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COMMISSION OF THE EUROPEAN COMMUNITIES

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**COMMISSION STAFF WORKING DOCUMENT**

*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 Summary**

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## 1. INTRODUCTION

The EU's "Food Distribution programme for the Most Deprived Persons of the Community" (referred to here as the MDP) has been in place since December 1987, when the Council adopted the rules for releasing public intervention stocks of agricultural products to Member States wishing to use them as food aid for the most deprived persons of the Community.

To ensure continuity of supply, in the mid-1990s the MDP was modified to make it possible to supplement intervention stocks with market purchases. This was not intended as a long-term solution but one that could be called upon when there were insufficient supplies of certain products. The basis of the programme remained intervention, *"until the stocks have been run down to a normal level"*.

Ongoing reforms to the Common Agricultural Policy (CAP) have gradually returned intervention to a safety net role. In 2008 market purchases make up 90% of the food distributed. Intervention stocks are low and no new build-up of surpluses is forecast or particularly likely, in view both of the revision of the CAP and the world market situation.

Consequently, a new basis for the MDP has to be established. To this end an impact assessment was carried out, in the course of which Member State representatives and charities were consulted and an online questionnaire enabled feedback from a broad public.

### • How the programme works

The MDP is 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. Participation in the programme is voluntary; in 2008 nineteen Member States are taking part.

Each year, Member States wishing to participate communicate their needs to the Commission, in terms of quantities of the products available in intervention stocks. Based on this and Eurostat data on poverty the Commission 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.

When intervention stocks are supplied, tenders are launched for the conversion, or exchange, of these commodities (e.g. wheat) into processed products of the same "family" (e.g. flour or pasta). These products are distributed as food aid to the most deprived, either in the form of food baskets or as meals in centres run by charities and other competent bodies, designated by the Member States. In 2006 over 13 million people in 15 Member States benefited from the MDP.

### • Who the programme helps

The MDP supports the provision of food to individuals or especially vulnerable families who find themselves in difficulties. In 2006, an estimated 43 million people in EU-25 were at risk of food poverty. The percentage varied between about 2% in Denmark to 37% in Slovakia. In 5 out of 10 new Member States the indicator was above 20%.

Children from poor families are particularly vulnerable; their eating patterns determine future health-related problems, including reduced brain development and capacity to learn.

The elderly are often reported as suffering from malnutrition; because of poverty or disability, inadequate and insufficient nutrition is common.

Homeless people are clearly at risk, as are asylum seekers and irregular migrant workers, who are generally not included in official figures; their status may impede them from benefiting from social services and they make up a large portion of soup kitchen beneficiaries.

- **The basis for Community action**

Hunger, deprivation, poverty and social exclusion are all European issues that are present in every Member State. The MDP 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*" and "*promote [...] solidarity among Member States.*"

More specifically, the programme contributes to meeting the CAP's objectives of stabilising markets and ensuring that supplies reach consumers at reasonable prices. Although the CAP has in the past concentrated on supply-side measures, its purpose has always also been to ensure that demand can be satisfied.

Social support provided by Member State authorities rarely focuses on access to food. Food initiatives that target socially excluded and marginal populations tend to be led by charitable organisations and run with the help of volunteers.

The MDP should be seen as making a contribution that can trigger Member State action, and help charities and civil society develop their own initiatives to ensure the right of all EU citizens to food. An EU framework can ensure that the programme is conducted according to EU standards of good governance while dovetailing with existing Member States programmes.

## **2. OBJECTIVES**

The MDP's goal is to reduce food insecurity and so help guarantee the right to food in the EU. The revision of the programme should aim:

- **To secure a stable source of food for the targeted population**
- **To enhance public governance**
- **To improve targeting on those in need.**

## **3. POLICY OPTIONS**

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

If market purchases cannot be used on a permanent basis, the MDP will depend on available intervention stocks as the sole source of food for distributing to the most deprived. These would be exchanged for more usable food products in the same "family", under the responsibility of the Member States. As now, the food would then be distributed by the organisations they choose.

To simplify procedures, each MS would have direct access to intervention stocks located on its own territory and transport costs would be incorporated in the calls for tender. Available stocks could be transferred between MS, subject to specific agreements between the MS concerned. Information concerning the stocks mobilised would be made available by the Commission's electronic information and communication system.

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

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.

When intervention stocks are used the procedure would be simplified, as for Option 1. Products eligible for purchase would no longer be restricted to the present "families" of products and no preliminary allocation by type of product would be necessary. MS could decide which products to purchase.

To improve transparency, Member States would have to publish online information concerning the tenders.

### **Option 3 - Market purchases only**

The link with intervention stocks would disappear and the programme based solely on a budget transfer to be used for market purchases. Member States would decide, without restriction, which products to purchase with the Community funding allocated.

Like Option 2, this would offer greater flexibility, allow a better nutritional balance than at present and more efficient management of the MDP. Dissemination of information on tenders would be emphasised, as for Option 2.

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

As intervention stocks have become less available, the programme has lost at least part of its rationale and should be terminated after 2009 or phased out.

## **4. HORIZONTAL ISSUES**

### **• Inclusion in a broader social policy context**

The EU currently coordinates Member State actions to combat poverty and social exclusion, through the exchange of good practices and other forms of mutual learning. This aspect could be strengthened in a new MDP.

### **• Targeting beneficiaries**

Issues concern the targeting of food aid on specific population(s), targeting criteria and the best level for defining this targeting.

- **Reduction of food waste**

In a number of Member States charities already negotiate with supermarkets and other fresh food outlets to recuperate unsold, but still-good produce and distribute it to the needy. Member States participating in the MDP could be required to include actions concerning the recuperation of unwanted/waste food.

- **Administrative governance**

To improve transparency and consistency with the programme's objectives, multi-annual national programmes could describe national priorities, the targeted beneficiaries, types of products and/or meals to be delivered etc. Detailed procedures would ensure transparency in the tendering process.

- **Budget and financing**

A multi-annual framework could enable continuity and medium-term planning by Member States and charities. The criteria used for the budget breakdown should be reviewed and Member State co-financing considered.

- **Food vouchers**

The possibility of basing the MDP on a food voucher system was rejected because of the risk of fraud. Control procedures would be burdensome, efficiency poor and transaction costs high.

## 5. ANALYSIS OF IMPACTS

It was not considered possible to quantify the **macro-economic** or **environmental** impacts of the options. There is judged to be no **international** impact; imported products would be eligible for market purchase. The options were assessed primarily for their impact on **Member State public policies**, on the **charities** and the **programme's beneficiaries**.

As the availability of intervention stocks is likely to be sporadic, the impact of **Option 1** is only slightly less extreme than that of **Option 4**: the former leads to the drastic downsizing of the programme, the latter to its complete abandonment.

The consequence of relying entirely on intervention stocks (**Option 1**) would be a big reduction of the food distributed; the MDP could no longer function on its current scale and would provide little support for the deprived.

On the basis of the 2008 budget, if no products are available from intervention stocks, the loss to charities carrying out the food distribution would amount to €305 million. Charitable organisations and social services would either have to cut their programmes or seek additional help from private donations and Member State or local authorities.

The termination of the programme (**Option 4**) or its reliance only on intervention stocks (**Option 1**) could directly affect more than 13 million people (2006 figures - 15 participating MS).

In the new Member States it is likely that the distribution of food aid to the most deprived would practically cease. In the "old" Member States the reduction in the amount of food aid distributed would be proportionate to the percentage of aid represented by the EU's contribution.

While in the "old" Member States developed welfare systems would continue to reach low-income families, this assistance (which mostly does not include the provision of food) does not in general reach the socially-excluded, who would suffer the greatest impact from the programme's termination.

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.

**Options 2 and 3** would both have a similar impact, as both would enable the programme to continue. Both have the advantage of offering flexibility in the type of food that can be distributed. The restriction now imposed that purchases must be in the same "families" of products as the available intervention stocks would be removed, so allowing charities to improve the diversity and nutritional quality of the food they provide.

The new Member States that take part in the programme see the Community programme as essential. It has enabled a much higher level of support to the deprived, in response to a clear need in those countries and has helped increase the efficiency and professionalism of the charitable NGOs.

In addition, the provision of food aid offers a first contact between the charities and deprived people. Other support can then be arranged by the charities or through the appropriate social services and help lead to the reintegration of excluded people.

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

The MDP could make a greater contribution to promoting social inclusion through 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. However, as they depend on a largely voluntary workforce, some NGOs might have difficulties in assuming new administrative tasks.

### **Targeting**

Member States should continue to target the populations they consider can be most effectively aided, taking into account the specific situation and needs in their country.

### **Food waste**

Various initiatives exist in the EU to recuperate and redistribute this food to the deprived, but more can be done, such as logistical support and information exchange. The avoidance of food waste has environmental implications and can also be a way of augmenting the food budget of charitable organisations.

## **Budgetary impact**

- **EU budget**

**Option 1:** the MDP would rely on intervention stocks alone, which would be available erratically. Based on the availability of intervention stocks for the 2008 programme, spending would range between zero and €25 million, a saving of €275-305 million on the current budget.

**Option 4:** termination of the MDP would save the entire budget, as there are no accompanying measures that entail ongoing expenditure.

**Options 2 and 3** have a similar budgetary impact. While the scope of the MDP has not been debated, it is clear that it should remain a programme that makes a partial contribution to the food aid needs of Member States.

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.

A doubling of the budget would be easily absorbed by the charities, especially in view of high food prices. In recent years the budget allocated to the programme has always been lower than the requests made by Member States.

- **Programming**

Multi-annual planning would have the advantage of providing Member States with a mid-term perspective, securing the supply of food from year to year and offering greater flexibility in the MDP's implementation.

Annual monitoring would allow adjustments to be made when necessary. Unused funds could not be carried forward.

- **Methodology for allocating budget**

The current budget breakdown is based on the needs communicated by Member States and a "best estimate" of the number of deprived persons in each. To better reflect cohesion goals, new methods for calculating the budget breakdown have been examined, taking into account a combination of various indicators.

- **Co-financing**

Co-financing would give national administrations greater involvement and enable an increase in the MDP's scale. The co-financing rate could vary between cohesion and non-cohesion Member States.

## **Administrative costs and simplification**

The use of intervention stocks (Options 1 and 2) entails additional costs and administrative steps, which mean that part of the value of the allocated budget may be lost, while the market purchase of food (Options 2 and 3) can result in economies of scale.

Option 2 would simplify Member State access to intervention stocks, making it no less efficient than Option 3, which allows only for budget transfers. The use of intervention stocks has the advantage of reducing the time stocks are held, resulting in lower administrative and financing costs.

### **Good governance perception**

The reduction or termination of aid would be badly perceived by both beneficiaries and the public. Options 2 and 3 would maintain the MDP's current positive image. The use of intervention stocks for the programme (Options 1 and 2) especially if they were to reach high levels, would be well received and reflect good governance at EU level.

## **6. MONITORING, EVALUATION AND REPORTING**

Regularly recorded indicators would permit the ongoing assessment of the MDP's compliance with its objectives and allow the programme to be continuously improved.

Control procedures would remain in the hands of Member State administrations. Regular audits would be carried out by the Commission.

Participating Member States would submit multi-annual programmes setting out the targeted population(s), the choice of organisations to carry out the distribution, products to be distributed etc. and annual implementation reports.

## **7. CONCLUSION**

The EU Programme of Food Aid to the Most Deprived does not set out to resolve all food poverty in the Member States. It 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 right of all EU citizens to food.

Options 2 and 3 both meet the objectives assigned to a renewed MDP. As well as administrative simplification and improved governance, the Programme could introduce innovations as concerns food waste and insertion into the broader social context.