element in ensuring the fundamental right to food and contributing to the fight against food poverty and malnutrition among the most deprived people in the Community.

Until 2005, the central objective of the MDP was met by releasing from public intervention stocks large quantities of a wide range of agricultural products (cereals, dairy products, meat, olive oil). In recent years, the CAP has been substantially reframed, with a switch of emphasis from the primary objective of increasing productivity and competitiveness to enhancing the long-term sustainability of agricultural policy and the agri-food system and giving the producer more opportunities to respond to market signals and the ever-growing demand for food.

In this new context, in which intervention as a regulatory tool has been either removed completely or returned to its original role as a safety net, it is necessary that the MDP should also be adjusted, in order to continue to fulfil the CAP's treaty obligation to meet the demand for food in the EU.

In the mid-1990s, as beef intervention stocks fell, in order to ensure continuity and a stable supply to the charities, the programme was modified to make it possible to supplement intervention stocks with market purchases. However, this modification was not intended as a long-term, structural characteristic of the programme, but only as a solution that could be called upon when there were insufficient supplies of certain intervention stocks. The basis of the programme remained intervention, "*until the stocks have been run down to a normal level*"<sup>12</sup>.

For a number of years little recourse was made to market purchases. Since 2005 their use has grown, as the positive impact of CAP reforms has taken effect and intervention has been returned to its original role as a safety net. In 2008 market purchases make up 90% of the food distributed.

Today, intervention stocks are very low and no new build-up is forecast or particularly likely, in view both of the revision of the CAP and the world situation. Consequently, in order to ensure the future operation of the food aid programme for the most deprived, a new basis for it has to be established.

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<sup>10</sup> Social Situation Report 2007 – Social cohesion through equal opportunities; DG EMPL, May 2008.

<sup>11</sup> EU development policy is making a major concerted effort to help address these problems at their root, as well as providing food aid for emergency relief where it is needed.

<sup>12</sup> Regulation (EC) No 1234/2007, 18th recital.



**Table 1: Evolution of market purchases as a percentage of the MDP budget**

	Budget allocations for market purchases in euro	% of total budget
<b>1987 – 1995</b>	–	–
<b>1996</b>	45 577 185	23.02
<b>1997</b>	43 978	0.02
<b>1998</b>	42 037	0.02
<b>1999</b>	105 037	0.05
<b>2000</b>	42 037	0.02
<b>2001</b>	48 000	0.02
<b>2002</b>	44 000	0.02
<b>2003</b>	42 000	0.02
<b>2004</b>	42 000	0.02
<b>2005</b>	265 345	0.13
<b>2006</b>	46 846 591	18.06
<b>2007</b>	82 147 303	29.81
<b>2008</b>	250 974 164	90.53

### 2.1. How the programme currently works<sup>13</sup>

The MDP is currently funded by the European Agricultural Guarantee Fund (EAGF). Its budget has increased from slightly less than €100 million in 1987 to more than €305 million in 2008. Additional amounts were allocated to the programme in 1994 to respond to the Albanian refugee crisis and in 2004 and 2006 in view of enlargement to 12 new Member States. A further budget increase was granted for the 2008 programme to take account of food price inflation, although this increase did not fully off-set the rising cost of providing the food aid.

Participation in the programme is voluntary; in 2008 nineteen Member States are taking part. Germany, the Netherlands, the UK and Denmark participated in the programme initially, but no longer take part<sup>14</sup>.

At present, the budget for the programme is determined annually as part of the overall budget negotiations, at Council and European Parliament level.

The Member States that have expressed a wish to participate in the programme communicate their detailed needs to the Commission – in terms of quantities of the products available in intervention stocks. Based on this and Eurostat data on poverty (see Section 6.6 "Budgetary impact" for a description of the current methodology) the Commission then defines a budget ceiling for each participating Member State and a list of products to be withdrawn from public stocks or purchased on the market, using the budget allocated.

Where available, the stocks required are then put at the disposal of Member States. Since 1996, when intervention stocks are not available they have been complemented by a budgetary transfer, calculated by the Commission by converting the "missing" intervention

<sup>13</sup> A more detailed description is provided in Annex 8.

<sup>14</sup> Germany left the programme in 1989, the Netherlands in 1995, the UK in 1998 and Denmark in 2004. Sweden and Austria never participated. Except Cyprus and Slovakia the new MS all joined the scheme between 2004 and 2008.

stocks into an equivalent monetary value. This budget is used to purchase food on the free market, through calls for tender.

### **How the Programme works in practice**

The programme's organisation at Member State level varies, but three broad systems can be distinguished:

- In the first case (France, Italy...) the NGOs selected as beneficiaries of the Programme are the direct distributors of the food. They receive the food from the operator(s) that have won the call(s) for tender to supply the products, then organise storage, transport to their distribution centres and arrange the food's distribution.
- In a second system (Spain, Lithuania ...) the NGOs designated as beneficiaries of the Programme are not the direct distributors. They act as an interface between the public authority level and the organisations which are in contact with the deprived. They receive the food from the operators, stock it in storage facilities and then allocate it to the organisations responsible for the distribution. These include parishes and various kinds of social centres (orphanages, centres for the unemployed or the homeless...).
- Under a third system used by some Member States (Belgium...) the local public bodies responsible for social services are themselves in charge of the distribution.

More details are provided in Annex 8.

As it is clearly not useful to distribute raw commodities from intervention to charities, Member States must carry out a further step when intervention stocks are supplied: tenders are launched for the conversion, or exchange, of these commodities (e.g. wheat) into a usable processed product of the same "family" (e.g. flour or pasta).

It is these products that are distributed as food aid to the most deprived, either in the form of food baskets or as meals in centres run by the charities and other competent bodies. The exact distribution patterns vary from country to country. The Member States themselves are responsible for designating appropriate charities or other competent social bodies to carry out the distribution.

Current implementing rules limit market purchases to the same "family" as those for which intervention is possible (i.e. beef, cereals, dairy products, sugar) even when stocks of these products are not available. In practical terms, this means that fruit and vegetables are not available for distribution under this programme and the provision of pork, poultry and eggs is also excluded. The breakdown of food supplied shows that a balanced diet cannot be provided on the basis of intervention stocks alone. For example, in Spain in 2007 the food aid was made up of products based on cereals (36%), products based on butter (46%), rice (10%) and sugar (8%).

In 2006 more than 13 million people in 15 Member States benefited from the Most Deprived Programme. Take-up has been at a very high level in recent years, with over 95% of the budget provided by the EU being successfully spent by the participating Member States.

It should be noted that the programme's value is far from being limited to its contribution to the right to food; it also has a powerful leverage effect on the development of social actions by private bodies (charities) and public authorities (Member State and local).

## 2.2. Who the programme helps

The MDP does not set out to resolve all food poverty in the Member States. It is a complementary action which, in general, provides support to organisations which receive little or no state funding. The role of these charities is to offer help to people who in many cases have fallen outside the system, i.e. the most marginalised members of society.

Typically, food aid will be provided to a wide range of people living in poverty, including the homeless, families in difficulties, the unemployed, single-parent families, migrant workers and asylum seekers, elderly people with insufficient means, the disabled and children at risk<sup>15</sup>. In recent years, the working poor have emerged as an important category in need of assistance. In France, women make up 80% of this category<sup>16</sup>. As food prices rise, it is the poor who struggle most.

Food poverty can be seen as one outcome of the wider effects of social exclusion resulting from problems such as unemployment, poor skills, low incomes, poor housing, high crime, bad health and family breakdown<sup>17</sup>.

To gain a better understanding of the dimensions of the food problem, every year Eurostat carries out a survey with the aim of discovering what percentage of people cannot afford a meal with meat, chicken or fish every second day, here used as the indicator for people at risk of food poverty.

In 2006, in EU-25, while there were about 79 million people "at risk of poverty" about 43 million people were at risk of **food** poverty<sup>18</sup>. The percentage varied between a low of about 2% in Denmark to a high 37% in Slovakia. In 5 out of 10 new Member States the indicator was above 20% and was higher than for EU-15 (9%). About 11 million inhabitants in Poland fell into this category, with the second highest figure being 9 million in Germany.

Children<sup>19</sup> are a particularly sensitive population as regards food poverty; their eating patterns determine future health-related problems, including reduced brain development and capacity to learn. Evidence has shown that children from poor families<sup>20</sup> are at higher risk of having unbalanced diets, particularly when there are social and family difficulties. Single-parent children are at greater risk of poverty and here the question often arises of access to food.

The elderly are often reported as suffering from malnutrition; because of poverty or disability, inadequate and insufficient nutrition is common. A survey<sup>21</sup> in 2007 found that 28% of people (mostly elderly) admitted to hospitals and care homes in the UK were malnourished. The Red Cross stresses the high numbers of disabled and old people with very low incomes and small

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<sup>15</sup> More information on income poverty and material deprivation in the EU is provided in Annex 10.

<sup>16</sup> French Parliament hearing, March 2003.

<sup>17</sup> See for example: Caillavet et al., 2005: "L'alimentation des populations défavorisées en France"; Irala-Estevez et al., 2000: "A systematic review of socio-economic differences in food habits in Europe: consumption of fruit and vegetables. *European Journal of Clinical Nutrition* 54(9) 706-714; Joseph Rowntree Foundation, 1994: "Eating on a low income", *Social Policy Research* 66, November 94; López-Azpiazú et al., 2003: "Disparities in food habits in Europe: systematic review of educational and occupational differences in the intake of fat", *Journal of Human Nutrition & Dietetics*, 16(5), 349-364.

<sup>18</sup> EU-SILC provisional data for 2006, Eurostat.

<sup>19</sup> Martin Hirsch & Sylvaine Villeneuve, "La pauvreté en héritage – 2 million d'enfants pauvres en France", editions Robert Laffont, 2006.

<sup>20</sup> Sharon Friel and Catherine Conlon, "Food poverty and policy", April 2004

<sup>21</sup> British Association for Parenteral and Enteral Nutrition; National Nutrition Screening Week 2007. See [www.bapen.org.uk](http://www.bapen.org.uk)

pensions, as an important group that benefits from the MDP in a number of countries where they operate.

Few studies exist about the eating habits of homeless people, although this population is clearly at risk. A limited survey<sup>22</sup> undertaken in the UK in 2004 showed that about 65% of those homeless people investigated had to make a regular choice between buying food and paying for other essential needs. The study also showed that they do not eat well, in particular going without fruit and vegetables. Other recent studies, in Northern Ireland<sup>23</sup> and Ireland<sup>24</sup>, showed that a greater proportion of homeless were classified as underweight, in comparison with the general population, as a consequence of poor diet.

Because it is one of the wealthiest regions of the world, Europe acts as a magnet for legal and illegal migrants and others in search of economic or political asylum. The result is a considerable Europe-wide sub-stratum of displaced people, who are not attached to a single Member State, but who may move from one to another in search of work.

Although they represent a large excluded population, asylum seekers and irregular migrant workers are generally not included in official figures. Their often illegal status impedes them from benefiting from social services and they make up a large portion of soup kitchen beneficiaries.

**Table 2: Breakdown of categories aided under the Spanish plan, 2007**

Category	Number	%
Families & single people	230,092	25.88
Immigrants	142,139	15.99
Elderly people	95,292	10.72
Children	71,375	8.03
Women	46,217	5.2
Handicapped people	39,595	4.45
Ethnic minorities	35,038	3.94
Young people	32,369	3.64
Religious charities	20,047	2.26
Drug addicts and alcoholics	19,664	2.21
Nursing infants	16,697	1.88
Homeless	15,157	1.71
Chronically sick and seriously ill	6,779	0.76
HIV - AIDS sufferers	5,529	0.62
Ex-prisoners	4,285	0.48
Others	108,682	12.23
<b>Total</b>	<b>888,957</b>	<b>100</b>

source: FEAGA, Ministerio de Medio Ambiente y Medio Rural y Marino

By way of illustration, Table 2 gives a breakdown of beneficiaries, by category, helped by Spain under their 2007 plan. To summarise, they are all individuals or especially vulnerable

<sup>22</sup> Alison Gelder, Housing Justice, January 2004: "Struggling to eat well. Homelessness and healthy eating"

<sup>23</sup> Food Standards Agency, 2007: "Research into Food Poverty and Homelessness in Northern Ireland", Deloitte MCS Limited, August 2007.

<sup>24</sup> Friel et al., op.cit.

family groups who find themselves in difficulties and who, for a wide variety of reasons, are unable to help themselves.

In order to receive assistance under the Spanish programme they must be recognised as being in need of help, according to the eligibility criteria established by the competent authorities, or judged to be so under the criteria practiced by the charitable organisations and approved by the competent authorities.

### **2.3. Food policy and food initiatives in the Member States<sup>25</sup>**

In order to get a clear picture of the initiatives that exist to provide access to food for the most deprived, a questionnaire was submitted to the Member States. The replies received and other contributions by NGOs indicate that:

- Social support provided by Member States and regional authorities never or rarely focuses specifically on access to food, except for subsidies for school canteens, or meals delivered at home to the elderly or disabled.
- Food initiatives that target socially excluded and marginal populations tend to be led by charitable organisations, which are supported by donations, sometimes subsidised by local authorities and, rarely, by Member State authorities. It is in this context that the MDP plays an important role; by ensuring the supply of food directly to the most deprived, via charities, it demonstrates Community solidarity. The initiatives generally comprise the distribution of food, in food parcels or in centres run with the help of volunteers. The scale of the distribution varies; some charities have extensive networks in many countries (Caritas, Red Cross, European Federation of Food Banks...) while in other cases the initiative is local (orphanages, homeless centres...).

Although social assistance programmes and charitable actions are generally complementary and answer different needs, some national authorities consider that they overlap. For example, Germany judges that its welfare system is sufficient and any specific EU action targeted at food insecurity is unnecessary.

### **2.4. The low or erratic availability of intervention stocks**

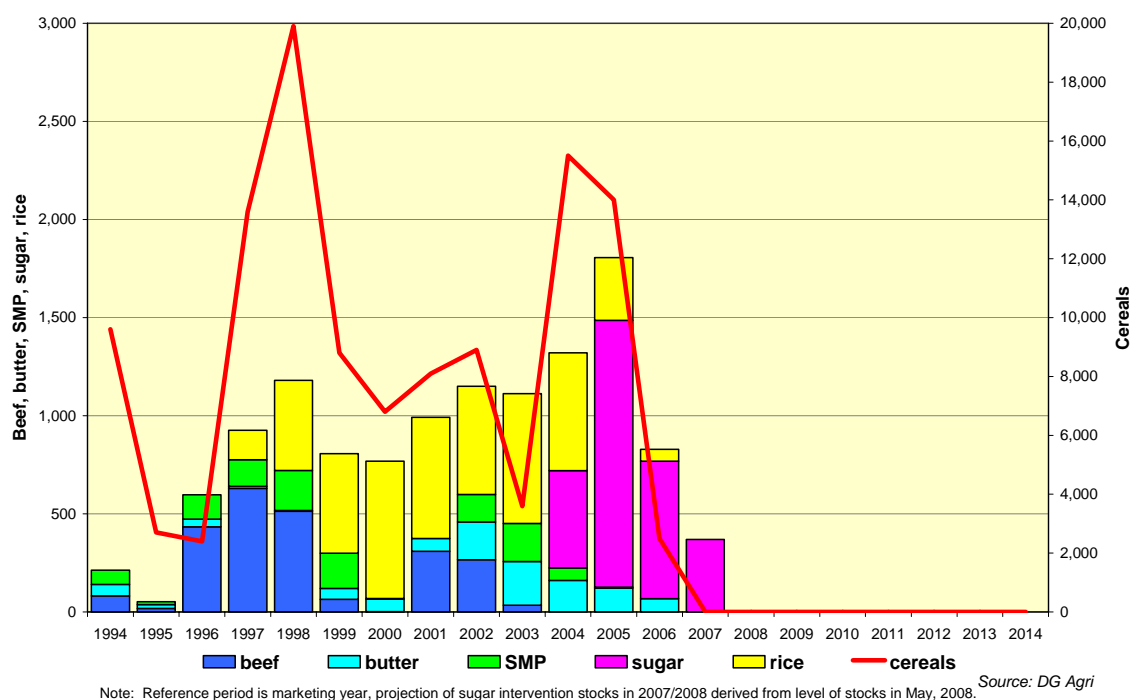
Figure 1 shows past and present intervention stock levels at the end of each marketing year, as well as DG AGRI forecasts<sup>26</sup> of stocks to 2014 for the products to which intervention now applies.

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<sup>25</sup> See Annex 4 for greater detail.

<sup>26</sup> See Annex 12 and "Prospects for agricultural markets and income in the European Union 2007-2014": <http://ec.europa.eu/agriculture/publi/caprep/prospects2007b/fullrep.pdf>

**Figure 1: Intervention stocks projected to 2014**



Growing global demand and other factors, as described in the Commission's recent Communication "Tackling the challenge of rising food prices – Directions for EU action"<sup>27</sup> reinforce the unlikelihood of intervention stocks filling up in the foreseeable future.

In addition to high global food demand, the ongoing reform of the CAP means that the possibility of intervention is increasingly being removed. This is the case for sugar, which in 2008 represented 9.47% of the global budget for the MDP. As from 2010 sugar will no longer be eligible for intervention. In its recent Proposal for the "Health Check" of the CAP<sup>28</sup> the Commission proposes to limit intervention in the cereals sector to wheat only.

As intervention is returned to its original function as a safety net, it cannot be expected that the surplus stocks seen in the past will build up in the future.

However, it should be emphasised that supply forecasts are based on economic models, which shed light on probable trends. There are always elements of unpredictability and it cannot be excluded that large surpluses of certain products may sometimes become available. The situation can also arise in individual Member States that stocks are particularly high at certain times of the year. In these circumstances it may be more economically practical to consider releasing these stocks to the programme, rather than incurring storage expenditure.

<sup>27</sup>

*op. cit.*

<sup>28</sup>

COM(2008) 306 - [http://ec.europa.eu/agriculture/healthcheck/index\\_en.htm](http://ec.europa.eu/agriculture/healthcheck/index_en.htm)

### **3. THE APPROPRIATE BASIS FOR COMMUNITY ACTION**

While inter-personal equity is mainly the responsibility of each Member State, the Commission, in its recent Communication on a Renewed Social Agenda<sup>29</sup>, points out that *"economic and social actions at EU and national level are mutually interacting. They complement and reinforce each other."*

#### **3.1. Treaty basis**

The design of the new scheme could continue to be based on the distribution of products from intervention stocks.

However, it is apparent that now and in the foreseeable future the quantities of products in intervention stocks will be limited. Therefore, the possibility currently provided for in the scheme, to grant financial resources to Member States when intervention stocks are not available, should be made permanent.

For this reason, a new scheme should have a dual basis. Not only should it reflect the CAP objective described in Article 33 (1).(c) of the Treaty "to stabilise markets", as in the past, but its basis should be extended to take account of the demand side, as embodied by Article 33 (1)(e) "to ensure that supplies reach consumers at reasonable prices".

According to Article 152 of the EC Treaty, a high level of human health protection shall be ensured in the definition and implementation of all Community policies and activities, which includes the CAP.

The CAP plays an important role in food production and supply. As such, it can help fulfil the goals specified in Article 152. However, the limited legal basis for action provided by Article 152 would preclude it from being a suitable legal basis for the continuation of the Most Deprived Programme.

In accordance with Article 37 of the Treaty, the Commission is in charge of submitting proposals for working out and implementing the CAP. Article 37 of the Treaty is therefore an appropriate and sufficient legal basis for the Programme.

#### **3.2. Subsidiarity and the necessity test**

The risk of food poverty, deprivation and social exclusion are all European issues that are present in every Member State.

The food aid programme for the most deprived addresses these problems directly, in the spirit of the Treaty, which states that the Union's aim is *"to promote the well-being of its peoples"* (Article 2.1) and *"promote [...] solidarity among Member States"* (Article 2.3).

The CAP objective of ensuring food for all EU citizens requires a targeted and subsidiary action. As shown in 3.1, the basis for action exists in Article 33 of the Treaty. The question that remains concerns the form that action at EU level should take, taking into account programmes that already exist in the Member States in the overall context of their social welfare policies.

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<sup>29</sup> COM(2008) 412, 2.7.2008: Renewed social agenda: Opportunities, access and solidarity in 21<sup>st</sup> century Europe.

It is worth recalling that, traditionally, Member States have put in place support systems to address housing, health, employment, education, training and retraining. But very few have specifically addressed the question of food poverty, which since the end of the 19<sup>th</sup> century has been left to charities to resolve.

It was as a concerted action between the European Commission, Member States and the charities themselves that the food aid programme for the most deprived was put in place. It has now been running for twenty years. What is more, when the EU took in 12 new Member States, in 2004 and 2007, the programme was made available to them.

EU food aid action should complement actions that exist in the Member States and offer a clear value added to MS actions. Factors that can be taken into account when assessing the value added are whether the scale of the intervention is appropriate, what level of administrative capacity is required and any learning processes that may result from EU action. Table 3 attempts to summarise the EU value added offered by the MDP, by providing illustrations relating to each determinant.

Since the programme came into being, while poverty in the EU has not increased in relative terms, neither has it disappeared.

In several ways, the MDP has been instrumental in improving food security for the most deprived people in participating Member States. In addition to the programme's direct effect on the amount of food aid distributed, the MDP has provided a value added by raising the awareness in participating Member States of the merits of direct food assistance. Moreover, in some cases, national schemes for food assistance have been established as a consequence of and in close interplay with the food aid under the MDP. Hence, the MDP has proven its value added by providing positive synergy effects with both non-government and government food assistance initiatives. In addition, the leverage effect of the MDP is far from being limited to its contribution to the right to food; it also encourages the development of accompanying or flanking social actions by private bodies (charities) and public authorities (Member State and local authorities).

Without EU action, food aid to the most deprived would undergo dramatic cuts or even completely cease to exist in a number of Member States. The effect would both be direct, by abolishing the food aid provided via the MDP, and indirect, by jeopardising the synergy effects experienced. This could be true in particular for the new Member States, where the synergies and positive added value that have been generated since they joined the scheme (from 2004 on) would be lost or seriously endangered.

These same Member States are those where the problem is greatest and which, overall, have the least developed charitable structures that might ensure the continuation of food aid in the absence of an EU programme. The NGO structures that started to be built following accession are not yet sufficiently solid to guarantee their continuation without EU support.

To take account of the different dimensions of the problem, there is a need for a European programme, which can use its capacity to distribute funds in a cohesive way.



**Table 3: Added Value of EU Most Deprived Food Aid Programme**

<b>Issues</b>	<b>Determinants</b>	<b>Illustrative items</b>
<b>Contribution of the MDP to guaranteeing fundamental right to food</b>	Coverage	<p>High coverage (e.g. in Spain EU food aid reaches 39% of people in severe or extreme poverty). In all MS the number of beneficiaries has increased considerably. Participation of MS is stable: 9 MS from EU-15; 10 from the new MS.</p> <p>Widening of range of products (e.g. in Hungary) has allowed MS to better respond to the need of the most deprived people.</p> <p>Provides a context that enables other social support to be offered and other activities to be developed.</p> <p>The MDP distributes more funds to those MS where the problem is greatest.</p>
	Number of beneficiaries	
	Number of MS participating	
	Improving public health	
	Development of national food aid programmes	
	Cascade and multiplier effect	
	Redistributive effect	
<b>Policy</b>	Additionality of EU expenditure	<p>The EU Food Aid Programme has opened a range of new opportunities and generated new policy initiatives in parallel to the MDP. For example, in France a complementary national programme of food aid started in 2004, based on a private-public partnership. Poland has set up an independent 4 year programme targeting school children.</p>
	Private-public sector leverage	
	Stable medium-term framework	
	Higher profile of national food aid programmes	
	Resource allocation process	
<b>Implementing rules</b>	Partnership arrangements	<p>Creating civil society attitude, mobilising activity of local social organisations, improving cooperation between local government and charitable organisations.</p> <p>Development of NGOs.</p> <p>Better collaboration between public authorities and non-governmental sectors.</p> <p>Developing culture of good governance.</p> <p>Common, transparent procedures.</p>
	Monitoring, evaluation and reporting	
	Audit/control	
<b>Learning process</b>	Exchange of experience	<p>Twenty years experience in operating programme.</p> <p>Exchange of experience in the context of the Management Committee. Presentation of the annual plan, followed by discussion with stakeholders.</p> <p>Progressive increase in the quality and efficiency in running the Programme</p>
	Networking	
	Dissemination of good practice	
<b>Visibility</b>	Enhanced participation of local actors, businesses and civil society	<p>Development of democracy, solidarity, human rights and EU citizenship.</p> <p>Bringing Europe closer to citizens.</p> <p>EU labelling of food distributed.</p>
	Good image of EU institutions	

By defining a framework at EU level, it can be ensured that the programme is conducted according to the standards of good governance imposed by EU regulation (tendering

procedures, reporting, auditing, evaluation...). At the same time, sufficient flexibility can be left to Member States to dovetail Community support with their own programmes, where these exist, to achieve evident complementary benefits.

The EU Programme of Food Aid to the Most Deprived does not set out to resolve all food poverty in the Member States. It should be seen as making a contribution that aims at triggering Member State action, to help charities and civil society in developing their own initiatives to ensure the fundamental right of all EU citizens to food. Therefore, the funds made available for the programme at EU level should be assessed<sup>30</sup> and not exceed what is needed to meet the programme's objectives or the charities' capacity to effectively use the available budget. There is no necessity today to greatly change the scale of the programme<sup>31</sup>.

#### 4. OBJECTIVES

*"Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food"*<sup>32</sup>.

##### General objective

The general objective of a renewed MDP is to reduce food insecurity, and so contribute to guaranteeing the fundamental right to food within the European Union. Specifically, the programme should aim to meet, at least in part, the notional food demand of populations at risk of poverty.

##### Specific objectives

In order to address the problems identified in Section 3, the revision of the programme should aim:

- To secure a **stable source** of food for the targeted population. The implementation framework should guarantee the programme's continuity.
- To enhance **public governance**. Learning from the experience of the last twenty years of the programme's implementation, administrative procedures, reporting and monitoring should be enhanced.
- To improve **targeting** of people who need to benefit from food distribution, in order to ensure the effectiveness of the programme.

#### 4.1. Ensuring consistency with other EU policies and strategies

A future programme could make a positive contribution to key EU policy areas:

- **Social inclusion** – The 2000 Lisbon Strategy set a key objective of "modernising the European social model, investing in people and combating social exclusion" and the European Council invited the Commission to "develop priority actions addressed to specific target groups (for example minority groups, children, the elderly and the disabled),

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<sup>30</sup> See Section 6.6

<sup>31</sup> By way of comparison, the current budget for the US Food Assistance Programmes is about US \$54 billion. This level of expenditure substitutes, to some extent, the lack of a generalised social policy in an environment that is completely different to the EU context. The US Food Assistance programmes are operated by state/local public authorities and not by NGOs.

<sup>32</sup> Universal Declaration of Human Rights

with Member States choosing amongst those actions according to their particular situations and reporting subsequently on their implementation". The 2005 Spring European Council confirmed that the Community should mobilise all appropriate national and Community resources in pursuit of the economic, social and environmental objectives of the renewed Lisbon Strategy and with the Integrated Guidelines for Growth and Jobs 2008–10 setting "determined action to strengthen and reinforce social inclusion and fight poverty" as a key objective and calling on Member States to "fight poverty and exclusion of marginalised groups"<sup>33</sup>. A food distribution programme for the most deprived, made available to Member States on a voluntary basis, can provide one element of the response. The 2008 Communication on a Renewed Social Agenda for Opportunities, Access and Solidarity, makes a fresh call for actions to combat social exclusion.

- **Cohesion** – the renewed programme could help reduce economic and social disparities in the EU and demonstrate solidarity with less favoured European populations.
- **Public health** – a food distribution scheme should take into account relevant aspects of the Commission's "Strategy for Europe on Nutrition, Overweight and Obesity related health issues"<sup>34</sup> by contributing to improving the health of the EU's most deprived citizens.

## 5. POLICY OPTIONS AND HORIZONTAL ISSUES

To achieve the objectives described, four options for the Programme's future were agreed and considered by the ISG.

- Option 1 – Intervention only ("Status quo" option)
- Option 2 – Intervention stocks complemented by market purchases
- Option 3 – Market purchases only
- Option 4 – Termination of the food distribution programme.

In addition, a number of horizontal questions were reviewed. In some cases these are cross-cutting elements that could apply to any of the options (except the Termination Option); others are variations that could apply to any of the options.

### 5.1. The options

- **Option 1 – Intervention only ("Status quo")**

This option corresponds to the "no policy change" option. If market purchases cannot be used on a permanent basis, the MDP will depend solely on intervention stocks as the source of food for distributing to the most deprived. *De facto*, the temporary use of market purchases would no longer be admissible (see Chapter 1).

The programme would therefore be based on the available intervention stocks, which would be released and exchanged for food products in the same "family"<sup>35</sup>. These would

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<sup>33</sup> Council Decision 2008/618/EC of 15 July 2008

<sup>34</sup> COM(2007) 279.

subsequently be distributed by the charitable organisations or social agencies chosen to operate the programme at Member State level. This option would entail no modifications to the legal basis of the current scheme, although the opportunity would be taken to substantially simplify the current implementing framework.

Implementation of the scheme would, as now, be delegated to the Member States, who would determine which organisations (NGOs, government agencies and/or other competent bodies) should carry out the distribution. It would also be the responsibility of the Member States to organise the exchange of the intervention stocks for more useful and usable products, as appropriate.

One of the main implementation changes would be that *ex ante* allocation of stocks would no longer be made. In practice, each MS would have direct access to intervention stocks located on its own territory. Transport costs would no longer be reimbursed by the Community; in future, these would be incorporated in the calls for tender.

The transfer of available stocks between MS would be possible, subject only to specific agreements between the MS concerned, with no involvement of the Commission. Information concerning the stocks mobilised would be made available and updated regularly using the Commission's electronic information and communication system.

These modifications to the former procedures would significantly simplify and streamline the use of available intervention products by the MS and lessen the administrative burden, both for the Commission and the Member States.

- **Option 2 – Intervention stocks complemented by market purchases**

Under this option, the programme would continue to be based on withdrawals from intervention when stocks are available, supplemented by market purchases. If the available stocks are not suitable (e.g. their quality is inappropriate for human consumption) or their location would entail unreasonably high transport costs, Member States would not be obliged to use them for the MDP. This would avoid the costly and inefficient transfer of stocks within the EU, if it would be more appropriate and cost-effective to purchase direct from the market.

When recourse is made to intervention stocks, the procedure would be simplified, as described for Option 1.

Further streamlining and simplification would relate, in particular, to the type of products eligible for purchase. These would no longer be restricted to the present "families" of products – formerly linked to intervention stocks – and no preliminary allocation by type of product would be necessary. Member States would themselves decide which products should be purchased, in response to requests submitted by the nominated charities, according to their needs. This flexibility would enable the charities to distribute meals with a better nutritional balance than at present.

In order to improve transparency and ensure the best possible response to tenders by private operators, and to help increase efficiency, Member States would be required to publish *ex ante* and *ex post* information concerning the tenders on an open, dedicated website.

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<sup>35</sup> As in the current programme, exchanges would be allowed only between products belonging to the same "family" of products (e.g. rice can be exchanged with wheat but not butter). The families would be those for which intervention exists.

- **Option 3 – Market purchases only**

Under this option the link with intervention stocks would disappear and the programme would be based solely on a budget transfer to be used for market purchases. Therefore, no transfer of intervention stocks would have to be managed and the overall result would be a major simplification of the programme.

As for Option 2, implementation would be largely delegated to the Member States, which would decide how and to whom they want to provide the aid. There would be no restrictions as to the type of product that could be purchased and the Community would no longer make an allocation of specific foodstuffs to each Member State. The Member States themselves would decide which products they would purchase on the market with the Community funding allocated.

As well as offering greater flexibility to the Member States, this approach would allow the charities to distribute meals with a better nutritional balance than at present and offer greater efficiency in the programme's management.

As for Option 2, particular emphasis would be laid on dissemination of information both prior to and following the publication of calls for tender.

- **Option 4 – Termination of the food distribution programme**

Under this option the EU programme would be terminated. As intervention stocks for distribution have become less available and are not likely to reach their previous high levels, it could be considered that the programme has lost at least part of its rationale and should be abolished. Consideration could be given to maintaining a website or information exchange on national food distribution policies, or making use of other forms of exchange under the "Open Methods of Coordination" between Member States.

If the option to terminate the programme is taken up, a decision would have to be taken whether to terminate it immediately (after 2009) or whether to phase it out gradually.

## 5.2. Horizontal issues

Along with the four main policy options, several horizontal issues have been identified.

### 5.2.1. *Inclusion in a broader social policy context*

While the MDP is first and foremost a food programme, and is part of the Common Agricultural Policy, by giving support to the EU's most vulnerable people – through food aid – it also underpins the European Union's renewed Social Agenda as well as the Open Method of Coordination for Social Protection and Social Inclusion in fighting poverty and social exclusion.

In order to promote the implementation of common social objectives, the EU coordinates Member State actions to combat poverty and social exclusion, and to modernise their social protection systems on the basis of the exchange of good practices and other forms of mutual learning. In a renewed MDP, this dimension could be strengthened, to ensure that the MDP provides added value in the fight against social exclusion and poverty. In the context of achieving a more cohesive society, particularly relevant objectives<sup>36</sup> are those which refer to *"equal opportunities for all through adequate, accessible [...] adaptable [...] social protection systems..."* and the importance of involving stakeholders, including representatives of the most disadvantaged people living at risk of poverty.

Further relevant objectives include *"The importance of access to needed resources and of efficiently and effectively mainstreaming well-coordinated social inclusion policies into all relevant public policies"* and the promotion of healthy lifestyles.

These objectives could be taken into account in the concrete shaping of the programme, which should make explicit its consistency and articulation with the Member States' inclusion policies. This could, for example, apply in the choice of target groups and products to be distributed, in the organisation of the distribution and financing, and through the involvement of the charities, as well as representatives of the most disadvantaged people living at risk of poverty.

### 5.2.2. *Targeting the beneficiaries*

Whatever the chosen method of distribution, a number of issues arise:

- targeting of food aid on specific population(s) (e.g. pre-school or school children, single parents, the elderly, the homeless...);
- fixing criteria for the guidance of Member States in targeting specific populations;
- determining the most appropriate and efficient level for defining targeting (e.g. European Commission, Member State authorities, local authorities, charities...).

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<sup>36</sup> For the objectives of the "Open method of Coordination" see [http://ec.europa.eu/employment\\_social/spsi/the\\_process\\_en.htm](http://ec.europa.eu/employment_social/spsi/the_process_en.htm)

### 5.2.3. *Reduction of food waste*

At the end of every day, huge quantities of unsold fresh produce are eliminated from supermarket shelves and fed into landfill sites. The opportunity is offered by the renewal of the MDP to work with Member States to combat food waste, a challenge that has taken over from the surplus stocks issue of the 1970s and 1980s.

This issue is already being addressed by charities in a number of Member States, who negotiate with supermarkets and other fresh food outlets to recuperate unsold, but still-good produce and distribute it to the needy<sup>37</sup>. It should be noted that this practice also saves money for the supermarkets, which would otherwise have to pay for the disposal of the products. The recuperation and redistribution of produce – also from restaurants, snack bars and other outlets – entails a complex logistical effort on the part of the charitable bodies.

Good practice in this field should be encouraged and taken up wherever possible throughout the European Union. Member States participating in the most deprived programme could be required to include a module in their national plans concerning the recuperation of unwanted/waste food.

### 5.2.4. *Administrative governance*

To improve transparency and consistency with the programme's objective, Member States would be required to draw up a multi-annual national programme in a process that would include the consultation of NGOs and other concerned stakeholders.

National priorities would be described, the targeted beneficiaries would be identified and criteria set out for allocating the budget and selecting the charities and other bodies which would carry out the distribution. The types of products and/or meals to be delivered – taking into account nutritional considerations – should also be described.

Detailed procedures should be established, to ensure transparency concerning the tendering specifications, the selection process and reporting the results of the tenders on a publicly accessible website.

Member State annual reports on the implementation of the programme should be required to follow a pre-determined structure and contain specific quantitative and/or qualitative elements.

### 5.2.5. *Budget and financing*

A multi-annual framework for the programme (for example 3 years) would allow medium-term planning by Member States and charities and enable continuity in their operations. The framework would take the form of an indicative annual budget for the period of validity of the programme. This amount would then be included in the Commission's proposed annual budget for the programme. The yearly increase of the budget could be based on objective criteria, such as the EU food price index.

Yearly budgetary monitoring would allow rapid adjustments to be made in the event of the low execution of the plan in a Member State. This should ensure a high level of budget execution.

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<sup>37</sup> See Annex 11 and the "Last Minute Market" project's webpage: <http://www.lastminutemarket.org/>

In response to discussions about the method used for determining the budget breakdown, the criteria used for the breakdown should be reviewed, with the aim of setting up a method consistent with the primary objective of the programme.

The question of possible co-financing by Member States should be addressed (see Annex 14).

### **5.3. Discarded options: Food vouchers**

An alternative approach to the distribution of food would be to provide direct financial support to the most deprived, in the form of an earmarked financial allocation or food vouchers. Today this usually (e.g. in the USA) takes the form of a personal debit card, which is credited every month by the public authorities. This allows beneficiaries to buy whatever products they want but – at least in theory – is strictly limited to foodstuffs. In reality, it is nearly impossible to control the card's use and to exclude the purchase of, for example, alcohol and tobacco.

This was one of the reasons that, in the early stages of work on the IA, this option was considered but rejected. The possibility of a system of food vouchers, operated by Member States or charities, received no support from either.

Concerning the distribution of food vouchers by the charities, it was judged inappropriate that they should be responsible for allocating the equivalent of a cash payment to vulnerable people. If a food voucher/debit card option was chosen, Member State administrations would be in a better position to manage it.

The risk of fraud at all levels was considered to be extremely high; control procedures would be burdensome and efficiency poor. Transaction costs for this type of system are also high, due to the complex administration and controls that are needed. These costs could not be justified for a relatively small-scale programme such as the MDP, which is designed to complement national welfare systems.

## **6. ANALYSIS OF IMPACTS**

This section examines the probable impact of the different options, and looks in detail at the supplementary questions raised under Horizontal Options, with the aim of enabling a decision to be taken on the most appropriate form for a future programme, or its termination.

### **6.1. Economic impact**

While their direct or evident **macro-economic impact** cannot be quantified, a qualitative assessment can be made of the different options.

Continuation of the programme may help a process by which marginalised members of society, or EU citizens suffering from unacceptable poverty, are able to reintegrate into society and make an economic contribution to it.

NGOs that participate in the programme have drawn attention to the opportunity that the provision of food aid offers for a first contact to be made between the charities and deprived people who are in need, not only of food, but help in many other ways – from housing to health care to employment. Following this first contact, further assistance can be arranged, either by the charities or by channelling to the appropriate social services. In this way, providing food aid can be a first step in a process that leads to the social and economic reintegration of excluded people.



In addition, charities have emphasised the importance and added value of close co-operation with other distributors at national and local level. This includes in particular the municipalities. The MDP offers an outstanding opportunity to foster constructive co-operation between public and private bodies engaged in social actions with economic consequences.

These positive impacts would be lost if the programme is severely reduced in scale (Option 1) or terminated (Option 4).

Low income groups spend relatively more on food than other groups and consequently they are more affected by increases in food prices. On average, at EU-27 level, spending on food accounts for more than 22% of their total spending compared with 13% for the highest income households. In most of the new Member States food expenditure accounts for even more, reaching, for example, in Romania approximately 59% of total expenditure by low income groups compared with 34% of the budget of high income households (see Box: Food expenditure by the lowest income populations).

Table 4 shows the evolution of food prices in Europe in the last ten years. Since the end of 2006, following the unusually steep rise in agricultural commodity prices, food prices in the EU have increased more rapidly than overall inflation. In April 2008, the annual increase (April 2008/April 2007) in food prices in the EU was 7.1% compared with 3.6% for overall inflation.

**Table 4: Change in consumer food prices in the EU-27 (2005 = 100)**

	Average 1998	2005=100	Average 2006	Average 2007	April 2007	April 2008
All items HICP*	83.03	100	102.2	104.4	104.4	108.2
Food and non-alcoholic beverages	82.34	100	102.4	105.9	105.1	112.3
Food	85.34	100	102.4	106	105.2	112.7
Bread and cereals	84.32	100	101.7	106.7	104.9	116.2

\* Harmonised index of consumer prices

Source: Eurostat

The termination of the programme would mean that the EU no longer provides food aid to vulnerable people living in poverty or experiencing material deprivation. Rising food and energy prices mean that the impact would have even more serious consequences for the EU population considered to be at risk of food poverty – and in particular the children.

The removal of food aid would also have a certain knock-on effect; low-income individuals and families would be obliged to spend a greater proportion of their income on food, so leaving less money available for other necessary household expenditure, e.g. accommodation, energy, health and personal hygiene, childcare, transport, education-related costs and consumer goods.

The continuation of the programme would not run contrary to or interfere with any of the measures introduced in the context of the CAP reform process, in particular the ongoing "Health Check" review.

## **6.2. Environmental and international impacts**

A new EU programme, with clear and limited objectives, would not be open to criticism in the context of EU multilateral and bilateral relations and would have no negative impact on **third countries**; market purchases would make no distinction between domestic and imported products.

No **environmental impact** can be attributed to the four options, except in as much as the alleviation of poverty may have a positive impact on anti-social behaviour. The possible compulsory inclusion of a food waste element in the Member State programmes would have a positive environmental impact, although difficult at this stage to quantify<sup>38</sup>.

## **6.3. Impact on Member State public policies, charities and related social aspects**

The options should be assessed primarily for their impact on the Member States, charities and final beneficiaries of the programme, in terms of addressing the problems set out in Section 2. Option 1 – the "Status quo" option – is used as the baseline against which the other options are assessed.

<sup>38</sup> See however, FareShare's estimate in Footnote, page 27

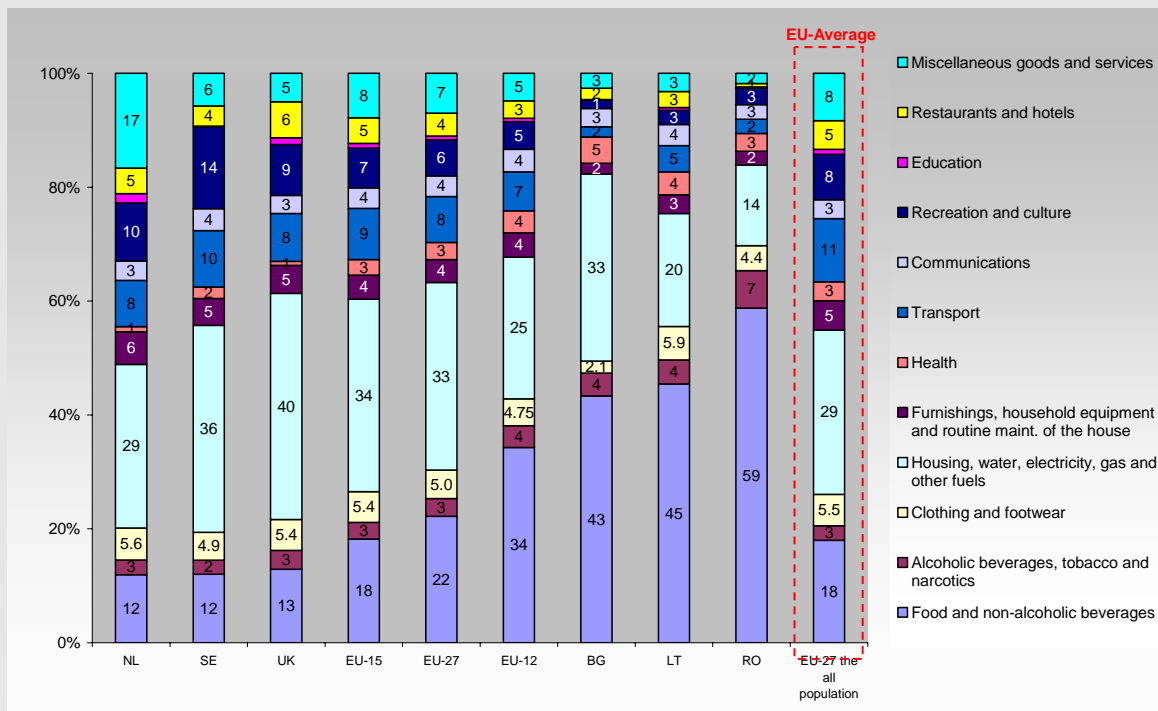
### Box: Food expenditure by the lowest income populations

Figure 2 illustrates the percentage of income spent on food purchases by the lowest-income populations, in the three wealthiest and the three poorest Member States.

In the richest Member States the poorest citizens spend relatively less on food than the EU-15 average. In terms of their behaviour as consumers, it could be said that the poorest people in the richest Member States are relatively well-off, when compared with the EU-15 average.

At the opposite end of the spectrum, the poorest citizens in the poorest Member States are those that have to spend the most on food, in relative terms, e.g. nearly 60% of the household budget in Romania.

**Figure 2: Percentage of income spent on food purchases**



The high proportion of income devoted to purchasing food and the low price elasticity which generally characterises these commodities (necessary goods), makes these countries and, within them, those people with the lowest incomes, particularly vulnerable to food price dynamics, with less possibility to adjust. For more information see Annex 13: "Economic aspects of food consumption by low income groups".

The impacts resulting from **Option 1** can, overall, be assessed as being only slightly less extreme than those resulting from **Option 4**, in that the former option leads to the drastic downsizing of the programme, the latter to its complete abandonment.

Under **Option 1**, the future programme would rely entirely on the availability of intervention stocks. However, as explained in Section 2.4, intervention stocks have been run down and there is no likelihood of substantial stocks being available for the programme in the foreseeable future.

The consequence would be a *de facto* reduction of the food distributed to charitable organisations, limited only to the small amounts of a few products that could still be available from intervention stocks. It would be impossible for the Programme to function on its current scale.

The range of food made available under Option 1 would therefore be very limited, and destined to fall further as the possibility of intervention is increasingly removed as a market mechanism. Option 1 would therefore provide little support for deprived persons, with a drastic 90% reduction on past distribution levels.

Taking the 2008 budget as reference, if no products at all are available from intervention stocks, the value of the loss to charities carrying out food distribution to the most deprived people in the Community would amount to €305 million. Charitable organisations and social services that now depend on the EU's contribution for a substantial part of their food distribution, would either have to cut their programmes or seek additional help from private donations and Member State authorities, at central or local level. In the mid-term, as the CAP reform process makes the existence of intervention stocks less and less likely, it is even possible that in some years no distribution would take place.

According to Member State reports, in 2006 more than 13 million people benefited from the programme<sup>39</sup>. The termination of the programme (**Option 4**) or its reliance only on intervention stocks (**Option 1**), could therefore directly affect that number of beneficiaries or even more, as the number of beneficiaries has increased since the accession of Bulgaria and Romania and their participation in the MDP.

In a number of countries, in particular the new Member States, whose programmes depend heavily on EU support, it is likely that the distribution of food aid to the most deprived would practically cease. In the "old" Member States, where charitable programmes often receive support from the Government and the charities are more embedded in civil society, there would be a reduction in the amount of food aid distributed, proportionate to the percentage of aid represented by the EU's current contribution. The current degree of reliance on EU aid is reported to be between 30–70%. Serious cutbacks would therefore have to be made. This would have extremely negative consequences for the image of the Commission and the EU institutions in all the Member States affected.

While in the "old" Member States developed welfare systems would continue to reach and offer a certain level of assistance to low-income families, this assistance (which mostly does not include the provision of food) may not reach the most disadvantaged people living at risk of poverty, who would suffer the greatest impact from the programme's termination.

In addition, the programme's important cascade and multiplier effect would be lost and joint activities developed by the charities in this context would suffer, with an inevitable negative impact on the most deprived members of society. This could be particularly important in those Member States where food aid for the most deprived is a recent initiative. Major charities have expressed deep concern about the possibility that the MDP might be terminated or down-scaled. They assert that they would not have the means to compensate the loss of this important instrument with their own or alternative programmes. Neither the EU nor national authorities have anything comparable to offer.

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<sup>39</sup> 2006 figures, with the participation of 15 Member States

**Options 2 and 3** would both have a similar impact, as both would enable the programme to continue.

Since their accession, ten of the new Member States<sup>40</sup> have started taking part in the programme. NGOs in these new Member States have made it clear that participation in the EU programme has allowed them to hugely increase their activities of providing food aid to the most deprived, in a way that would otherwise not have been possible.

In these Member States the Community programme is viewed as essential, as it has brought an added value in two respects: first, it has enabled a much higher level of support to the deprived, in response to a clear need in those countries; second it has helped increase the efficiency and professionalism of the charitable NGOs.

An advantage offered by both Options 2 and 3 is the flexibility they allow in the type of food that can be distributed. In the past, the restriction imposed that purchases should only be made in the same "families" of products as the available intervention stocks, meant that no meat or fruit or vegetables could be purchased under the scheme. This limitation would be removed under both Options 2 and 3, so allowing charities to improve the diversity and nutritional quality of the food they provide. This can have important health benefits for the people helped by the programme, whose diet depends to a large part on food assistance.

#### **6.4. Inclusion in a broader social policy context**

In its choice of objectives, target groups and products, the way it is organised and distributes food, the involvement of stakeholders in financial and other programme matters, the Programme could contribute a greater added value to efforts to combat social exclusion and promote social inclusion among the most vulnerable groups of people.

Care should, however, be taken not to impose extra complexity in the programme's implementation. While NGOs welcome a possible wider inclusion plan, in some cases they could have difficulties in assuming new administrative burdens, especially where they depend to a large extent on a voluntary workforce and have limited professional administrative capacity.

In the context of the current programme, charities report that they have built good working relations with national agricultural administrations, which has contributed to the programme's efficient implementation.

#### **6.5. Targeting**

Targeting the beneficiaries could ensure that aid reaches the people who really need it. Currently, Member States are free to fix their own targeting criteria; some fix clear criteria about who is entitled to receive aid, while others leave it to the charities to determine who they wish to provide with a meal or a food basket.

While a future EU programme could fix the populations to be targeted, Member States are better placed to determine who should benefit from aid and what the eligibility conditions should be. As at present, they should therefore continue to target the populations that they consider could be most effectively aided, taking into account the specific situation and most

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<sup>40</sup> Poland, Czech Republic, Latvia, Lithuania, Malta, Estonia, Slovenia, Hungary, Bulgaria and Romania

urgent needs in their country. This targeting should be consistent with the objectives of the Member State's inclusion policy.

This approach is coherent with the principle of proportionality, which aims to leave as much scope as possible for national decisions.

The preference of the NGOs is for a better control of recipients, but they also wish to have a degree of liberty in determining who is in need. In particular, they have stressed that they often provide assistance to people in "temporary need", and so not recognised by the national social services as being in difficulty.

The overwhelming opinion expressed in the public consultation was that no differentiation should be made between populations in need. While the EU programme would require Member States to specify the populations they are targeting, it should be emphasised that no discrimination is acceptable between specific minority groups, on the basis of race or religion.

## **6.6. Food waste**

Awareness is growing concerning the amount of good food that is wasted, not only in the home, but by supermarkets and other food outlets. While a variety of initiatives have been launched in the EU, to enable the recuperation of this food and its use by deprived members of society, it is apparent that much remains to be done in this area.

Supermarkets cannot be obliged to donate produce to charities, but logistical assistance could be offered to make them more willing to participate in food recuperation schemes. Charities do not always have the means to transport and store the food that could, notionally, be donated and they are often dependent on the goodwill of the supermarkets or other outlets to deliver the food to them.

Information exchange between food recuperation projects could be assisted through an EU-level website. The avoidance of food waste not only has environmental implications, but can also be a useful way of augmenting the effective food budget of charitable organisations<sup>41</sup>.

## **6.7. Budgetary impact**

In this section, as well as assessing the budgetary impact of each option on the EU and Member State budgets, consideration is given to the horizontal budget issues: multi-annual programming, the methodology used for determining the budget breakdown between the Member States participating in the programme, and the possibility of co-financing.

### **• EU budget**

In the case of **Option 1**, the MDP would be run on the basis of intervention stocks alone, which – according to the market outlook – would be available only erratically or, at worst, not at all. Budget expenditure would therefore range between zero and €25 million, based on the availability of intervention stocks for the 2008 programme. Compared with the current budget, this would represent a saving of between €75 million and €305 million.

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<sup>41</sup> The UK project "FareShare" reports that in 2005 2,000 tonnes of food was saved from being wasted, helping business reduce CO<sub>2</sub> emissions by 13,000 tonnes. This food contributed to over 3.3 million meals to 12,000 disadvantaged people each day in 34 cities and towns across the UK. £5 million (€6.3 million) was saved by the network of local charities, which was reinvested into the community.

The "Termination" option – **Option 4** – would obviously represent a saving of the entire budget, as the MDP is implemented with no accompanying measures that would entail any ongoing expenditure.

The quantification of the potential impact of **Options 2 and 3** on the EU budget is less straightforward. While the objectives of the MDP appear clear and well defined, the programme has not, up to now, been the subject of an in-depth, explicit debate on its scope. Nevertheless, it is evident that it is and should remain a programme that makes a partial contribution to the food aid needs of Member States<sup>42</sup>.

For illustrative purposes, the cost of a single meal offered by charities in the EU varies from €2 to €5, depending on the time of year, the type of meal provided, the charity's scale and efficiency etc. In other words, the MDP contributes to the distribution of 5 to 12 meals for more than 13 million beneficiaries each year.

If the budget were to be halved, some Member States with low budget allocations might consider it no longer worthwhile to implement the programme. A doubling of the budget would be easily absorbed by the charities; it would help answer a notional demand that is currently unmet and could enhance the efficiency of some charities by enabling economies of scale.

In 2003, i.e. before enlargement to the new Member States, the MDP used the available budget of €196 million to provide food aid for about 7 million beneficiaries, at an average cost of €27 per beneficiary. On the basis of this amount, an estimate has been made of the budget that would be needed to maintain the same level per beneficiary, in real terms. Using Eurostat's food price inflation index for April 2003 to April 2008, the figure per beneficiary would be €31 in 2008. The number of EU-27 beneficiaries has been set by considering the same proportion of the population at risk of poverty as in 2003<sup>43</sup>.

Estimated on the basis of the reference population in all 27 Member States, to maintain the MDP budget at the same level as in 2003, in real terms, would require a budget increase to nearly €500 million in 2008 – see Table 5. Note that 10 Member States took part in the scheme in 2003 and 19 in 2008.

**Table 5: Theoretical projection of 2003 budget to 2008**

		<b>2003</b> (for the 10 MS participating)	<b>2008</b> (for the 19 MS participating)	<b>2008</b> (EU-27)
Reference population at risk of poverty	Million	35	64*	80*
Beneficiaries	Million	7	13	16
Beneficiaries/Population at risk of poverty	%	20%	20%	20%
Support per beneficiary	€	27	31**	31**
Budget	Million €	<b>196</b>	<b>399</b>	<b>499</b>

\* 2006 data \*\* Calculated on the basis of 2003 amount, deflated by Food Harmonised Index Consumer Prices

Source: DG AGRI calculations based on Eurostat and DG AGRI data

<sup>42</sup> It could never reach the dimensions of, for example, the USDA food assistance programmes.

<sup>43</sup> It could be argued that this is an under-estimate of EU-27 needs, because most new Member States are less wealthy than the EU Member States in 2003.

An alternative approach to estimating the budget needs of an effective EU food programme is to use the food poverty indicator<sup>44</sup> provided by Eurostat each year (see Table 6).

**Table 6: Theoretical budget needs, based on population at risk of food poverty<sup>45</sup>**

		<b>2008</b> (for 19 MS participating)	<b>2008</b> (EU-27)
Population at risk of food poverty*	Million	30	51
Population at risk of food poverty*	% of total population	9%	9%
Support per beneficiary	€	31	31
Budget	Million €	<b>936</b>	<b>1 573</b>

\* EU-SILC provisional data for 2006, Eurostat

Source: DG AGRI calculations based on Eurostat and DG AGRI data

According to this data, the number of "potential beneficiaries" of an EU food programme would be about 51 million people in EU-27<sup>46</sup>; or 30 million for the 19 EU Member States currently participating in the scheme. If these figures are used and multiplied by the same amount per beneficiary as previously estimated (€ 31) the total budget required for an EU food aid programme would be €1.6 billion for EU-27 or €0.9 billion for the 19 Member States currently participating.

To our knowledge no study has established a methodology to estimate the budget needs of an EU programme to efficiently contribute to the objective of providing sufficient food aid to the deprived. Discussions with Member States and stakeholders in the course of the impact assessment process have highlighted that additional funds would be welcome, especially in the current context of high food prices.

It should be noted that during the last years of the programme's execution, the budget allocated has always been lower than the requests made by Member States. Budget uptake has been high in recent years (over 95% of the EU budget was spent by the Member States). In some specific cases, the tendering procedure has temporarily impeded take-up, in particular when Member States were not familiar with running the programme.

#### • **Programming**

The implementation framework should guarantee the programme's continuity. A multi-annual plan would have several advantages:

- Providing Member States with a mid-term perspective for the programme
- Securing a stable supply of food for charitable organisations from year to year, help protect against possible erratic fluctuations in food prices and enable continuity of operations.

<sup>44</sup> Eurostat indicator: "Percentage and number of people that cannot afford a meal with meat, chicken or fish every second day".

<sup>45</sup> Idem.

<sup>46</sup> As Eurostat data on the population at risk of poverty are not yet available for Bulgaria and Romania, temporary estimates were made on the basis of figures available for EU-10.



- Offering greater flexibility in the programme's implementation: annual allocation decisions for the programme's budget could be slightly adjusted along with the Commission's reimbursement of Member States at the end of the year.

Subject to the possible adaptation of the current CAP financing rules, this option would necessitate a political commitment over the duration of the plan, as is already made for other policies. However, in the framework of the EAGF, execution would still be annual, meaning that unused funds could not be carried forward to the following year.

The NGOs have expressed their preference for multi-annual planning.

- **Methodology for allocating the budget**

The current budget breakdown is based on the absolute number of deprived persons in each country, as identified by the "at risk of poverty rate", which is defined as the number of people corresponding to 60% of the median equivalised income. This is one of the indicators<sup>47</sup> adopted at the Laeken Council in December 2001, when EU Heads of State and Government adopted a first set of 18 common statistical indicators of social exclusion and poverty. The threshold rate of 60% has so far been used as a reference.

New methods for calculating the budget breakdown have been examined with the aim of better reflecting the cohesion objective.

In particular, the criteria used include relative and absolute indicators, in order to take into account the relative wealth of Member States, as well as the existence of poverty in all the Member States. The two elements considered are the threshold of population "at risk of poverty" and Member States' GDP.

The first method ["GDP based"] calculates the population taking into account the absolute level of poverty compared with the EU average.

The second method ["GDP + rate at risk of poverty"] is a combination of the GDP based method and the current method, which utilises the relative definition of poverty (set at 60% of the equivalised median income).

The third method ["The most cohesive"] is also a combination of the current and the GDP based method but adds a more cohesive element. The number of poor people in each Member State is computed in relative terms, but the poverty threshold cut-off (relative element) is modulated according to the level of wealth in each Member State (absolute element).

The three methods assign different weights to each Member State, which are reflected in the allocation of the budget.

For illustrative purposes, a more extensive description of these three methods, which could be considered as the basis for future distribution, is provided in Annex 9. Table 7 shows the breakdown by Member State using the three methods, on the basis of a budget of €500 million, compared with the 2008 budget breakdown, for EU-27 and for the 19 participating Member States.

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<sup>47</sup> European Community Household Panel (ECHP) replaced by EU-SILC (Community Statistics on Income and Living Conditions) in 2003 (Council Regulation (EC) No 1177/2003, 13.6.2003).

It should be noted that, if co-financing is introduced, it would be more appropriate to employ a method that has Gross National Income (GNI) as its basis, consistent with the cohesion policy framework, rather than using GDP.

- **Co-financing**

The possible modification of the current CAP financing rules could allow co-financing, which would have the advantage of giving national administrations a greater involvement in the scheme. The rate of co-financing could vary between cohesion and non-cohesion Member States, to take into account Member State GNI (Gross National Income) below 90% of the EU average. All the new Member States plus Spain, Greece and Portugal are concerned<sup>48</sup>.

The resulting increase in the total budget would enable the scale of the programme to be extended. It should be noted that there is already a *de facto* co-financing by the NGOs, which provide the means of running the distribution programme and part of the food that is distributed, thanks to private donations or funding.

As co-financing would represent a fundamental change to the present programme, the benefits and disadvantages of introducing it would have to be weighed up. To this end, an assessment of co-financing is set out in Annex 14.

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<sup>48</sup> A phasing-out system is granted to Member States which would have been eligible for the Cohesion Fund if the threshold had stayed at 90% of the average GNI of the EU-15 and not of the EU-25. Spain is concerned by this phasing-out.

**Table 7: Comparison of different methods for allocating budget**

MS*	EU-19										EU-27							
	Current Method (Real allocation) Reg. (EC) No. 182/2008		Current Method (Theoretical allocation)		GDP based (Theoretical allocation)		GDP + rate at risk of poverty (Theoretical allocation)		The most cohesive (Theoretical allocation)		Current Method (Theoretical allocation)		GDP based (Theoretical allocation)		GDP + rate at risk of poverty (Theoretical allocation)		The most cohesive (Theoretical allocation)	
	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value
Bulgaria	2.3%	7,007,310	2.0%	10,226,373	3.1%	15,616,817	2.5%	12,558,690	3.0%	14,934,857	1.3%	6,733,607	2.0%	10,120,281	1.7%	8,632,954	2.3%	11,267,632
Romania	8.0%	24,258,046	7.8%	38,856,107	8.7%	43,394,073	9.5%	47,359,574	10.4%	51,768,692	5.1%	25,584,997	5.6%	28,120,982	6.5%	32,555,389	7.8%	39,056,990
Poland	16.4%	49,971,042	13.7%	68,608,052	14.6%	72,865,612	15.9%	79,524,325	19.0%	94,923,427	9.0%	45,175,314	9.4%	47,219,641	10.9%	54,665,722	14.3%	71,615,163
Latvia	0.1%	153,910	1.0%	4,994,357	0.9%	4,353,576	1.2%	5,751,720	1.3%	6,553,927	0.7%	3,288,559	0.6%	2,821,280	0.8%	3,953,783	1.0%	4,944,623
Lithuania	1.5%	4,456,991	1.3%	6,441,319	1.3%	6,407,872	1.5%	7,361,522	1.8%	8,779,929	0.8%	4,241,319	0.8%	4,152,541	1.0%	5,060,375	1.3%	6,624,035
Slovakia											0.8%	4,029,737	1.3%	6,383,583	0.9%	4,667,502	1.4%	7,117,749
Hungary	2.7%	8,169,224	3.1%	15,257,375	3.7%	18,331,029	3.4%	16,847,312	4.5%	22,282,260	2.0%	10,046,295	2.4%	11,879,192	2.3%	11,580,991	3.4%	16,810,894
Estonia	0.1%	192,388	0.5%	2,290,548	0.5%	2,412,155	0.5%	2,494,029	0.6%	3,164,688	0.3%	1,508,223	0.3%	1,563,166	0.3%	1,714,417	0.5%	2,387,605
Portugal	4.3%	13,182,946	3.6%	18,004,347	3.7%	18,493,661	3.8%	19,121,378	4.7%	23,324,791	2.4%	11,855,052	2.4%	11,984,584	2.6%	13,144,204	3.5%	17,597,434
Malta	0.1%	378,242	0.1%	536,582	0.1%	701,607	0.1%	564,217	0.1%	745,957	0.1%	353,315	0.1%	454,668	0.1%	387,847	0.1%	562,789
Czech Republic	0.1%	155,443	1.9%	9,700,994	3.5%	17,632,226	2.0%	10,128,168	2.8%	14,055,101	1.3%	6,387,668	2.3%	11,426,342	1.4%	6,962,192	2.1%	10,603,898
Slovenia	0.5%	1,499,216	0.5%	2,275,026	0.7%	3,311,029	0.5%	2,282,275	0.5%	2,611,272	0.3%	1,498,003	0.4%	2,145,671	0.3%	1,568,856	0.4%	1,970,079
Cyprus											0.2%	764,110	0.2%	806,123	0.2%	785,887	0.2%	916,900
Greece	4.3%	13,228,830	4.4%	22,109,196	3.5%	17,630,292	4.3%	21,266,821	4.3%	21,525,889	2.9%	14,557,910	2.3%	11,425,088	2.9%	14,619,000	3.2%	16,240,249
Italy	22.8%	69,614,288	22.2%	111,198,045	18.1%	90,511,666	20.8%	103,982,039	19.5%	97,587,899	14.6%	73,218,908	11.7%	58,654,944	14.3%	71,478,170	14.7%	73,625,379
Spain	16.5%	50,419,083	16.6%	82,820,258	13.4%	66,906,424	15.4%	76,863,754	14.1%	70,597,712	10.9%	54,533,412	8.7%	43,357,864	10.6%	52,836,822	10.7%	53,262,580
France	16.7%	50,982,533	15.5%	77,503,637	18.7%	93,589,994	14.0%	69,887,024	10.7%	53,420,422	10.2%	51,032,656	12.1%	60,649,815	9.6%	48,040,956	8.1%	40,303,141
Germany											13.4%	66,779,552	15.6%	78,127,185	12.4%	61,884,849	9.5%	47,657,254
Finland	0.9%	2,741,323	1.3%	6,465,627	1.5%	7,579,426	1.1%	5,659,831	0.6%	2,770,088	0.9%	4,257,324	1.0%	4,911,752	0.8%	3,890,618	0.4%	2,089,898
UK											14.3%	71,501,253	11.2%	56,158,885	13.0%	65,014,599	10.3%	51,666,795
Belgium	2.8%	8,461,691	3.0%	14,920,993	3.0%	14,938,592	2.6%	12,871,368	1.5%	7,719,401	2.0%	9,824,802	1.9%	9,680,766	1.8%	8,847,892	1.2%	5,823,917
Sweden											1.4%	6,765,418	1.6%	8,129,141	1.2%	5,943,807	0.9%	4,334,983
Denmark											0.8%	4,058,360	1.0%	4,845,872	0.7%	3,543,170	0.4%	2,214,680
Austria											1.3%	6,695,878	1.5%	7,314,284	1.2%	5,793,673	0.7%	3,354,666
Netherlands											2.0%	10,178,197	2.8%	14,216,233	1.7%	8,662,103	1.1%	5,511,008
Ireland	0.1%	155,965	1.4%	7,169,684	1.0%	5,199,036	1.1%	5,375,502	0.6%	3,104,026	0.9%	4,720,914	0.7%	3,369,169	0.7%	3,695,168	0.5%	2,341,839
Luxembourg	0.0%	81,091	0.1%	621,480	0.0%	124,913	0.0%	100,452	0.0%	129,661	0.1%	409,217	0.0%	80,948	0.0%	69,052	0.0%	97,823
EU-27	100%	305,109,562	100%	500,000,000	100%	500,000,000	100%	500,000,000	100%	500,000,000	100%	500,000,000	100%	500,000,000	100%	500,000,000	100%	500,000,000

## **6.8. Administrative costs and simplification**

The use of intervention stocks (Options 1 and 2) entails additional costs and administrative steps. Operators are required to transport and possibly process products before delivery to the NGOs. These operators keep a percentage of the food products, as payment for the operation. The economic conditions under which these operations are carried out are not always the most favourable. This means that part of the value of the budget allocated to Member States may be lost.

The market purchase of food (Options 2 and 3) can result in economies of scale; the Polish authorities have estimated the differences between retail prices and tender prices at up to 50%, which is a strong argument in favour of this approach.

Learning from the experience of the last twenty years of the programme's implementation, administrative procedures related to the distribution of intervention stocks should be simplified. The focus should be on the regulatory environment for tendering, which will become the key operational procedure. Notably, the Programme should encourage the adoption and diffusion of best practices in the Community and seek the development of synergies between EU, Member State and private initiatives.

Under Option 2, Member State access to intervention stocks in the framework of the MDP would be considerably simplified from an administrative point of view, as described in Section 5. Option 2 would therefore be no less efficient than Option 3, which allows only for budget transfers. On the contrary, the use of intervention stocks could lead to some positive side-effects: a reduction in the length of time stocks are held and lower administrative and financing costs related to intervention.

Taking as the baseline the programme's current implementation, none of the options represents a significant burden for the Commission services. At Member State level the administrative needs of the programme are estimated at two full-time officials per Member State, excluding controls. The introduction of a clear and harmonised reporting format should help minimise the burden.

The comparative administrative burden for each option is shown in Table 8.

## **6.9. Impact on public opinion – good governance perception**

Given that the MDP is already running, it is worth assessing the consequence of any change in the implementation (or termination) of the programme on public perception of this policy and the good governance that is associated with it.

The distribution of food to deprived citizens can contribute to improving the positive awareness of this category of the population about the European Community and the CAP. The *de facto* reduction of aid represented by Option 1 would be badly perceived by the deprived and the public in general. Options 2 and 3 would contribute to maintaining the MDP's current positive image; an increased budget would further improve its public image.

The use of intervention stocks for the programme (Options 1 and 2), especially if they were to reach high levels, would be perceived positively by the public and reflect good governance at EU level.

**Table 8: Breakdown of administrative costs**

		Commission	MS	NGOs/ executive bodies	Operators	Frequency
<b>Option 1</b>						
<b>Drawing up the national plan &amp; Community annual plan</b>	Aid application			+		Once a year
	Evaluation of needs		+	+		Once a year
	Communication of needs	+	+			Once a year
	Design and adoption of annual plan	+	+			Once a year
<b>Intervention stock withdrawals</b>	Calls for tender: launching and management	+	++		++	Continuous
	Withdrawals from intervention stocks	+	++		++	Once a year
	Control of the withdrawals	+	++			Once a year
<b>Distribution in kind</b>	Logistics/management of products			++	++	Continuous
	Storage			+		Throughout year
	Controls of logistics and storage management		+			Continuous
	Distribution to the deprived			++		Throughout year
	Control of effective distribution	+	+			Continuous
<b>Annual report</b>	Recording the operations			+	+	Continuous
	Writing annual report		+			Once a year
<b>Option 2</b>						
<b>Drawing up the national plan &amp; Community annual plan</b>	Aid application			+		Once a year
	Evaluation of needs		+	+		Once a year
	Communication of needs	+	+			Once a year
	Design and adoption of annual plan	+	+			Once a year
<b>Intervention stock withdrawals</b>	Calls for tender: launching and management	+	++		++	Continuous
	Withdrawals from intervention stocks	+	++		++	Once a year
	Control of the withdrawals	+	++			Once a year
<b>Market purchases</b>	Calls for tender: launching and management		++		++	Continuous
	Control of the calls for tender	+	+			Continuous
	Security in context of call for tender				++	Once a year
<b>Distribution in kind</b>	Logistic reception and management of the products			++	++	Continuous
	Storage			+		Throughout year
	Controls of logistic and storage management		+			Continuous
	Distribution to the deprived			++		Throughout year
	Control of effective distribution	+	+			Continuous
<b>Annual report</b>	Recording the operations			+	+	Continuous
	Writing the annual report		+			Once a year

Option 3						
<b>Drawing up the national plan &amp; Community annual plan</b>	Aid application			+		Once a year
	Evaluation of needs		+	+		Once a year
	Communication of needs	+	+			Once a year
	Designing and adoption of annual plan	+	+			Once a year
<b>Market purchases</b>	Calls for tender: launching and management		++		++	Continuous
	Control of calls for tender	+	+			Continuous
	Security in context of call for tender				++	Once a year
<b>Distribution in kind</b>	Logistic reception and management of products			++	++	Continuous
	Storage			+		Throughout year
	Control of logistics and storage management		+			Continuous
	Distribution to the deprived			++		Throughout year
	Control of effective distribution	+	+			Continuous
<b>Annual report</b>	Recording the operations			+	+	Continuous
	Writing annual report		+			Once a year

**Table 9: Assessment of Options**

	<b>OPTION 1</b> <i>Only intervention stocks</i>	<b>OPTION 2</b> <i>Market purchases with intervention stocks</i>	<b>OPTION 3</b> <i>Only market purchases</i>	<b>OPTION 4</b> <i>Termination programme</i>
<b>A. General Objective – Ensuring Food Security of the Most Deprived People</b>				
Supporting food aid throughout the EU	😊	😊😊	😊😊	😞😞
<b>B. Specific objectives</b>				
<b>To secure a stable source of food</b>				
Stability of food supply	😞	😊😊	😊😊	😞😞
Burden on EU budget	😊	😞	😞😞	😊😊
Economy of scale	😊	😊😊	😊😊	😞😞
Administrative and transport costs	😞	😞	😞	😊😊
<b>To enhance public governance</b>				
Administrative burden for the EU	😞	😞	😞	<i>n.a.</i>
Complexity of administrative management for the MS	😞	😞	😞	<i>n.a.</i>
Impact on EU image	😞	😊😊	😊	😞😞
Tendering procedures	😞	😞	😞	<i>n.a.</i>
<b>To improve targeting of deprived people</b>				
Controllability	😞	😞	😞	<i>n.a.</i>
Reporting obligation of MS	😞	😞	😞	<i>n.a.</i>
<b>C. Contribution to Public Health, Cohesion Policy and Social Inclusion Policy</b>				
Range of products available	😞	😊😊	😊😊	😞😞
Supporting the EU cohesion policy	😞	😊😊	😊😊	😞
Facilitating access to complementary social services	😊😊	😊😊	😊😊	😞😞

Clear labelling of the food donated refers to the Community's contribution. This is also perceived positively and fosters the good image of the EU. The creation of synergies and consistency with other EU policies could further enhance the MDP's good public image.

The limitation of EU support to the provision of food can be seen as the most appropriate and efficient level of action, leaving the charities and social services with the responsibility of organising other actions, according to specific local needs.

## **7. COMPARING THE OPTIONS**

In Table 9, the options are presented in such a way as to make comparison easier.

The four main options are assessed for each potential impact, using a weighting system that enables a simplified qualitative evaluation to be made. The key for making the comparison is the objectives – general and operational – that were assigned to a renewed MDP. The options are also assessed for the contribution they make to health and social policies.

According to this simplified assessment, Options 2 and 3 are found to be best. Both respond adequately to the objectives. Option 1 remains positive as, even though it would drastically reduce the distribution of food, it would remain possible in certain circumstances. The termination option is very negative from the point of view of meeting the objectives.

## **8. MONITORING AND EVALUATION**

In this section, methods are proposed that can be used to assess the implementation of the programme. A distinction is made between three aspects:

- Indicators of progress towards meeting the objectives
- Monitoring and auditing
- Reporting.

Taken together, these elements can serve to improve the programme's ongoing effectiveness and efficiency. They should be set up in accordance with good governance principles, as described in Commission Regulation No 2342/2002, which states that all proposals for programmes or activities occasioning budget expenditure "*shall set out the arrangements for monitoring, reporting and evaluation, taking into account the respective responsibilities of all levels of government that will be involved in the implementation of the proposed programme or activity*".

### **8.1. Indicators**

The main objective of a renewed MDP would be to help ensure the right to food of the EU's most deprived citizens. It would not be realistic to guarantee that beneficiaries of EU aid each receive a prescribed intake of calories. This would necessitate the follow up of each beneficiary, by putting in place a long-term survey system, which is not feasible.

However, indicators can be put in place that make it possible to follow the evolution of the practical implementation and outcomes of the MDP over time. They would enable the



creation of an assessment framework that would permit the programme to be continuously improved.

These indicators are presented in Table 10. Regularly recorded, they would make possible the assessment of the MDP's compliance with its specific and operational objectives. They are all specific, measurable and realistic. They are also commonly accepted, as they are already used by some Member States for their reporting, as well as by the United States Department of Agriculture ERS for their Food Assistance Programmes.

In particular, through comparisons between participating Member States, these indicators would highlight efficient practices and allow the programme's performance to be monitored. The exchange of best practices would in turn help enable a smooth and effective coordination between institutional and private actors, at the various steps and levels of implementation. This would also help, in the first place, more effective national strategies to be drawn up and, subsequently, the monitoring and reporting of the programme's implementation.

## **8.2. Monitoring and audits**

The Commission and Member States need to ensure the sound implementation of a new programme and correct use of the Community budget. The rules to guarantee this would be developed in the implementing regulation.

Control procedures would remain in the hands of Member State administrations. On the basis of the Commission's auditing experience, it seems appropriate to redefine the risks linked to a new scheme and to adopt implementing rules accordingly. In particular:

- The EU considers that directive 2004/18/EC of the European Parliament and of the Council on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts should be stressed and value for money better apprehended when offers are awarded.
- The EU considers the charities that carry out the distribution to be the final beneficiaries of the aid. Controls are already and should continue to be carried out at the level of the charities, to ensure that they are in effect distributing the products.
- EU controls do not check who receives food aid from the charities or whether they need it. Given that food is often provided to marginal people, sometimes without legal status, it is not always possible to record the beneficiaries. The publication of a list of recipients would be controversial as regards the protection of personal data. Monitoring at this level can only comprise a possible contractual agreement between Member State authorities and NGOs. However, potential controls are then made at the initiative and under the responsibility of Member States, with reporting to the EU when audited in the framework of the clearance of accounts.

Member States should ensure that no discrimination arises in the selection of beneficiaries. First, the aid should not be limited to EU citizens only. Second, all EU citizens should be entitled to benefit from the Community programme, irrespective of whether they are in their native country, if they are in need.

As for every EU policy or measure, in addition to yearly controls by the Member States, audits would be carried out on a regular basis by the Commission.

**Table 10: Indicators**

General Objectives	Ensuring the fundamental right to food					
Specific objectives	To secure a stable source of food		To enhance public governance			To improve targeting of deprived people
<b>Indicators</b>	<ul style="list-style-type: none"> <li>– Small variations of delivered products from year to year</li> </ul>	<ul style="list-style-type: none"> <li>– Rate of use of the budget, for each MS</li> <li>– Rate of the budget dedicated to products (vs. transport and administration costs)</li> <li>– Coefficient of transformation after calls for tender in case of stock withdrawals</li> </ul>	<ul style="list-style-type: none"> <li>– Increased involvement of national / private bodies in food aid projects for the most deprived, as reported by Member States.</li> <li>– Deprived Programme complemented by other bodies, additional funds or means</li> </ul>	<ul style="list-style-type: none"> <li>– Satisfaction rate of the charities with the Programme's functioning</li> <li>– Satisfaction rate of MS administrations with the Programme's implementation</li> </ul>	<ul style="list-style-type: none"> <li>– Consistency of the National Plan against Community's priorities</li> <li>– Fraud revealed by audits at level of the charities, at level of the operators</li> </ul>	<ul style="list-style-type: none"> <li>– Number of beneficiaries / Number of distributed meals against needs recorded by the charities</li> <li>– Respect of national multi-annual plans in the effective implementation</li> </ul>
<b>With what frequency?</b>	Regularly, at mid term (5 years)	Each year	At mid term (5 years)	Each year	Continuously	Each year

### 8.3. Reporting

In order to enable the ongoing assessment of the programme, reporting requirements would be spelled out in the implementing regulation. The aim would be to gather the information described in 8.1, which is needed for the *ex post* assessment of the Programme.

- In their **multi-annual programmes** Member States would set out and justify in advance their intentions concerning the programme's implementation, as regards *inter alia* the targeted population, the choice of organisations to carry out the distribution and the products to be distributed (see 5.2.4);
- **Annual reports** on the programme's implementation, drafted according to specific guidelines, would be made public in order to ensure transparency and public follow-up.

The consistency of the programme's implementation with its stated objectives could be controlled and made public.

## 9. CONCLUDING COMMENTS

*"Both formal ethical systems and ethical practices in every society presume the necessity of providing those who are able-bodied with the means to obtain food and enabling those who are unable to feed themselves to receive food directly. Failure to do so is deemed an injustice, an unethical act, whereas the elimination of hunger and malnutrition is deemed beneficent"*<sup>49</sup>.

The EU Programme of Food Aid to the Most Deprived does not set out to resolve all food poverty in the Member States. It should be seen as making a contribution that aims to enhance and/or trigger Member State action, and to help support charities and civil society in developing their own initiatives to ensure the fundamental right of all EU citizens to food.

This report describes a number of potential innovations that could be introduced, in particular as concerns food waste and insertion into the broader social context, as well as focusing on administrative simplification and improving the overall governance of the Programme.

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<sup>49</sup> "Ethical issues in food and agriculture", FAO, Rome 2001