EUROPE

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The Introduction of
Single Farm Payments in
Finland and Germany

Jan Tiessen, Christian van Stolk

Prepared for the National Audit Office
The research described in this report was prepared for the National Audit Office and was conducted by RAND Europe.

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Preface

The National Audit Office (NAO) commissioned RAND Europe to follow up a report produced by RAND Europe in 2006 on the introduction of Single Farm Payments in Germany. This new report will revisit the German case study to review the success with which the German administration has implemented the scheme in the second year of operation and research the introduction of Single Farm Payments in Finland. This study will be an annex of a wider NAO ‘Value for Money’ (VFM) update into the way Single Farm Payments were implemented in the second year in England.

Given that Germany and Finland introduced Single Farm Payment schemes on an equivalent basis to the scheme in England, an international comparison can shed light on the relative success of the introduction of payments in England. This report aims to draw out examples of interesting practice in terms of the technicalities of the schemes introduced, the contingency preparations and the remedial steps taken to address problems in the processing of farm payments.

This report will be of particular interest to Supreme Audit Institutions. It is also relevant to policy-makers, as well as a wider audience with an interest in the analysis of the implementation of farm payments in European Union Member States.

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Executive summary

This report analyses the introduction of the single payment scheme in Germany and Finland. This report has been commissioned by the National Audit Office as part of a wider Value for Money examination into the implementation of the single payment scheme in England. The aim of this report is to draw out examples of interesting practice in terms of the technicalities of the schemes introduced, the contingency preparations and the remedial steps taken to address problems in the processing of farm payments. Based on our analysis, we made six key observations:

1. **Second year payments were largely on time in Germany.** By the end of December 2006, 97 percent of all single payments (by value) had been made; two smaller Länder, however, had to resort to partial payments of 90 and 80 percent respectively. In contrast, the English Rural Payments Agency only started to make full payments in the second half of January 2007 and had paid 12.6 percent of all payments (by value) by January 31st. The late changes in the sugar market payments, the application backlog from the previous year and the problems with data exchange between the Länder had threatened to delay the payments in Germany, but did not result in major postponement of payments.

2. **Finland successfully implemented the single payment scheme.** Finland managed to successfully make payments to 99.3 percent of all farmers by the end of December against a demanding timeline. Throughout the process it had been unclear whether Finland would be able to make full payments by the end of the first payment year. The sugar market reform and delays in the IT system had put the timely implementation at risk. In comparison, first year payments in England had been highly problematic, and were delayed until June 2006. Germany as well had to resort to partial payments in the first year of implementation, as processing of final payments had been delayed.

3. **Germany and Finland used established administrative structures to implement the farm payment system.** In contrast to England, the implementation processes in Germany and Finland were not disrupted by major organisational changes. Germany and Finland both implemented their single payment schemes in highly decentralised structures that are close to the farmers and allow for temporary increases in resources to cope with workload peaks.

4. **The tight implementation timelines were managed effectively.** Germany managed the tight implementation timeline by activating the contingency plan of partial payments early in the first payment round. In the second payment round, continuous monitoring was used to react quickly to delays in progress. Finland postponed its first
year payment to 2006 as a response to the complexity of the implementation task and constantly monitored progress in processing the applications throughout the year. In England, overly optimistic reporting of progress and the abandonment of contingency plans resulted in a considerable delay of payments to farmers.

5. **Considerations of administrative complexity did not influence the choice of the payment model.** In both countries and in England the basic characteristics of the payment model had been the result of political negotiations and did not substantially take into account the consequences of implementation. Finland had, however, strong links between the policy and implementation divisions in the Ministry of Agriculture and Forestry. Ultimately, the good communication link between the divisions led to the postponement of the single payment scheme to 2006, as the implementation division had warned about the risk of implementing the scheme in 2005.

6. **Farmers’ expectations were successfully managed through stakeholder involvement.** In Germany, the farmers’ unions were formally involved in a consultation process and were informed about the progress of implementation through frequent informal contacts. In Finland, the farmers’ unions took a prominent role in negotiating the basic characteristics of the payment model and were in frequent contact with the ministry. In England communications between government and farmers’ representatives proved difficult.
1. **Introduction**

1. In June 2003 the Member States of the European Union adopted a fundamental reform of the Common Agricultural Policy (CAP). This reform replaced the majority of production based subsidy schemes with a new “single farm payment”, which would be paid independently or “decoupled” from agricultural production. Payments would now occur on the basis of agricultural acreage, allowing farmers to produce more directly for the market. These payments would be linked to the application of environmental, food safety and animal welfare standards, the so-called “cross-compliance”.

2. The EU-Member-States could choose among four basic models on how to implement the new single payment scheme (SPS):¹
   - The *historical or standard model*, in which payments are purely based on historical payments received by the individual farms during the reference period from 2000 to 2002 (eg chosen by France, Spain, Ireland, Scotland, Wales).
   - A *regional model*, in which payments are made as flat rate payments per hectare and with the level of support being the same for all farms within a region (mandatory model for New Member States, not taken up by any old Member State).
   - A so-called *hybrid model*, in which parts of the payments are made based on historical reference data (2000–2002) and the other part on the basis of a uniform per acreage payment for a specific region. There are two subtypes of this model:
     - the *static hybrid model*, in which the split between historical and regional payments remains stable (chosen by Denmark, Luxembourg, Sweden and Northern Ireland);
     - and a *dynamic hybrid model*, in which the “historical” payments are gradually reduced in favour of “regional’ payments” (chosen by England, Finland and Germany).

3. The implementation of these models was left to the Member States, while the European Commission took only a supervising role. The European Commission does not constantly monitor the progress of the Member States in the implementation, but checked only certain key milestones. However, the European Commission chaired the meetings of the Management Committees, which play an important role in the implementation by

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providing feedback to the European Commission and allow for an exchange of experiences. These exchanges of views allowed the committee to give in due form its position on the various amendments to Commission rules. It was in these management committees, where most of the changes to the original EU regulation originated.2

4. The context of this study is the problematic and delayed distribution of Single Farm Payments by the Rural Payments Agency in England and the subsequent problems around payments in the second year of the scheme’s operation. As Germany and Finland chose dynamic hybrid models similar to the English scheme, the National Audit Office (NAO), asked RAND Europe to review the implementation of the single payment scheme in these two countries. This report thus updates an earlier report on the introduction of Single Farm Payments in Germany produced for the NAO in 20063 and analyses the single payment scheme since its inception in Finland in 2006. This report aims to draw out examples of interesting practice in terms of the technicalities of the schemes introduced, the contingency preparations and the remedial steps taken to address problems in the processing of farm payments.

5. This report contains three main sections. Firstly, the ‘Executive Summary’ gives an overview of the main findings on the basis of the research on the country schemes. This section outlines the main trends and findings. Secondly, the country chapter on Germany gives an overview of the main observations on the second year of farm payments in Germany and updates some of last year’s findings. Thirdly, the Finnish country chapter provides an overview of the Finnish farm payment systems and assesses its relative success.

6. Methods used in this study consisted of an extensive literature, press, and document review (including sources from Germany and Finland). However, given the novelty of the schemes and the scarcity of relevant information and systematic documentation, the RAND Europe study team relied substantially on semi-structured key informant interviews with government officials and stakeholders in Germany and Finland. Appendix A contains a list of the organisations that contributed to this research and Appendix B contains the interview protocols used in Finland and Germany.

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2 Interview with European Commission official. The changes were made to clarify the regulation throughout the process of implementation; in this sense the European Commission official described the EU regulation as a “living document.”

2. Germany: an update

The decision for the dynamic hybrid model was negotiated between the Länder and the federal government

7. The decision for the dynamic hybrid model in Germany occurred after intense negotiations between the Länder and the federal government at the end of June 2004. Table 2.1 provides a timeline of the key events from the decision of the European Council on the introduction of the single payment scheme in June 2003 to the end of the second payment round in June 2007; a detailed description of this process has been provided in our previous report. However, two questions were further explored in the current study: the timing of the introduction of the single payment scheme, and the link between policy and implementation.

8. According to our interview contacts in the Federal Ministry of Food, Agriculture and Consumer Protection (BMELV) and the Länder, the year of introduction of the single payment scheme did not feature very prominently in the negotiations towards the German payment model. A number of reasons were given to us as to why 2005 was considered to be advantageous by the policy makers:

- 2005 was closer than 2006 to the reference period for the entitlements of 2000–2002. This reduced the number of changes of ownership, changes in use of land and cases of hardship, which it was thought might complicate the introduction of the system.
- There was a desire to implement the new single payment scheme at the same time as the new reference and mapping system, which had to be implemented by 2005.
- There was a political will to decouple farm payments from production as early as possible.

4 The German states will be designated throughout this report as Land (singular) or Länder (plural)

Table 2.1: SPS Timeline Germany

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>June</td>
<td>CAP reform agreed at the European level: decoupling, modulation, cross-compliance.</td>
</tr>
<tr>
<td>September</td>
<td>2003/782/EC Regulation: Rules for direct payments within the CAP-framework with certain support stipulations for owners of farms.</td>
</tr>
<tr>
<td>2003</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td></td>
</tr>
<tr>
<td>April 21st</td>
<td>2004/795/EC Commission Regulation: Laying down detailed rules for the implementation of the SPS. Including modulation, cross-compliance and IACS.</td>
</tr>
<tr>
<td>May 14th</td>
<td>Government bill deferred to the Arbitration Committee.</td>
</tr>
<tr>
<td>June 30th</td>
<td>Arbitration Committee concludes compromise agreement between federal government and the Länder.</td>
</tr>
<tr>
<td>July 21st</td>
<td>Parliament adopts Single Farm Payment implementation Law (Betriebsprämiendurchführungsgesetz).</td>
</tr>
<tr>
<td>November 4th</td>
<td>Direct Payment Ordinance passed (Direktzahlungsverpflichtungsverordnung).</td>
</tr>
<tr>
<td>December 3rd</td>
<td>Single farm payment implementation ordinance adopted (Betriebsprämiendurchführungsverordnung). Integrated administration and control system ordinance (InVekos-Verordnung) adopted.</td>
</tr>
<tr>
<td>2005</td>
<td></td>
</tr>
<tr>
<td>May 17th</td>
<td>End of application period for distribution of entitlements and 2005 SPS.</td>
</tr>
<tr>
<td>September</td>
<td>Government agrees with Commission on partial payments, decision to pay out 80% taken.</td>
</tr>
<tr>
<td>December</td>
<td>Partial payment of up to 80% to farmers.</td>
</tr>
<tr>
<td>2006</td>
<td></td>
</tr>
<tr>
<td>February 20th</td>
<td>Council of Agricultural ministers adopts the sugar market reform (Council Regulations No 318/2006; No 319/2006 and No 320/2006).</td>
</tr>
<tr>
<td>April</td>
<td>Transfer of entitlements via online-database kicks off.</td>
</tr>
<tr>
<td>April 29th</td>
<td>Ordinance regulating the application process for the sugar payments, is passed.</td>
</tr>
<tr>
<td>May 15th</td>
<td>End of application period for 2006 SPS.</td>
</tr>
<tr>
<td>May 30th</td>
<td>Processing of applications begins.</td>
</tr>
<tr>
<td>June</td>
<td>The Betriebsprämiendurchführungsgesetz (Single payment scheme implementation law) is amended to include the sugar payments.</td>
</tr>
<tr>
<td>Summer</td>
<td>All payments for 2005 finalised.</td>
</tr>
<tr>
<td>September</td>
<td>Discussion about drought related partial payments.</td>
</tr>
<tr>
<td>September 29th</td>
<td>Conference of the agricultural ministers decides to keep aiming for a full payment in December 2006 and stresses the need for a timely exchange of data between the Länder.</td>
</tr>
<tr>
<td>October 17th /18th</td>
<td>The Bund-Länder working group decides to proceed with preparations for full payment, as the increase in value for the entitlements had been implemented in time.</td>
</tr>
<tr>
<td>October</td>
<td>Increase in entitlement value determined (sugar and tobacco).</td>
</tr>
<tr>
<td>November</td>
<td>Verification of land completed before end of November.</td>
</tr>
<tr>
<td>December</td>
<td>Overall, 97% of payments (by value) were made. Two Länder resort to partial payments. Schleswig Holstein pays out 90%, Saarland pays out 80%.</td>
</tr>
<tr>
<td>2007</td>
<td></td>
</tr>
<tr>
<td>May 15th</td>
<td>End of application period for 2007 SPS.</td>
</tr>
<tr>
<td>End of June</td>
<td>98.8% of all support for 2006 had been paid out.</td>
</tr>
</tbody>
</table>
9. As already described in the previous report, the link between implementation and policy making was fairly weak. BMELV officials interviewed in 2006 indicate that policy makers in Germany mostly focused on their vision of a decoupled acreage payment and were largely unaware of the complexity of a system with entitlements. The decision was dominated by political consideration: for example, no ex-ante evaluation or analysis of the necessary implementation process had been carried out.

The German dynamic hybrid model will evolve to a fully regional flat rate model

10. The farm payment model introduced in Germany is a regionalised dynamic hybrid model which will evolve to a purely regional model by 2013. In the German model, the flat rate payments differ between farmland and grassland. The total decoupled farm payments in Germany amounted to €5.693 in 2006. Around 69 percent were paid as flat-rate regional payments (€3.938 billion). The remaining 31 percent (€1.755 billion) were paid through historical payment, although with the further inclusion of tobacco and sugar this share will rise slightly until 2010, before the phasing out of the historical payments begins.

<table>
<thead>
<tr>
<th>Entitlements (€/ha)</th>
<th>Decoupled Payments</th>
<th>Coupled Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Model</td>
<td></td>
<td></td>
</tr>
<tr>
<td>flat-rate farmland premium (€/ha)</td>
<td>• arable area payments</td>
<td>• 60% of starch potato aid</td>
</tr>
<tr>
<td></td>
<td>• seed production aid</td>
<td>• 60% of tobacco grower aid</td>
</tr>
<tr>
<td></td>
<td>• grain legumes aid</td>
<td>• protein crop premium</td>
</tr>
<tr>
<td></td>
<td>• 75% of the decoupled part of starch potato premium</td>
<td>• aid for energy crops</td>
</tr>
<tr>
<td></td>
<td>• decoupled part of hops income aid</td>
<td>• tree nut support</td>
</tr>
<tr>
<td></td>
<td>• slaughter premium</td>
<td>• 25% of hops income aid</td>
</tr>
<tr>
<td></td>
<td>adult cattle</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 50% of the premium for beef</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• additional payments for cattle</td>
<td></td>
</tr>
<tr>
<td>Historical Model</td>
<td></td>
<td></td>
</tr>
<tr>
<td>flat-rate grassland premium (€/ha)</td>
<td>• special premium for male cattle</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• veal slaughter premium</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• suckler cow premium</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• milk premium</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 25% of the decoupled part of starch potato premium</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 50% of the premium for beef</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• decoupled part of the aid for the production of dried fodder</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• decoupled part of tobacco premium</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• premium for maintaining ewes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• compensation for reduction of sugar price</td>
<td></td>
</tr>
<tr>
<td>historical payment (€/ha)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments according to production</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 2.1: Overview of German dynamic hybrid model

6 The evolution into a purely regional model will start in 2010. As a first step the difference between each entitlement and the regional average will be calculated. This difference can be positive or negative, depending on whether an entitlement is worth more or less than the regional average. This difference will then gradually be reduced, either by cutting or increasing the value of entitlements. In 2010, this difference will be reduced to 90 percent of its original value, subsequently to 70 percent in 2011, 40 percent in 2012 and will finally disappear in 2013, when all entitlements are of the same value. See BMELV (2005).
11. Only minor changes have been made to the model since its introduction in 2005: the compensation for the reduction of sugar prices and the partially decoupled tobacco premium have been included in the individual top-ups, and the included share of the milk premium has been increased as scheduled (see updated Figure 2.1). There is a nationwide de minimis payment amount of €100 as well as a minimum acreage of 0.3 ha required to claim direct payments. Milk and livestock farmers having special entitlements do not need to have a minimum amount of land to claim payments and have the same nationwide minimum payment amount, €100.

Implementation structures vary between Länder

12. Implementation of the single farm payment system takes place within the federal system of Germany, which allows for organisational and implementation differences between the Länder. At the federal level, the BMELV sets policy and standards and prepares legislation, while 13 Länder administrations implement the legislation, measure land, perform compliance and acreage controls, and pay farmers. The administrative structures of the Länder differ, but all Länder use fairly decentralised structures to implement the farm payments system. In some states county (similar to districts or boroughs) administrations implement the payment model (eg, Brandenburg), while other states use specialised agencies with local offices (eg, Bavaria), and some even authorise regional Chambers of Agriculture to make farm payments (eg, Lower-Saxony).

13. High level coordination between BMELV and the Länder is achieved through biannual meetings of the ministers of agriculture and a preceding preparatory meeting of the state secretaries from the ministries of agriculture. At the working level, BMELV chairs regular working group meetings between the implementation units of the Länder ministries, which usually convene every three weeks for a couple of days.

14. During the implementation of the single payment scheme the organisational structures used for implementation in the Länder stayed largely unchanged, although capacity was increased in some Länder. In Bavaria for example, the structure of the local offices of the specialised agriculture agencies allowed for some transfer of staff from the advisory services to the processing of applications, even if this meant that higher ranking civil servants had to perform subordinate tasks temporarily. In Brandenburg, the county administrations were able to shift resources to the farm payment units when needed. However, while the primary implementation units in Brandenburg’s counties remained the same, the control

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7 The minimum acreage of 0.3 ha is established in federal law (§10, der dritten Verordnung über die Durchführung von Stützungsregelungen und gemeinsamen Regeln für Direktzahlungen im Rahmen des Integrierten Verwaltungs- und Kontrollsystems (InVeKoS) vom 3. Dezember 2004 [Bundesgesetzblatt I Seite 3194]). The minimum payment amount of €100 is established in § 4 of the same directive (listed directly above).

8 Single farm payments in the city-states are administered by neighbouring states: Berlin is administered by Brandenburg, Bremen by Lower Saxony and Hamburg by Schleswig Holstein respectively (BMELV 2005).

9 Chambers of agricultures are governed by a body elected by all farmers and forest owners, and members of other rural professions. Chambers of agriculture perform some tasks on behalf of the government.

10 Interview with official from the Bavarian Ministry of Agriculture and Forestry (StMLF).
unit was restructured and centralised, which led, according to a ministry official, to substantial problems in finishing controls in time, as new staff had to be trained for control and monitoring tasks.

**Implementation of single payment scheme had been problematic in the first year**

15. The implementation of the single payment scheme had been problematic in the first year.\(^{11}\) There were three main causes of delays of payments in 2005: the determination of entitlements, the Geographic Information Systems used by the federal states and cross-compliance. As a result, the Länder governments resorted to partial payments in September 2005 when it became clear that a single final payment could not be made by December 2005. All final payments had been made at the end of June 2006.

16. One of the main problems of the first year of implementation resulted from cross-border applications for entitlements. While farmers only have to apply in one Land to their respective local authorities, the Länder needed to exchange data on applications to process applications with land in more than one Land. To avoid delays in this process, each Land was obliged to report on land applied for in other Länder before a certain cut-off date, but frequent corrections after the reports had been submitted undermined these cut-off dates. This resulted in delays in determining the total number of entitlements requested for a specific region.

17. The system of special entitlements for fruit, vegetable and potatoes (FVP) had been difficult to implement. As the whole national ceiling was distributed to the Länder, there was no national reserve which could have been used to distribute entitlements for cases of hardship or opposition proceedings. The total number of entitlements was in most Länder lower than the demand, because there were applications from new claimants who had not claimed any payments previously. This led to two problems:

   - The final value of an FVP entitlement could only be calculated after all applications had been received. In some cases, the value of the entitlements had to be reduced for entitlements which had already been distributed to the farmers.
   - The cross-border coordination proved difficult. Every Land receives the applications of its resident farmers and then reports on the number of entitlements applied for by its farmers in other Länder. However these reports were frequently revised, requiring readjustment of the entitlement value.

18. Crop rotation was not a problematic aspect of the FVP entitlements as interview contacts from BMELV and two Länder confirmed. The definition of the land use is dependent on the main crop, which could be easily defined in most cases.

19. In 2005 around 50,000 new claimants, mainly small and/or specialised farmers, applied for farm payments and entitlements. A total of around 378,000 farmers received payments,

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which amounted to total payments of €4.955 billion. In 2006, around 366,000 farmers received single farm payments, and the budgetary ceiling for payments will be at €5.419 billion. The slight decline in the numbers of applications can be explained with the ongoing structural change within the agricultural sector.

20. Since 2006 new statistics on the value of the distributed entitlements are available. Table 2.2 gives an overview of the entitlement values for 2005. The average entitlement value across land categories and between regions was €302.95 in 2005. In total 69.5 percent of all entitlements had a value between €200 and €400.

Table 2.2: Distribution of the value of entitlements of the 2005 scheme year in Germany

<table>
<thead>
<tr>
<th>Value of entitlement in €</th>
<th>≤ 100</th>
<th>&gt;100 to 200</th>
<th>&gt;200 to 300</th>
<th>&gt;300 to 400</th>
<th>&gt;400 to 500</th>
<th>&gt;500 to 1,000</th>
<th>&gt;1,000</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of distributed entitlements (thousands)</td>
<td>789.4</td>
<td>2,029.7</td>
<td>4,926.3</td>
<td>6,841.9</td>
<td>1,673.4</td>
<td>654.0</td>
<td>22.5</td>
<td>16,937.3</td>
</tr>
<tr>
<td>Percentage of all entitlements</td>
<td>4.7</td>
<td>12.0</td>
<td>29.1</td>
<td>40.4</td>
<td>9.9</td>
<td>3.9</td>
<td>0.1</td>
<td>100</td>
</tr>
</tbody>
</table>

1 The total presented might differ from the sum of the categories due to rounding-off.

Source: BMELV (2007)

21. Table 2.3 shows the distribution of the value of entitlement each farmer or farming business holds. More than half of the farmers hold a total value of entitlements of €5,000 Euro or less, equalling 6.5 percent of the total value of entitlements distributed. In 2006, there were around 9,700 farmers holding entitlements with less than the required €100 to receive payments. As the value of these entitlements will rise with the phasing out of the historical payments, some of these farmers will become eligible for payments. It is, however, difficult to estimate how many of these farmers might be eligible in the future.

Table 2.3: Value of entitlements per farmer for the 2005 scheme year in Germany

<table>
<thead>
<tr>
<th>Total value of all entitlements per farmer in €</th>
<th>≤5,000</th>
<th>&gt;5,000 to 10,000</th>
<th>&gt;10,000 to 20,000</th>
<th>&gt;20,000 to 50,000</th>
<th>&gt;50,000 to 100,000</th>
<th>&gt;100,000 to 300,000</th>
<th>&gt;300,000</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmers/working proprietors</td>
<td>no.</td>
<td>198,122</td>
<td>62,402</td>
<td>61,014</td>
<td>48,854</td>
<td>8,219</td>
<td>3,437</td>
<td>1,642</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>51.6</td>
<td>16.3</td>
<td>15.9</td>
<td>12.7</td>
<td>2.1</td>
<td>0.9</td>
<td>0.4</td>
</tr>
<tr>
<td>Total value of entitlements</td>
<td>m€</td>
<td>332.6</td>
<td>448.4</td>
<td>875.3</td>
<td>1,461.7</td>
<td>545.7</td>
<td>575.3</td>
<td>892.1</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>6.5</td>
<td>8.7</td>
<td>17.1</td>
<td>28.5</td>
<td>10.6</td>
<td>11.2</td>
<td>17.4</td>
</tr>
</tbody>
</table>

Source: BMELV (2007)

12 The total numbers receiving entitlements is however slightly higher, around 383,000; however not all of these farmers qualified for payments above the €100 limit.

13 Interview with BMELV officials.
The potential problems around payments were largely mitigated in 2006

22. In 2006 the processing of single farm payments was largely unproblematic. All but two Länder made full payments by the end of December. Schleswig-Holstein and Saarland resorted to partial payments of 90 percent and 80 percent respectively. By the end of December 2006, in total 97 percent (by value) of payments had been made, and at the end of June 2006 all payments had been made.\(^\text{14}\)

23. Most of the factors that had been sources of delay in 2005 had been one-off problems related to the distribution of entitlements and the switch to a new reference system. In addition, there was no new land coming into the system. There were however a couple of challenges in 2006, which had the potential to delay the payments:

- The inclusion of the sugar top-ups, the partial de-coupling of tobacco support and the adjustment of the milk top-up required the recalculation of the individual top-ups to all entitlements. The increase of the sugar top-up was challenging, as the Council decision was only taken on February 20\(^\text{th}\) 2006,\(^\text{15}\) and the provisions had to be transposed into national law for implementation.\(^\text{16}\) At the meetings of the ministers of agriculture on September 29\(^\text{th}\) 2006 the Land of Brandenburg thus pointed out, as a note to the protocol, that full payments in 2006 could only be made if the value of entitlements could be determined in time.\(^\text{17}\)

- The delays of the previous year had resulted in a considerable backlog of applications which had to be dealt with in parallel with the incoming new batch of applications, stretching the implementation capacities of the Länder.  

- Data exchange between the Länder surfaced again as a problematic issue: during their meeting in September 2006, the meeting of agricultural ministers pointed to the importance of meeting the agreed dates for data exchange, as some Länder lagged behind in reporting.\(^\text{18}\)

24. The timetable for the 2006 payment round was considered to be tight by the participants. To monitor the risks associated with this timetable, the implementation working group chaired by BMELV kept a rolling timetable, which indicated delays in the implementation.

\[^{14}\text{Provisional numbers provided by BMELV contact. The numbers indicate the percentage of the national farm payment ceiling that had been paid out. At the end of June 2006, Germany had paid out 98.8 percent of its national farm payment ceiling. As a small percentage of the ceiling usually does not get used, due to unused entitlements etc., this effectively equals full payment.}\]

\[^{15}\text{Council Regulation (EC) No. 318/2006.}\]

\[^{16}\text{The Betriebsprämiendurchführungsgesetz (Single payment scheme implementation law) was passed on May 30\(^\text{th}\), the supporting ordinance (Verordnung zur Änderung der Betriebsprämien - Durchführungsverordnung und der InVeKoS-Verordnung) regulating the application process for the sugar payments, came into force on April 29\(^\text{th}\).}\]

\[^{17}\text{Ergebnisprotokoll der Agrarministerkonferenz am 29. September 2006. (Protocol of the Meeting of Agricultural Ministers).}\]

\[^{18}\text{Ibid., This statement can be interpreted as an attempt to increase pressure on the few Länder which were causing delays in the data exchange process.}\]
As part of these monitoring efforts, the Länder had to report frequently on the progress of the implementation.

25. During the year, partial payments were discussed several times by officials in the working group. Before the summer recess, there were dissenting views whether the target of full payments in December could be met and whether to go for a partial payment, as recalculating the value of the entitlements proved difficult and cross Länder applications were problematic due to delays in data exchange. In addition, new demands for partial payments were voiced from the farmers’ union as a response to drought-related losses of harvest in some North and East German Länder. These demands were rejected by the Länder and federal government on the ground that early partial payments would create additional administrative difficulties and would delay the final payment beyond December. The farmers’ union subsequently focused its attention on demanding full payments by December 2006. As the processing of applications progressed promisingly in early autumn 2006, the ministers of agriculture on September 29 confirmed their determination to make full payments by end of December 2006. After the increase in the entitlements had been successfully implemented in October, the Bund-Länder working group agreed on October 17th and 18th 2006 to proceed with the preparations for full payments in December 2006.

26. Two Länder, Schleswig-Holstein and Saarland, were not able to make full payments in December 2006 and resorted instead to partial payments, as allowed by European Commission Regulation EC 1540/2006. Little can be said on the reasons for this delay, as no research has been conducted into the implementation in these two Länder. Schleswig-Holstein implemented major changes to its reference system by including eligible landscape features into the database, while Saarland seemed to have suffered from general capacity issues, being the smallest of the Länder implementing the payments.

27. The transfer of entitlements started in April 2006, after entitlements had been finally distributed to most farmers and had been, according to our interviews, an unproblematic aspect of the introduction of farm payments. The transfer of entitlements is organised to reduce the involvement of the public authorities. Entitlement sellers and buyers agree on a


21 Ibid.


sale in a contract under private law and then register the sale in a central online-database themselves. The registration in the database serves to notify the authorities of the sale. There are, however, cases, including the lease of entitlements and trade in entitlements from the national reserve, where the authorities have to be contacted.24

28. As part of the online database each farmer has an online account of his entitlements, comparable to an online banking tool (see Figure 2.2 below), which allows the farmer to see the unique identification number for each entitlement, value of the total number of entitlements, the value of the entitlements, special characteristics (eg, from national reserve or with FVP entitlements), the last date of use, whether it can be activated by set-aside land, etc. In order to familiarise users with the system, there is a publicly available virtual training mode, where entitlements can be traded using virtual companies. This database also supports the application process, as farmers can use automated sorting functions to make optimal use of the own entitlements.

Germany successfully overcame the first year’s payment problems and paid out second year payments on time

29. Germany managed to successfully overcome the problems which had lead to delays in the first year of payment and to master the challenges in 2006 to make a very large share of payments on time in 2006. A number of factors identified in this report might have contributed to this success:

- A number of problems had been one-off matters and were solved in the first payment year;
- The federal level plays a very active role in coordinating and monitoring the implementation activities of the Länder. The federal level monitored progress against defined timelines and would have been willing to invoke a contingency plan of partial payments if major delays had occurred;
- Implementation could largely take place in established administrative structures, which were in addition able to increase capacity in the short term;
- Close contacts with the farmers’ representatives were used to communicate progress to the farmers and to manage their expectations.

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24 www.zi-daten.de
### Figure 2.2: Screenshot of entitlement database in Germany

The screenshot shows a database interface with several columns and data entries. Here is a breakdown of the information visible:

- **Value of entitlement in €**: The value of each entitlement is listed in euros. For example, one entry shows a value of 1,000 €.
- **Type of entitlement**: The types include set-aside (S), standard (N), and special (B) entitlements.
- **Last use**: Indicates whether the entitlement has been used in the last 12 months (yes) or not (no).
- **Number of entitlements with same value**: The number of entries with identical value.
- **Reference number of entitlements**: Unique identifiers for each entry.
- **Share of national reserve > 20%**: Indicates if the entitlement is part of the national reserve with more than 20%.
- **Status of the entitlement**: The status can be owned, leased, or sold.

The data is sourced from [http://www.zi-daten.de/ZidTest/za_regist.aspx](http://www.zi-daten.de/ZidTest/za_regist.aspx).

The table and diagram provide a detailed view of the entitlements, allowing for analysis of distribution, value, and usage patterns.
3. Finland

The decision on the Finnish model was negotiated between the government and stakeholders

30. The reforms of the European Common Agricultural Policy took place against the background of rapid structural change of the Finnish agriculture, triggered by Finland’s accession to the European Union in 1995. Around 27,000 farmers have given up farming since 1995, which is a decrease of 28 percent from 1995 to 2006. However, the introduction of the single payment scheme slowed this development down. At the same time, the average size of farms grew by 43 percent to now 32.62 ha per farm (see Figure 3.1). Finnish agriculture is however still dominated by the family farming model, with 88.4 percent of farms being privately owned and another 10.4 percent being owned by heirs, and family companies and corporations.25

Figure 3.1: Numbers of farm and farm size in Finland
SOURCE: Agrifood Research Finland (2007)

31. Following the European decision on the reform of the Common Agricultural Policy (CAP) in June 2003, an intensive discussion about a Finnish payment model began. Given the

complexity and scope of the reform, the government set up a number of specialist groups to prepare the political decisions and the implementation of the model to be used.

Figure 3.2: Preparation and implementation groups in Finland

32. Figure 3.2 (above) provides an overview of the structure chosen for implementing the CAP reform. On the European level, the various management committees on agricultural issues and, in particular, the management committee for direct payments were involved in preparation and implementation of the single payment scheme. The political preparation in Finland, i.e. the decision-making process that led to the main features of the system, was coordinated by a high level steering group, chaired by the director general of the Ministry of Agriculture and Forestry’s agricultural department. Deputy directors and head of units were members and the ministry of finance was involved in the work. This group steered and coordinated the work of the other groups and prepared the proposals for the minister of agriculture on key questions. The political deliberations and negotiations took place in the preparation groups, which had a broad range of participants from the department’s policy and implementation divisions, the two farmers’ unions, the agricultural research


26 “Policy division” and “executive division” refer to the respective divisions in the Ministry of Agriculture and Forestry; prep. = preparation; wg = working group.

27 There are two farmers unions in Finland: The Central Union of Agricultural Producers and Forest Owners (MTK) has 164,000 for the majority of Finnish speaking farmers and it’s sister organisation The Central Union of Swedish-Speaking Agricultural Producers in Finland (SLC), which has 16,500 members in the Swedish speaking areas of Finland, along the southern portion of the west coast on the Baltic and along the western part of Finland’s southern coast.
institutes as well as other advisory organisations. The main tasks of these groups were to create a common position by communication and negotiation on the policy and to prepare political decisions. To prepare the implementation after the basic decisions had been taken, a number of working groups were established, consisting of staff from the implementation (or executive) and policy divisions of the Ministry of Agriculture and Forestry and the Information Centre of the Ministry of Agriculture and Forestry in Finland (TIKE), which provides IT services to the department. These working groups defined timetables and implementation processes and advised on how different political decisions would affect implementation.28 Finally, a number of IT tasks were dealt with by IT-project groups. These projects combined staff from the ministry’s implementation division, from TIKE, and external IT consultants.

33. Early in 2004, the first decisions on the new model were made. The preparation group for the single payment scheme agreed on March 2nd 2004 that introducing SPS as soon as 2005 would involve considerable risks and that more time would be needed to discuss different alternatives, pass the supporting national legislation and to create implementation processes and IT systems.29 This decision to start with payments in 2006 was subsequently confirmed by the government. The main characteristics of the farm payment system were agreed on by the preparation group for the single payment scheme after intense negotiations on May 26th 2004. This agreement served as the foundation for the government’s decision on the principal elements of the farm payment system, announced on June 10th 2004. 30 Finland would opt for a dynamic hybrid model with regional differentiation in the flat rate payments, but without distinguishing between different kinds of land (arable land, permanent pasture, grassland). Through their involvement in the preparation groups, the farmers’ representatives had an influential role throughout the decision-making process and were informed about the progress of the implementation. The involvement of the farmers’ unions followed established Finnish practice of close cooperation with the stakeholders. For the national support scheme, the Finnish government is, for example, required by law to have negotiations with the farmers’ unions prior to making decisions.31

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31 This so called “förhandlingsrätt”, (right to negotiate) is codified in the Act on National Aid for Agriculture and Horticulture (1559/2001) (Lag om nationella stöd till jordbruket och trädgårdsodlingen)
Table 3.1: SPS Timeline Finland

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>CAP reform agreed at the European level: decoupling, modulation, cross-compliance.</td>
</tr>
<tr>
<td>September 29th</td>
<td>2003/1782/EC Regulation: Rules for direct payments within the CAP-framework with certain support stipulations for owners of farms.</td>
</tr>
<tr>
<td>Autumn</td>
<td>Steering group and preparation groups constituted.</td>
</tr>
<tr>
<td>2004</td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>Work in the preparation and working groups starts.</td>
</tr>
<tr>
<td>March 2nd</td>
<td>Government and farmers unions agree to introduce farm payments in 2006, as “an introduction in 2005 would entail considerable risks.”</td>
</tr>
<tr>
<td>April 21st</td>
<td>2004/795/EC Commission Regulation: Laying down detailed rules for the implementation of the single payment scheme. Including Modulation, cross-compliance and IACS.</td>
</tr>
<tr>
<td>May 26th</td>
<td>Government and farmers’ unions reach an agreement on the main characteristics of the system.</td>
</tr>
<tr>
<td>June 10th</td>
<td>Based on this agreement the government announces that it will introduce a regionalised, dynamic hybrid model by 2006.</td>
</tr>
<tr>
<td>2005</td>
<td></td>
</tr>
<tr>
<td>March 18th</td>
<td>Government bill on the farm payment model.</td>
</tr>
<tr>
<td>June 16th</td>
<td>Opinion of the parliamentary committee.</td>
</tr>
<tr>
<td>July 15th</td>
<td>Act on the implementation of the single payment scheme passes parliament.</td>
</tr>
<tr>
<td>11 November</td>
<td>End of application period for applications demanding individual top-ups, for fruit vegetable and potato growers.</td>
</tr>
<tr>
<td>2006</td>
<td></td>
</tr>
<tr>
<td>February 20th</td>
<td>Council of Agricultural ministers adopts the sugar market reform (Council regulations No 318/2006; No 319/2006 and No 320/2006).</td>
</tr>
<tr>
<td>April 28th</td>
<td>End of application period for payment entitlements and 2006 SPS.</td>
</tr>
<tr>
<td>June 15th</td>
<td>End of application period for sugar top-ups.</td>
</tr>
<tr>
<td>October 12th</td>
<td>Ministry of Agriculture announces regional acreage premiums.</td>
</tr>
<tr>
<td>December 7th</td>
<td>Ministry of Agriculture announces that “almost all farmers will be paid before the end of December.”</td>
</tr>
<tr>
<td>20 December</td>
<td>99.3 percent of farmers have received payments.</td>
</tr>
<tr>
<td>2007</td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>Farmers receive payment entitlements.</td>
</tr>
<tr>
<td>April 1st</td>
<td>System to transfer entitlements running.</td>
</tr>
<tr>
<td>April 30th</td>
<td>End of application period for 2007 SPS.</td>
</tr>
<tr>
<td>June 2007</td>
<td>Remaining farmers paid if eligible.</td>
</tr>
</tbody>
</table>

34. Contacts from the implementation division within the Ministry of Agriculture and Forestry confirmed that various options from a purely historical to a simple flat rate model had been discussed and that, aside from the economic consequences, implementation questions had also been discussed. From an implementation perspective, the chosen model had been judged to be the most expensive and time consuming. The implementation division had made it clear during the process that a sufficient timeframe would be needed if this model were to be chosen. The decision to select the dynamic hybrid model was, however, driven mainly by political considerations. The aim of the government as well as the farmers’ unions was to avoid large redistribution between types of farms and regions. Furthermore, the government was keen to find a solution which would support further
structural change towards a competitive agricultural sector, which had started with Finland joining the European Union in 1995. It took, however, until July 15th 2005 for the single payments law to be passed, and a further two months until the supporting government decree was passed (September 22nd 2005). Table 3.1 gives a timeline of the introduction of single farm payments in Finland.

35. In preparation for the decision on the single payment scheme, Finnish officials visited Germany and Denmark; there were also extensive contacts with Sweden during the implementation phase. These three countries are referred to in the government’s farm payment bill. In addition, Finland participated in meetings involving other member states introducing a hybrid model, where the Finnish “listened and learned”, as one official described it. The visit to Germany was at an early stage of the decision-making process and served the purpose of learning more about the German hybrid model, as well as to exchange views on how to interpret the European regulation.

**Finland introduced a regionalised dynamic hybrid model**

36. Finland introduced a regionalised, dynamic hybrid farm payment model. The model comprises a regional flat rate and historical payments, based on the support a farm received during the reference period 2000–2002. In addition, Finland decided to continue with a number of coupled payments for bovine support.

37. Within the SPS, around 86 percent of all payments are made as flat rate payments and 14 percent of payments are based on historical payments. CAP support is, however, of lesser importance to the income of farmers in Finland than in other countries. In 2006 CAP support contributed to only 30 percent of all agricultural support. Figure 3.3 (below) gives an overview of which programmes had been included in which part of the new single payment scheme. In contrast to England or Germany, Finland decided to keep as many of the bovine support schemes coupled as possible, while decoupling most of the crop and vegetable production. Finland chose to apply a de minimis farm size of 0.3 hectares; milk and livestock farmers, having special entitlements, do not need to have a minimum

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53 Government Decree on the Implementation of the Single Farm Payment Scheme (758/2005) (Statsrådets förordning om verkställighet av systemet med samlat gårdsstöd)


55 MMM(2006): Single Payment Scheme in Finland, presentation by Sami Iltanen

56 Ibid.

57 Farmers can apply for coupled payments in the same application process as the single payments and the national subsidy schemes.
amount of land to claim payments. There is a *de minimis* payment amount of €50 and a minimum parcel size of 0.05 hectares to be eligible to claim payments.³⁸

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³⁸ These limits follow the limits used for the national support schemes and are codified for 2006 in §20 and §3 of the Ministry of Agriculture and Forestry’s ordinance 406/2006 as of May 24th 2006 and for 2007 in §16 and §14 of the Ministry of Agriculture and Forestry’s ordinance 504/2007 as of April 27th 2007.

39. The dynamic component of the system will lead to a gradual reduction of the historical payments until 2016, starting in 2011. This late reduction of the historical element is a concession to the farmers’ unions, which wanted to introduce the reduction as late as possible to help the farmers adapt to the new payments system. Table 3.2 gives an overview of the steps for the reduction of payments until 2016. In 2014 and 2015, for example, only 35% of the historical payments of 2006 will be made to the individual farmer.

### Table 3.2: Reduction of historical payments in Finland (2006)

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of historical payment compared to 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006–2010</td>
<td>100%</td>
</tr>
<tr>
<td>2011–2013</td>
<td>70%</td>
</tr>
<tr>
<td>2014–2015</td>
<td>35%</td>
</tr>
<tr>
<td>2016</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: Law (557/2005) and law (618/2006)

The implementation of the single payment scheme is largely decentralised to the municipal level.

40. The single payment scheme is implemented in Finland in a unified yet highly decentralised system. At the national level, the Ministry of Agriculture and Forestry (MMM) sets policy and took the lead in preparing the implementation of the system. The Ministry’s agriculture department used to be split into a policy and an implementation or executive division, which were responsible for developing the main policy decisions, and preparing...
and coordinating the implementation of the scheme respectively. However, taking effect in May 2007, broad competences of the implementation division and parts of TIKE, the Information Centre of the Ministry of Agriculture and Forestry in Finland, were hived off into the new Agency for Rural Affairs (MAVI). This was partly as a result of European pressures to create a single payment agency, partly a consequence of government policy to spread government agencies across the country and to reduce the size of the large Ministry of Agriculture and Forestry. At the regional level, fifteen Employment and Economic Development Centres (TE-centres) conduct controls, decide upon the distribution of entitlements from the national reserve and monitor the processing of applications by the municipalities. The 416 municipalities conduct the bulk of the implementation work by processing and deciding about the applications from the local farming businesses.

41. In the justification for the government bill from March 18th 2005 the government estimated that the new farm payments system would require an increase of capacity at each TE-centre of 1.5 full-time equivalents to maintain the entitlement database, while it was expected that the municipalities would be able to implement the system within their existing capacities. In particular, the bill stated that no organisational adjustments had to be made to implement the single payment scheme. The basic implementation structures at the local and regional level thus remained the same throughout the process. However, the creation of the new Agency for Rural Affairs which was to be hived off the ministry and relocated between 2008 and 2011 led to increased staff turnover in the implementation division of the Ministry. This resulted in, as one of our contacts pointed out, a loss of organisational knowledge during the implementation phase, with only few people staying within the division throughout the process.

42. Overall, the total staffing levels available for the implementation of the single payment scheme have been small in Finland. A ministry official provided us with an estimate of the staff resources involved with the implementation of SPS (see Table 3.3).

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Staff estimate as full time equivalents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Agriculture and Forestry</td>
<td>1.5 (during the implementation stage 3 FTE in policy division and 3 in implementation division)</td>
</tr>
<tr>
<td>MAVI</td>
<td>1.5</td>
</tr>
<tr>
<td>TIKE</td>
<td>1.5 (4 during the implementation stage)</td>
</tr>
<tr>
<td>A typical TE-centre (15×)</td>
<td>0.5</td>
</tr>
<tr>
<td>A typical municipality (416×)</td>
<td>Less than 0.1 (typically there are 1–2 persons in each municipality and they take care of all subsidy systems)</td>
</tr>
</tbody>
</table>

SOURCE: Communication with Ministry of Agriculture and Forestry

Finland made payments to 99.3 percent of farmers in December 2006

Overall, the implementation of farm payment in 2006 was successful in Finland. By the end of December 2006 99.3 percent of farmers had received their single farm payments. Only some disputed cases, cases where controls could not be finalised and cases with special entitlements had to be postponed into 2007. By the end of June 2007, a total of €493 million of single payments had been paid out to farmers in Finland for 2006.

Nevertheless, throughout 2006 it had remained unclear whether full payments could be made by December 2006. The implementation division within the ministry had been sceptical during 2006 and felt that it would be too risky to promise full payments by the end of 2006. The staff assessed that February/March 2007 would be a more realistic date for full payments, as they expected problems with the establishment of entitlements. With parliamentary elections coming up in March 2007 and increasing pressure from the farmers’ unions, the political leadership of the ministry stayed committed to the end of year payments in 2006. As a later payment date would have had negative effects on the farmers’ cash flow and tax payments, the Central Union of Agricultural Producers and Forest Owners was particularly forceful in stating that payments should be made in 2006. Only in late autumn 2006, when the entitlements had been established for a total of 2,289 million hectares, did it become clear that full payment by end of December would indeed be possible.

Although discussed at some occasions during spring and summer 2006 within the implementation division of the Ministry of Agriculture and Forestry, the option of partial payments was never pursued further, as officials were deterred by the additional administrative effort that partial payments would have required. In addition, the ministry was confident that all payments could be made in spring 2007, so postponing the payments rather than making partial payments was the preferred contingency option.

In April 2006 the press reported some fears among TE-centres that the single payment scheme will lead to a surge in applications similar to that in Denmark where 23,000 new farms applied in the first year of payments. Despite these fears, the number of applications remained largely stable between 2005 and 2006. In 2005, 65,219 farmers applied for support on CAP and forage area, and 68,764 applied under all support schemes. In 2006, 68,467 farms had applied and been granted single payments. This meant effectively at least a temporary hold in the strong decline of farms witnessed since 1995 (see above). The land within the single payment scheme increased considerably from 2,086,163 ha in the CAP and forage area in 2005 to 2,289,601 ha in the new single payment scheme. This, however, still remains below the area included in all support

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41 As in the case of Germany, end of December is the traditional date when farmers receive their government support in Finland. As most of the farmers calculate with this cash flow at this point, a postponement might create difficulties for the farmers, as repayments for loans and credits are scheduled according to this cash flow.

42 Interviews with representatives from the Ministry of Agriculture and Forestry and representatives from the Central Union of Agricultural Producers and Forest Owners.

schemes in 2005 of 2,300,480 ha. According to our contacts, the new land was mainly arable land in the north of Finland and permanent pasture.

47. Although the implementation went relatively smoothly, the officials interviewed for this report identified some challenges throughout the implementation process:

- The European decision on the reduction of sugar prices in February 2006 came late in the process and had to be included into the historical top-ups, after the national regulation had been issued by the ministry in May 2006.
- The development of the application processes and the software could only fully start after all relevant national legislation had been passed in June and September 2005.
- There were delays in the delivery of the IT system because the complexity of the system had been underestimated, and changes had to be incorporated throughout the process. As a result, the budgets for implementation and the development of the IT system were overrun. The costs for the IT project nearly doubled from the 2004 estimate to €3.8 million.  
- The large staff turnover in the Ministry’s implementation division hindered the work of the division, as organisational knowledge was lost and new staff had to be trained.

48. To ease the pressure on the TE-centres and municipalities, the Finnish government chose to have two application periods for the 2006 payments. A first round for farmers applying for historical top-ups and fruit and vegetable authorisations, and special entitlements closed on 11 November 2005. The main application round closed on April 28th 2006. In addition, a third application period had to be opened later to incorporate the sugar market payments, closing on June 15th 2006.

49. The establishment of special fruit, vegetable and potato entitlements created additional complexity in the system as the authorisations had to be established. There was, however, sufficient historical data on growth and areas available to create these. Fruit, vegetable and potato growers were contacted to confirm the existing data; if the data were no longer accurate, they had to apply for an expansion of their authorisations by November 11th 2005. After provisional notifications of the number of authorisations had been sent out in March 2006, the value of these rights had to be adjusted later on, as the total eligible land exceeded the national ceiling of authorisations. Given Finland’s shorter vegetation period, crop rotation had not been a problem in the definition of the land use over the year.

50. To calculate and administer the entitlements, the Ministry for Agriculture and Forestry decided to develop a supplementary IT system and to retain the existing IACS payment system which had been modernised in 2001. While no detailed comparison of costs had been made between designing a single payment and database system, the policy was to separate the entitlement database, as it was considered overly complex to include it into the existing system.

51. The system to transfer entitlements became operational at the beginning of April 2007. Although it is ultimately based on a national database, farmers still have to use

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44 Personal communication with the Ministry of Agriculture and Forestry.
conventional paper-based applications to the municipalities to register changes in the
ownership of entitlements. If changes to the ownership of entitlements have been made,
the farmers receive an updated form detailing the entitlements they hold.\(^{45}\) This form
provides a tabular account of the available entitlements, detailing:

- The ownership status (e.g., lease)
- The total number of same entitlements
- The value of the flat rate, the historical top-up and the sugar top-up element
  within the entitlements
- The total value of entitlements
- FVP authorisations
- Entitlements out of the national reserve
- Date of last use
- A list of special entitlements and their value.

52. The introduction of online transfer and application mechanisms is considered desirable by
the Ministry of Agriculture and Forestry and MAVI; however budgetary constraints make
it unlikely that such tools will be introduced in the near future.

**The single payment scheme was successfully implemented in Finland**

53. Overall, Finland managed to implement the single payment scheme successfully and make
first year payments within the originally envisaged timeframe. Considerable risks to the
timely payment had however persisted until late in the process. A number of factors
identified in this report might have contributed to this success:

- The Finnish decision to postpone the implementation of the single payment scheme to
  2006 was based on a realistic assessment of the necessary implementation work and
  allowed for more thorough decision-making and longer preparation of
  implementation.
- In comparison to other Member States, Finland did not have to cope with a large
  number of new applicants and a substantial increase in farming land.
- Finland’s decentralised system of making farm payments remained unchanged and
  allowed for short-term capacity increases to accommodate for the peaks created by the
  distribution of entitlements. In addition, the Ministry of Agriculture and Forestry
  decided to spread the workload by introducing multiple application deadlines.
- The farmers’ unions were closely involved in decision-making and were kept up to
date on the progress of implementation.

\(^{45}\) Entitlement form 103A (*Stödrättighetsblankett Nr. 103A*).
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Appendix A: List of interviews

The successful completion of this work depended on the availability of detailed information on the introduction and functioning of the Single Farm Payment Schemes in Germany and Finland. For this report, we thus conducted 11 semi-structured interviews with key-informants from both countries and the European Commission. The interviews were conducted via telephone or face-to-face between July 12th 2007 and September 6th 2007.

Germany (three interviews)

- Bundesministerium für Ernährung, Landwirtschaft und Verbraucherschutz (Federal Ministry of Food, Agriculture and Consumer Protection).
- Bayerisches Staatsministerium für Landwirtschaft und Forsten (Ministry for Agriculture and Forestry of the State of Bavaria).

Finland (seven interviews)

- Maa- ja metsätalousministeriö/ Jord- och skogsbruksministeriet (Finnish Ministry of Agriculture and Forestry).
- Maaseutuvirasto/ Landsbygdsverket (MAVT) (Finnish Agency for Rural Affairs).
- Maa- ja metsätalous tuottajain keskusliitto (MTK), (The Central Union of Agricultural Producers and Forest Owners).
- Svenska lantbruksproducenternas centralförbund (SLC), (The central union of Swedish-speaking agricultural producers in Finland).

Europe (one interview)

- The European Commission, Directorate-General for Agriculture and Rural Development (DG AGRI).
Appendix B: Interview protocols

For each key-informant interview, an interview protocol was used to structure the discussion and help the informants to prepare for the interviews. The interview protocol was amended as the research progressed. This appendix contains two interview protocols used in Finland and Germany respectively.

Finland

The National Audit Office (NAO) has commissioned RAND Europe to undertake an analysis of the introduction of Single Farm Payments in Germany and Finland. This study will be an annex of a wider NAO ‘Value for Money’ investigation into the way the single payment scheme was introduced in England.

Given that Germany introduced Single Farm Payments to a similar timescale and on an equivalent basis to the scheme in England, an international comparison could shed light on the relative success of the introduction of payments in England and might draw out examples of interesting practice in terms of the technicalities of the scheme introduced in Germany and any remedial steps taken to address problems in the processing of farm payments.

Besides England and Germany only Finland adopted the so called “dynamic hybrid model” for single farm payments, which gradually shifts farm payments from the historic, production based amounts to a new flat rate per hectare. In contrast to England and Germany, Finland only started implementing the system in 2006. An evaluation of the introduction of the Single Farm Payments in Finland might generate valuable lessons, as the first round of payments had been apparently paid out in a timely fashion.

RAND Europe has been a strategic partner of the NAO for the last four years. In this capacity RAND Europe has undertaken several value for money studies for the NAO as well as contributing to parts of such studies. RAND Europe is an independent not-for-profit policy research organisation that aims to serve the public interest by improving policymaking and informing public debate. Its clients are European governments, institutions, and firms with a need for rigorous, impartial, multidisciplinary analysis.
Introduction

1. Could you give a brief introduction of your organisation and your position in the organisation?

2. Could you give a brief overview of the Finnish farm payment system?
   - Who is responsible for making the payments?
   - What are the roles of the different organizations (ministry, agency, municipalities)?

Deciding on the dynamic hybrid model

3. EU rules offered discretion to member-states to decide on how to decouple direct payments. Which alternative models were discussed in Finland?

4. What were the decisive factors in the choice of the current model? Did the government change its ideas or was their choice always clear and consistent?

5. Were other countries studied during the decision-making process?

6. Did an ex-ante analysis/evaluation of the possible impact take place?

7. Where external stakeholders such as the farmers’ unions involved in the decision making process?

8. How were they involved in the process?

9. Was administrative complexity part of the initial discussion about which model to choose?

10. Were remedial steps discussed before implementation (i.e. were contingencies in place, such as partial payments?) How well thought out was the government strategy?

11. Why did Finland choose to implement the system in 2006, where there considerations of introducing the system already in 2005?

12. When, how and why was the decision taken to implement the system in 2006?

13. Why are the top-ups, compared to other countries faded out so late in the process?

14. Was there communication between the policy and the implementation units about the implementation of the model during the decision-making process?

The new single farm payments (gårdsstödet):

15. What are the main characteristics of the model?

16. Are there de-minimis limits for farm-payments (€ or ha)?
Implementation of the new model

17. Could you give a brief timeline of key events from the decision of the CAP reform in 2003 until the final payments in December 2006?

18. Did Finland learn from the other two countries that introduced a dynamic hybrid model before (England, Germany)?

19. When did preparations for the implementation of the new model take place? What were the specific measures or preparations?

20. Which administrative measures were associated with the initial implementation of decoupled payments? Was a risk analysis done before implementation?

21. Did a clear implementation strategy exist? Was the implementation plan communicated to the stakeholders?

22. Was Finland well prepared?

23. Which problems emerged in the course of 2006? What are the main causes of these problems?

24. How did the Finnish government tackle the issue of mapping? What was the system of mapping and how was it implemented? What was done to address specific problems?

25. Were there any specific problems with the IT system? Did the IT system hinder or facilitate payments?

26. Were there any problems with the special fruit, vegetable and potato growers? Is crop rotation an issue for fruit, vegetable and potato growers?

27. How is the system to transfer entitlements between farmers working? Have there been any major problems?

28. Did the SPS lead to an increase in the number of claimants?

29. Did the SPS lead to an increase in land? Was this land already in the reference system?

Statistics and general information

30. The NAO wants to see if the following statistics for Finland can be found:
   - Number of existing claimants, before introduction of single payments
   - Number of new claimants since 2006
   - The distribution of the value of claims
   - The timing and value of payments

31. Is there any further material, in Swedish or English which might be useful to our research?
Germany

Interview Protocol

First payment round (2005)

1. When were the last payments made in 2005?
2. Did special problems occur with the establishment of FVP entitlements and FVP applications?
3. Were there discussions between the Länder and the federal government about the experiences and lessons learned from the first payment round?

Second application and payment round (2006)

4. Could you please give a brief overview of the second payment year (decisions/timeline)?
5. How do you evaluate the second payment year in general terms?
6. Which changes to the SPS have been made in the second payment year?
7. Did problems occur in the second payment year?
8. Did you conduct a systematic analysis of the first payment year’s problems? Did you learn from previous experiences?
9. Did you implement specific measures to avoid a delay in payments for 2006?
10. Did you discuss the option of partial payments? When did you decided not to go for partial payments?
11. How were members of the farming community involved?
12. What do you expect for the current (2007) payment round? Will payments be made on time?

Statistics and further material

13. The NAO wants to see if the following statistics for Germany can be found:
   - Number of existing claimants, before introduction of single payments
   - Number of new claimants since 2006
   - The distribution of the value of claims
   - The timing and value of payments
14. Is there any further material which might be useful to our research?