This product is part of the RAND Corporation technical report series. Reports may include research findings on a specific topic that is limited in scope; present discussions of the methodology employed in research; provide literature reviews, survey instruments, modeling exercises, guidelines for practitioners and research professionals, and supporting documentation; or deliver preliminary findings. All RAND reports undergo rigorous peer review to ensure that they meet high standards for research quality and objectivity.

TECHNICAL
REPORT

The Introduction of Single Farm Payments in Finland and Germany

Jan Tiessen, Christian van Stolk

Prepared for the National Audit Office

RAND EUROPE

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

Published 2007 by the RAND Corporation
1776 Main Street, P.O. Box 2138, Santa Monica, CA 90407-2138
1200 South Hayes Street, Arlington, VA 22202-5050
4570 Fifth Avenue, Suite 600, Pittsburgh, PA 15213-2665
Westbrook Centre, Milton Road, Cambridge CB4 1YG, United Kingdom
RAND URL: http://www.rand.org
RAND Europe URL: http://www.rand.org/randeurope
To order RAND documents or to obtain additional information, contact
Distribution Services: Telephone: (310) 451-7002;
Fax: (310) 451-6915; Email: order@rand.org

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.