

FINAL REPORT

Measurement data and analysis

as specified in the specific contracts 5&6 on Modules 3&4

under the Framework Contract n° ENTR/06/61

Report on the Agriculture and Agricultural Subsidies Priority Area

EU PROJECT ON BASELINE MEASUREMENT AND

REDUCTION OF ADMINISTRATIVE COSTS

June 2009

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Executive Summary

The European Commission has embarked on an ambitious 'Better Regulation' exercise aimed at a reduction of the administrative burdens for European business by 25% by 2012. A key part of its Action Programme consists of measuring the administrative costs for business of meeting obligations to provide information under selected items of the EU legislation and the relevant national implementing legislation. A Consortium consisting of Capgemini, Deloitte and Ramboll Management was engaged by the European Commission to carry out the measurement.

The Standard Cost Model (SCM) that was used for this measurement is a method for determining the administrative costs for business imposed by regulation. The SCM method is a way of breaking down regulation into a range of manageable components that can be measured. The SCM neither addresses nor questions the policy objectives of each piece of regulation. As such, the measurement and analysis focus only on the administrative activities that must be undertaken in order to comply with regulation, not on the benefits that accrue from the legislation.

This document is the Final Report on the Agriculture and Agricultural Subsidies Priority Area (PA). Part I of this report focuses specifically on the issue of import and export licences, and certificates for the export and/or import of agricultural products from/into the European Single Market. Part II is covering the results related to the measurement of the Single Payment Scheme (SPS) and the Single Area Payment Scheme (SAPS) under the Common Agricultural Policy (CAP)¹.

¹ DG AGRI is partly responsible for Regulation 1760/2000 (beef labelling). For the purposes of measures, this IO was allocated to the PA Food Safety

The main findings of both these areas are presented in the Box below.

Main findings in Priority Area Agriculture and Agricultural Subsidies

Licences, and SPS & SAPS

- On the basis of the Regulations in scope of the two separate measurements, a total of 29 EU IOs have been identified.
- Nine of these IOs are related to the Licence legislation. The remaining 20 have been identified in the CAP legislation.
- The total administrative costs of these 29 IOs are estimated at €4 billion EU-wide.
- Of the €4 billion of administrative costs, €3.8 billion equalling 95% have been classified as administrative burdens.
- One IO – “Applications for direct payments/single application” - accounts for €2.1 billion or over half (54%) of the total administrative costs caused by EU IOs. The IO stems from Regulation (EC) No 1782/2003.

The results related to the issue of import and export licences presented in [Part I](#) of this report are based on measurements conducted in six Member States, namely Belgium, France, Greece, Ireland, Poland and Romania together with existing data from the United Kingdom and partly Germany². This part of the report presents:

- The results of the measurement
- Cost data for all 27 Member States as input for the prioritisation and analysis of future simplification work
- Analysis of the measurement data

² The standard procedure of comparing data with previously conducted baseline measurements from Austria, Denmark, and the Netherlands has not been followed as the data for this policy area were found not to be complete. Instead, data for these Baseline Countries have been calculated by extrapolation. Limited data from Germany is available and has been included in relation to the two prioritised EU Information Obligations of “Applications for import and export licences”. The remaining data have been estimated by extrapolation.

- First suggestions collected during interviews and workshops on how to reduce the administrative burdens for business arising from the Information Obligations identified (IOs)³.

The legislation in scope of Part I of this report is:

Agriculture and Agricultural Subsidies

Commission Regulation (EC) No 1291/2000 of 9 June 2000 laying down common detailed rules for the application of the system of import and export licences and advance fixing certificates for agricultural products⁴.

Subject to certain exceptions laid down in Community rules specific to certain products, this horizontal Regulation sets out common rules for implementing the system of import and export licences and advance fixing certificates.

³ During the interviews and workshops with business and experts several initial simplification ideas were collected. A structured and detailed collection and analysis of possible reduction measures will be conducted during Module 5. Thus, this report only contains a summary of the suggestions gathered and does not represent a final list of the simplification suggestions.

⁴ This Regulation was codified and repealed by Commission Regulation EC 376/2008 of 23rd April 2008. Please also cf. Commission Regulation (No. 514/2008 of 9 June 2008) which has been adopted since and limits the list of products for which a licence is necessary

The main findings of Part I of the report are presented in the Box below.

Main findings in Priority Area Agriculture and Agricultural Subsidies - Licences

- On the basis of Commission Regulation (EC) No 1291/2000 of 9 June 2000, a total of nine EU IOs have been identified.
- The transposition of the nine IOs resulted in 243 national IOs across the 27 Member States.
- The total administrative costs of these 243 IOs are estimated at €12.7 million EU-wide.
- Of the €12.7 million of administrative costs, 94.9% (€12.1) have been classified as administrative burdens.⁵
- Of the €12.7 million of administrative costs, all 100% (€12.7) stem from EU Requirements, which mean that none of the costs are due to national obligations going beyond EU Requirements.
- Three IOs — “Application for licence – export”, “Application for licence - import” and “Submission of licence or certificate to customs office” — alone account for €10.7 million in administrative costs, representing 84% of the total administrative costs arising from EU IOs.
- The IOs all stem from Regulation No 1291/2000.

The mission of the Directorate-General for Agriculture and Rural Development (DG AGRI) is to promote the sustainable development of Europe's agriculture and to ensure the well-being of its rural areas⁶.

The measurement presented in Part I of the report has applied a focused approach to Regulation (EC) No 1291/2000 and has thus as a general rule not looked into or mapped specific legislation on the different agricultural products or other neighbouring legislation. The product-specific legislation is only taken into account when it influences the time spent on fulfilling IOs from Regulation (EC) No 1291/2000.

Nine IOs were identified and mapped in Regulation (EC) No 1291/2000. The national implementation of the EU Requirements corresponds exactly to the requirements of the

⁵ The costs of two IOs from one Baseline Country, United Kingdom, are not 100% connected to the EU Requirement. This will be elaborated on later.

⁶ http://ec.europa.eu/dgs/agriculture/mission_en.htm (as of 6th November 2008).

Regulation. No national obligations going beyond EU Requirements were identified at Member State level.

Table 1 below shows the total administrative costs and administrative burdens relating to all nine EU IOs.

Table 1: Total Administrative Cost and Administrative Burden of all nine EU Information Obligations

EU Requirement	Legislation	Article	Admin. Cost (€x 1,000)	Share of Total (%)	Admin. Burden (€x 1,000)	Admin. Burden as share of total Cost (%)
Application for licence – export	Commission Regulation (EC) No 1291/2000 of 9 June 2000	Art. 13; Art. 18; Annex I	3,764.1	29.59	3,441.4	91.43
Application for licence – import	Commission Regulation (EC) No 1291/2000 of 9 June 2000	Art. 13; Art. 18; Annex I	3,568.9	28.06	3,246.2	90.96
Submission of licence or certificate to customs office	Commission Regulation (EC) No 1291/2000 of 9 June 2000	Art. 24 par. 1; Art. 31 point (a)- (b)	3,388.1	26.64	3,388.1	100.00
Application for the release of the security by instalments	Commission Regulation (EC) No 1291/2000 of 9 June 2000	Art. 35 par. 1	1,304.2	10.25	1,304.2	100.00
Request for transfer of licence or certificate	Commission Regulation (EC) No 1291/2000 of 9 June 2000	Art. 9 par. 3	467.3	3.67	467.3	100.00
Request for extract of licence	Commission Regulation (EC) No 1291/2000 of 9 June 2000	Art. 22; Art. 19 par. 2; Art. 18 par. 2	134.7	1.06	134.7	100.00
Notification to undo the effects of putting the goods in free circulation	Commission Regulation (EC) No 1291/2000 of 9 June 2000	Art. 46	90.6	0.71	90.6	100.00
Declaration to avail of returned goods	Commission Regulation (EC) No	Art. 43 par. 2; Art.	1.0	0.01	1.0	100.00

EU Requirement	Legislation	Article	Admin. Cost (€x 1,000)	Share of Total (%)	Admin. Burden (€x 1,000)	Admin. Burden as share of total Cost (%)
provisions	1291/2000 of 9 June 2000	44 par. 1(a)				
Application for extension or cancellation of licence or certificate due to force majeure	Commission Regulation (EC) No 1291/2000 of 9 June 2000	Art. 40 par. 1; Art. 41 par. 2	0.1	0.00	0.1	100.00
Total			12,719.0	100.00	12,073.6	94.93

This Table is based on data compiled by the Consortium.

Three IOs — “Application for licence – export”, “Application for licence – import” and “Submission of licence or certificate to customs office” — alone account for €10,721,009 in administrative costs, representing 84% of the total administrative costs arising from EU IOs.

As the Table above also shows, close to all of the costs identified can be classified as administrative burdens. Only for two IOs – “Application for licences – export / import” – the UK baseline measurement has registered a business-as-usual (BAU) cost of 25%, which leads in turn to an EU-27 average BAU cost of 94.93%. More details on the methodological choices related to this can be found in the Main Report.

The introduction of eGov. solutions is the reduction potential most commonly referred to by companies. This applies to both the actual application process and to the release of securities. Any simplified process should be related to an electronic application system, for instance an online application, and to information-sharing between the awarding authority and the national tax authorities. This in turn would reduce the amount of information a company must submit and therefore the time spent on submitting and handling the licences is expected to fall.

The Directorate-General for Agriculture and Rural Development has carried out a number of simplification actions since the mid-1990s. These actions aim at, inter alia, introducing so-called technical simplification through which the legal framework, administrative

procedures and management mechanisms are streamlined. This simplification strategy relates to the CAP as a general theme, but also more specifically, to the legislation covered by the CAP i.e. Regulation (EC) No 1291/2000.

The Commission has already engaged in substantially reducing the number of products that require an import or export licence. Previously approximately 500 products were subject to a licensing obligation for imports and that number has gone down to 65. With regard to exports, only 43 products have to be accompanied by a licence. This reduction in the number of products with a licence requirement represents, therefore, a considerable simplification for companies involved in imports and exports, since many of them will no longer have to apply for licences and/or will have fewer licences to deal with⁷.

In conclusion, given the rather narrow target group, the effects of the reduction in licence requirements and thus the number of IOs to handle will certainly be felt at company level, even though the Regulation in scope⁸ does not in itself represent a large administrative cost at societal level.

In comparison with the total costs of some €12.7 million that can be related to the licensing requirements, the costs related to the SPS of almost € 4 billion account for the vast majority of the costs in this priority area. However, prior to this project, the SPS had already been subject to analyses (The Ramboll Study of 2007⁹) and the results are therefore presented in a separate Part II of this report.

As such, Part II of this report is dedicated to the SPS and SAPS measurement and contains the results from the measurement of administrative costs in Member States originating from EC Regulations implementing the Single Payment Scheme (SPS) and Single Area Payment Scheme (SAPS). The measurement process deviates in important aspects from other measurements conducted by the Consortium in the "EU Project on baseline

⁷ The abovementioned description of the changes has been based on press release (IP/08/922, 12/06/2008) which announced adoption of Commission Regulation (EC) 514/2008

⁸ (EC) No 1291/2000.

⁹ <http://ec.europa.eu/agriculture/analysis/external/burden/fulltext.pdf>

measurement and reduction of administrative costs". Deviations that should be kept in mind when reading this part of the report and analysing the results.

The Box below shows the legislation in scope of Part II of the report.

Agriculture and Agricultural Subsidies
<ul style="list-style-type: none">• Council Regulation (EC) No 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers.• Commission Regulation (EC) No 795/2004 of 21 April 2004 laying down detailed rules for the implementation of the single payment scheme provided for in Council Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers.• Commission Regulation (EC) No 796/2004 of 21 April 2004 laying down detailed rules for the implementation of cross-compliance, modulation and the integrated administration and control system provided for in Council Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers.• Commission Regulation (EC) No 1973/2004 of 29 October 2004 laying down detailed rules for the application of Council Regulation (EC) No 1782/2003 as regards the support schemes provided for in Titles IV and IVa of that Regulation and the use of land set aside for the production of raw materials.

This part of the measurement focuses specifically on the issue of agricultural direct support schemes. This horizontal set of Regulations sets out common rules for implementing the direct support schemes in the Member States. More precisely, the measurement has applied a focused approach to Regulation (EC) No 1782/2003, Regulation (EC) No 795/2004, and Regulation (EC) No 796/2004 and has thus as a general rule not looked into or mapped specific legislation on the different agricultural products or other neighbouring legislation. One of the three Commission Regulations implementing Council Regulation 1782/2003 – Regulation (EC) No 1973/2004 – was found in the mapping phase not to contain any Information Obligations (IOs) relevant for the measurement. This Regulation is therefore not commented on further in this report.

The SPS and SAPS measurement and its results take the following as their starting point:

- The empirical results regarding the level and composition of administrative costs are based on a previous measurement exercise conducted by Ramboll (Ramboll study) on behalf of DG AGRI in 2007¹⁰. No new collection of time and cost data has been carried out;
- The results from the Ramboll study have been incorporated into the measurement at hand through the extrapolation of data. The Ramboll study was undertaken in five EU Member States - Denmark, France, Germany, Ireland and Italy - where time and cost data was collected through business and expert interviews;
- These five Measurement Countries were grouped into three different implementation models; Historic, Static-Hybrid or Dynamic-Hybrid model, according to the SPS implementation model chosen by each of the five Measurement Countries. In the extrapolation of time and cost data to Extrapolation Countries (22 out of the EU-27), the SPS implementation model has been used as a base;
- In order to establish a basis for the extrapolation of data to the new Member States using the Single Area Payment Scheme (SAPS), it was decided to use the Static-Hybrid model (regional) as the point of departure. In order to validate the assumption of the resemblance between the SAPS model and the Static-Hybrid model, an expert assessment was carried out in Poland;
- The EU mapping was transferred 1:1 to the Member States that were not part of the Ramboll study. This means that no national Possibilities going beyond EU Acts have been mapped’;
- Population figures in non-measurement countries were established with the help of an estimation model.

The assumptions mentioned above affect the results in several ways, and in particular:

- The use of the Static-Hybrid model as a base for extrapolation of data to Member States using the SAPS model is likely to underestimate the administrative costs for IOs related to the initial allocation of payment entitlements in SAPS countries. Denmark, which represents the Static-Hybrid model, was found in the Ramboll

¹⁰ http://ec.europa.eu/agriculture/analysis/external/burden/ex_sum_en.pdf.

study to have a low level of such 'allocation' costs since Denmark implemented the SPS in 2005, i.e. prior to the baseline year 2006;

- The use of an estimation model for the calculation of populations (Qs) may differ from 'true' populations in relation to specific IOs in the Member States that were not a part of the Ramboll study. This in turn has an effect on the level of administrative costs in these Member States;
- The use of new (and higher) wage levels in relation to the ones used in the Ramboll study leads to higher total administrative costs in the Measurement Countries compared to the Ramboll study results. This is important to bear in mind when comparing the two studies;
- The 1:1 'transposition' of EU IOs to Extrapolation Countries results in a situation where national special circumstances (i.e. Possibilities not stated in the EU Acts) regarding the implementation of the SPS/SAPS in non-Measurement Countries are not captured in the present study.

The main findings related to SPS and SAPS area are presented in the Box below.

Main findings – SPS and SAPS

- On the basis of the three Regulations containing IOs, a total of 20 EU IOs have been identified.
- The total administrative cost of these 20 EU IOs is estimated at a total of €4.0 billion EU-wide.
- Of the €4.0 billion in administrative costs due to EU IOs, €3.8 billion or approximately 95% have been classified as administrative burdens.
- One IO – "Applications for direct payments/single application" - accounts for over half (54%) of the total administrative costs arising from EU IOs. The IO stems from Regulation (EC) No 1782/2003.

The Table below shows the total administrative costs of all 20 EU IOs.

Table 2: Total Administrative Cost of all EU IOs

EU Requirement	EU Legislation	Article	Total Admin. Burden		
			Total Admin. Cost (€x 1,000)	Admin. Burden (€x 1,000)	Share of Admin. Cost (%)
1. Applications for direct payments/ single application	Commission Regulation (EC) No 1782/2003	Art. 22,2, Art 34, 2	2,148,984.5	2,148,984.5	100.00
2. Application for initial allocation of payment entitlements	Commission Regulation (EC) No 795/2004	Art. 12(2)(3)(4)(5), 6(1), 7(7)	795,975.6	795,975.6	100.00
3. Declaration of parcels corresponding to the eligible hectare accompanying any payment entitlement	Commission Regulation (EC) No 1782/2003	Art. 44.3.m13, 51.m13	646,784.4	485,088.3	75.00
4. Transfers of payment entitlements	Commission Regulation (EC) No 1782/2003	Art. 46	112,225.4	112,225.4	100.00
5. Cooperation with audits and on-the spot checks - Cross-compliance	Commission Regulation (EC) No 1782/2003	Art. 23+25	72,697.3	54,523.0	75.00
6. Additional application for crop area payment	Commission Regulation (EC) No 1782/2003	Art. 66+100-110	55,641.2	55,641.2	100.00
7. Application for aid for Energy Crops	Commission Regulation (EC) No 1782/2003	Art. 88-92	53,876.5	53,876.5	100.00
8. Application for specific premium for durum wheat	Commission Regulation (EC) No 1782/2003	Art. 72-75	22,153.6	22,153.6	100.00
9. Additional application for sheep and goat premiums - supplementary premium	Commission Regulation (EC) No 1782/2003	Art. 67+114	19,753.3	19,753.3	100.00
10. Cooperation with audits and on-the spot checks - Eligibility checks	Commission Regulation (EC) No 1782/2003	Art. 23.1 and 23.2	17,170.2	12,877.6	75.00
11. Additional application for beef and veal payments	Commission Regulation (EC) No 1782/2003	Art. 66-69+123-125+127+130+132	13,989.7	13,989.7	100.00
12. Amendments to the single application	Commission Regulation (EC) No 796/2004	Art 15, 21 (2)	7,812.4	7,812.4	100.00

EU Requirement	EU Legislation	Article	Total Admin. Burden		
			Total Admin. Cost (€x 1,000)	Admin. Burden (€x 1,000)	Share of Admin. Cost (%)
13. Additional application for sheep and goat premiums	Commission Regulation (EC) No 1782/2003	Art. 67+111-119	7,241.2	7,241.2	100.00
14. Application for Protein Crop Premium	Commission Regulation (EC) No 1782/2003	Art. 76-78	7,060.1	7,060.1	100.00
15. Application for additional payments from the National Reserve	Commission Regulation (EC) No 1782/2003	Art. 42.2, 42.5	5,734.2	5,734.2	100.00
16. Application for area payment for Nuts	Commission Regulation (EC) No 1782/2003	Art. 83-87	5,204.5	5,204.5	100.00
17. Application for dairy premium and additional payment	Commission Regulation (EC) No 1782/2003	Art. 95-97	1,810.6	1,810.6	100.00
18. Application for aid for Starch potato	Commission Regulation (EC) No 1782/2003	Art. 93-94	677.4	677.4	100.00
19. Notification of force majeure or exceptional circumstances	Commission Regulation (EC) No 1782/2003	Art. 40	462.2	346.6	75.00
20. Application for crop specific payment for Rice	Commission Regulation (EC) No 1782/2003	Art. 79-82	24.9	24.9	100.00
Total			3,995,279.1	3,811,000.6	95.39

This Table is based on data compiled by the Consortium.

As already mentioned, the IO “Applications for direct payments/single application” is the most costly IO in total. In relation to the second most costly IO – “Application for initial allocation of payment entitlements” – it is important to note the following. Firstly, as mentioned above, the total administrative cost for this IO is likely to be underestimated due to the extrapolation exercise, as the cost for this IO in the new Member States (SAPS countries) is based on costs in Denmark, a country with low ‘allocation costs’. Secondly, the administrative costs related to the IO are of the ‘one-off type’ since such costs emerge

only in the establishment phase of the SPS. Once the direct support scheme is in place, these costs are expected to decline.

As mentioned, DG AGRI has carried out a number of simplification actions since the mid-1990s. This simplification strategy relates to the Common Agricultural Policy (CAP), including Regulation (EC) No 1782/2003. Inter alia, these actions aim to introduce so-called technical simplification, through which the legal framework, administrative procedures and management mechanisms are streamlined.

To sum up, with the preliminary suggestions for simplification, the baseline measurement data, the analysis of the business processes implemented by business to comply with the IOs and different ways of handling the IOs across Member States, all contribute to this report as a strong basis for the work that the Consortium is currently performing for identifying, analysing and prioritising suggestions for reducing the administrative burdens linked to the IOs in scope of this measurement.

1. Introduction

This document is the Final Report of the Agriculture and Agricultural Subsidies Priority Area (PA).

Part I (Sections 2-5 and Annex in Section 11) of this report focuses specifically on measurement of the import and export licences, and certificates for the export and/or import of agricultural products from/into the European Single Market.

Part II (Sections 6-10 and Annex in Section 12) of this report is dedicated to the Single Payment Scheme (SPS) and Single Area Payment Scheme (SAPS) measurement and contains the results from the measurement of administrative costs in Member States originating from EC Regulations implementing the SPS and Single Area Payment Scheme SAPS.

The main findings of the two areas are presented in the Box below.

Main findings in Priority Area Agriculture and Agricultural Subsidies

Licence and SPS & SAPS

- On the basis of the regulations in scope of the two separate measurements, a total of 29 EU IOs have been identified.
- Nine of these IOs are related to the Licence legislation. The remaining 20 have been identified in the CAP legislation.
- The total administrative costs of these 29 IOs are estimated at €4 billion EU-wide.
- Of the €4 billion of administrative costs, €3.8 billion equalling 95% have been classified as administrative burdens.
- One IO - 'Applications for direct payments/single application' - accounts for €2.1 billion or over half (54%) of the total administrative costs caused by EU IOs. The IO stems from Regulation (EC) No 1782/2003.

2. Part I - Licences

2.1 Introduction

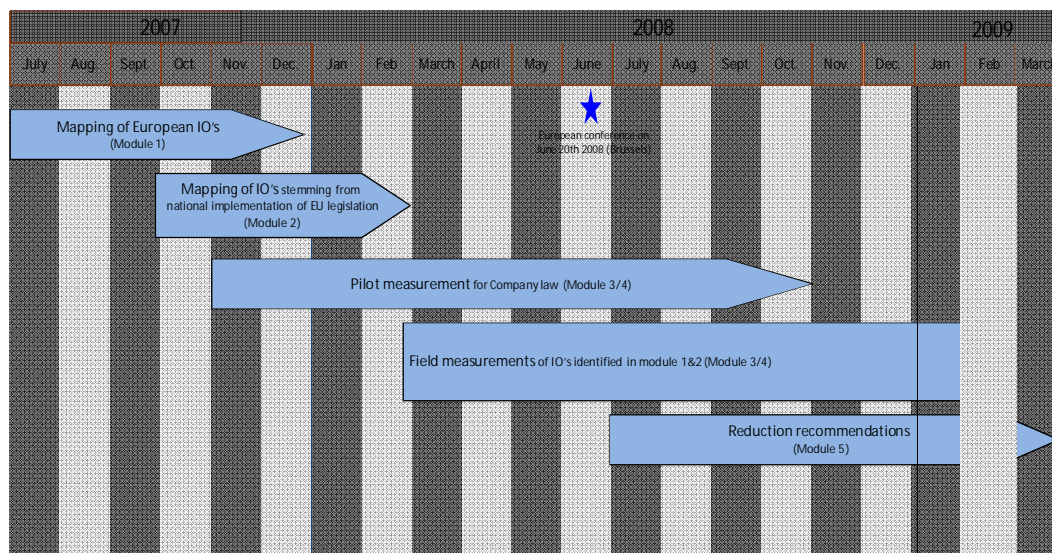
The “EU Project on baseline measurement and reduction of administrative costs” covers Information Obligations (IOs) stemming from 42 Community legislative acts¹¹ and from the related national transposition acts, grouped into 13 Priority Areas (PAs):

- Agriculture and Agricultural Subsidies
- Annual Accounts/Company Law
- Cohesion Policy
- Environment
- Financial Services
- Fisheries
- Food Safety
- Pharmaceutical Legislation
- Public Procurement
- Statistics
- Tax Law (VAT)
- Transport
- Working Environment/Employment Relations.

The Project uses the EU Standard Cost Model (SCM) methodology and is structured in five modules, as shown in the following Figure:

¹¹ See http://ec.europa.eu/enterprise/admin-burdens-reduction/docs/42_LegislativeActs.pdf.

Figure 1: Project structure and timelines



By Capgemini/Deloitte/Ramboll Management.

As the Figure above shows, the first step was to map the Information Obligations (IOs) (Modules 1 & 2). The focus was both on the IOs stemming directly from EU legislation and on those stemming from the national implementation of EU legislation. Moreover, the “over-implementation” (or “gold-plating”) of an EU Legal Act at national level, in terms of additional IOs or procedural requirements, amended frequency, or population (i.e. coverage) – the so-called national obligations going beyond EU Requirements – was also documented, as it could lead to an increase in administrative costs linked to the provisions of the EU legislation.

The next phase was to determine the administrative costs resulting from the EU IOs and national obligations going beyond EU Requirements (Modules 3 & 4 respectively) through interviews and workshops, along with estimates made by experts. Data was collected in a sample of businesses in six Member States (the ‘measurement countries’) and supplemented by existing data from Member States having already undertaken SCM measurements (the ‘Baseline Countries’)¹². Based upon this dataset, the administrative cost for the remaining EU Member States (the ‘Extrapolation Countries’) was estimated

¹² European Commission Communication, 24 January 2007, Action Programme for Reducing Administrative Burdens in the European Union – COM (2007)23 final.

through extrapolation. National obligations going beyond EU Requirements were measured in all countries where they occur as they are specific to each Member State (MS).

The current work within this project focuses on the development of reduction proposals to reach the European Commission's goal of a 25% reduction in administrative burdens by 2012 (Module 5).

The current report covers the results of the work undertaken for Modules 3 and the 4 Agriculture and Agricultural Subsidies Priority Area. More specifically, it contains the following topics:

- An overview of the Agriculture and Agricultural Subsidies Priority Area framework. This section presents the focus of the PA, the chosen measurement approach, as well as the high-level findings of the mapping and measurement phases (Section 3);
- An analysis of the legal acts and the most burdensome IOs in scope (Section 4);
- An outlook towards the next phase (Section 5);
- A list of methodological challenges faced in this PA, and more (Section 11).

The report does not include a detailed description of the Action Programme for Reducing Administrative Burdens in the European Union or of the underlying methodology followed by the Consortium. The Main Report on the Measurement data and analysis as specified in the specific contracts 5&6 on Modules 3&4 under the Framework Contract n° ENTR/06/61 presents both of these together with the overall results of 12 mainstream Priority Areas.

3. Agriculture and Agricultural Subsidies Priority Area Framework - Licences

This section sets the scene for the detailed presentation of the results of the data collection in the sections which follow. This section contains:

- an introduction to the Regulation in scope
- a summary of the general methodological concept and the measurement approach chosen in this part of the PA
- an overview of the high-level findings of the mapping phase and the measurement results.

3.1 Focus of the Priority Area

The mission of the Directorate-General for Agriculture and Rural Development is to promote the sustainable development of Europe's agriculture and to ensure the well-being of its rural areas¹³.

The legislation in scope for this part of the PA is:

Agriculture and Agricultural Subsidies

Commission Regulation (EC) No 1291/2000 of 9 June 2000 laying down common detailed rules for the application of the system of import and export licences and advance fixing certificates for agricultural products. This Regulation has been replaced by a codified version, namely Commission Regulation (EC) No 376/2008, and recently again by Commission Regulation (EC) No 514/2008.

Regulation No 1291/2000 focuses specifically on the issue of import and export licences and certificates for the export and/or import of agricultural products into/out of the Single European Market. Hence, the Regulation is not related to intra-Community trade in agricultural products. Subject to certain exceptions laid down in Community rules specific to certain products, this horizontal Regulation lays down common rules for implementing the system of import and export licences and advance fixing certificates.

¹³ http://ec.europa.eu/dgs/agriculture/mission_en.htm (as of 6th November 2008).

The horizontal nature of Regulation (EC) No 1291/2000 means that it is closely interlinked with sector-specific Regulations and the Regulations on refunds. There are substantial sector-specific and product-specific Regulations as well as rules on customs (e.g. Regulation (EC) No 1301/2006 on common rules for the administration of import tariff quotas for agricultural products managed by a system of import licences) and refunds (e.g. Regulation (EC) No 800/1999 on the application of the system of export refunds on agricultural products) that also regulate which products fall under (EC) No 1291/2000.

Some products fall under Regulation (EC) No 1291/2000 even though they are non-refund products. In these cases companies need to apply for an import licence. The reason why non-refund products fall under Regulation (EC) No 1291/2000 is related to fact that import licences are used for administering quantitative import arrangements. Import and export licences may also be used to provide a provisional view of future imports and exports.

The measurement at hand applied a focused approach to Regulation (EC) No 1291/2000, and thus, as a general rule, did not look into or map sector specific legislation or other neighbouring legislation. The product-specific legislation was only taken into account when it influenced the time spent on Regulation (EC) No 1291/2000¹⁴. The measurement tried to account for product specifics by introducing segments. The so-called “non-Annex 1 products” (Regulation (EC) No 1043/2005) were included, as they use the same application form.

3.2 Measurement approach

The methodology used during this project is based on the adapted EU SCM Manual submitted as part of the final Module 1 report in mid-February 2008. A short introduction to the main characteristics of the general measurement approach as well as the approach chosen within the Agriculture and Agricultural Subsidies Priority Area is given below. For

¹⁴ Regulation (EEC) No 2220/85 on application of the system of securities for agricultural products is also beyond the scope of this measurement, as the lodging of a security is seen as a substantive cost and regulated by a different Regulation.

more information on the methodology please see the Main Report and/or the adapted EU SCM manual.

3.2.1 General methodological concepts

The EU Standard Cost Model (EU SCM) breaks down administrative costs imposed by legal acts into components that can be assessed with reasonable accuracy¹⁵. Thanks to this analytical approach, it is possible to:

- Locate the most costly obligations and the greatest reduction opportunities
- Formulate reduction proposals, and
- Determine at which level reduction measures should be adopted.

The EU SCM methodology neither addresses nor questions the policy objectives of each piece of legislation. As such, the measurement focuses only on the administrative activities that must be undertaken in order to comply with legislation and not on whether the legislation itself is reasonable or not.

While the methodology may also be applied to civil society, and the public and private sectors, this project focuses exclusively on the administrative costs for businesses.

Thus, administrative costs are defined as the costs incurred by businesses in meeting legal IOs. An IO is a legal obligation placed on businesses to provide information on their activity or production, either to public authorities or to private parties¹⁶. Every IO has attributes that describe the:

- content of the data required or “data requirement” (what must be provided)
- target group (the population that must provide it), and
- frequency (when it must be provided).

IOs stemming from EU legislation are labelled EU IOs, while IOs stemming from national implementation are called national IOs.

¹⁵ The SCM does not aim at producing statistically valid results, but rather estimates (i.e. figures based on relatively small samples or expert judgment). Considering the level of detail and the number of parameters involved, conducting statistical measurements would not be cost-efficient.

¹⁶ These private parties are usually consumers and/or other businesses.

Some EU legislative acts also mention the possibility for Member States to ask for additional information (i.e. "...Member States may ... require the inclusion of other statements in the annual accounts in addition to the documents referred to in the first sub-paragraph ..."). Such 'Possibilities Stated in the EU Legal Act' are not to be understood as EU Requirements, insofar as Member States are not obliged to ask for that information. Nevertheless such 'Possibilities Stated in the EU Legal Act' were documented by the Consortium as they often pave the way for additional legislative requirements introduced at national level. As mentioned no such 'Possibilities Stated in the EU Legal Act' have been identified in relation to this PA.

In many cases, the possibility for Member States to ask for additional information also exists even though it is not stated in the EU legal text¹⁷. Listing such 'Possibilities Not Stated in the EU Legal Act' as part of the description of EU legal texts would be fastidious and inefficient. Documenting cases of national obligations going beyond what the EU requires has, however, been part of the screening of national IOs. No such 'Possibilities Not Stated in the EU Legal Act' have been identified in relation to this PA.

Together, the 'Possibilities stated in the EU Legal Act' and the 'Possibilities not stated in the EU Legal Act' are called "National obligations going beyond EU Requirements".

When analysing the administrative costs, a distinction should be made between information that would be collected and processed by businesses even in the absence of the legislation and information that is solely collected because of a legal obligation. The former are called "business-as-usual" (BAU) costs¹⁸, the latter administrative burdens. Added together the administrative burdens and business-as-usual costs constitute the administrative costs. Having quantitative figures on the business-as-usual costs is of crucial importance for the Commission in the light of its reduction target, which is expressed in terms of administrative burdens (not administrative costs).

¹⁷ As a general principle, Member States have the right to legislate on any issues as long as this does not contradict EU law.

¹⁸ A description on how the BAU costs were calculated can be found in the Main Report on the measurement data and analysis as specified in the specific contracts 5&6 on Modules 3&4 under the Framework Contract n° ENTR/06/61.

The objective of Modules 1 and 2 was to carry out a preparatory analysis of the EU and national legislation to form the foundation for the field measurements of administrative costs in the 27 European Member States. Within Module 1 and 2, the IOs stemming directly from EU legislation in scope as well as any national obligations going beyond the EU Requirements in scope of this project were identified and registered¹⁹.

In Module 3 and 4 different approaches were used to collect and calculate the information needed to determine the administrative costs at the EU level as well as at the national level. The remainder of this Section presents a brief overview of these approaches and the underlying rationales.

Experience from all previous SCM measurements shows that the top 20% most burdensome IOs in any given area will represent 80% of the costs. Following this principle, an initial assessment of population and cost parameters was conducted and an estimation of the expected administrative costs for each EU IO produced.

To prioritise the EU IOs, an expert assessment was carried out of the following:

- Expected number of businesses concerned/number of occurrences
- Complexity of the business process that businesses implement to comply with the IO (time spent).

The purpose of the prioritisation was to select those IOs which had the highest estimated cost. The position on the priority list, i.e. if the IOs belonged to the top 20% or the remaining 80% of estimated costs, determined the manner in which data was collected. The 20% most burdensome IOs within each PA were designated as Prioritised IOs and earmarked for in-depth measurement. The remaining 80% for each PA were marked as Non-prioritised IOs and were therefore subject to less rigorous measurement. The Prioritised IOs were analysed and measured through workshops and interviews, whereas IOs with lower estimated costs were costed through telephone interviews and expert

¹⁹ For more information on Module 1 and 2, please see first edition of the adapted EU SCM manual and the Final Report for Module 1 and 2.

assessments, or similar less intensive methods. In this way, the resources were predominantly concentrated on collecting data on the most costly IOs.²⁰ The demarcation between Prioritised IOs and Non-prioritised IOs was made at PA level only and not at overall project level, as to have done the latter would have led to some of the less burdensome PAs having only Non-prioritised IOs.

The IOs selected for interviews and workshops were clustered in groups of IOs that could logically be covered by interviews at about the same time, most often because they involved the same target group and administrative tasks that the same employee type usually performs. The result was a list of several groups of IOs known as campaigns.

EU IOs were measured in a sample of six Member States. The data collected in the six Measurement Countries supplemented with data from existing measurements on the EU IOs from the Baseline Countries were extrapolated to similar IOs in the other countries and aggregated to the EU level. However, for the national obligations going beyond EU Requirements, data was collected in each country where they were identified. Obviously, extrapolation cannot apply to these as they are peculiar to the specific country.

The extrapolation exercise consisted of predicting costs and can basically be understood as generating the best estimates of the administrative activities conducted by businesses in a country where data has not been collected, based on data from other countries where data was collected. The SCM does not aim at producing statistically valid results, but rather estimates (i.e. figures based on relatively small samples or expert judgment). Considering the level of detail and the number of parameters involved, conducting statistical measurements would not have been cost-efficient.

The selection of Member States for measuring the prioritised IOs was based on the following criteria:

- Population of the countries
- Spread of geographic location

²⁰ In a few cases the data collection showed that non-prioritised IOs were more cost intensive than prioritised IOs. Due to the iterative process in the project and the time and resource constraints, this had to be accepted without changing the data collection approach.

- Duration of EU Membership
- If/when legislation is applicable
- Implementation of Possibilities Stated in the EU Legal Acts.

The purpose of using the selection criteria was to guarantee that the results represented different population/country sizes within the EU. Furthermore, it ensured that the data collection covered different geographical regions (geographically and in terms of the historical development of the EU). Lastly, the selection criteria were designed to ensure that the Member States chosen for data collection had transposed the legislation. Combined, the selection criteria ensured a sound foundation for the extrapolation.

One of the requirements of the EU project on baseline measurement and reduction of administrative costs was to follow a 'full Member State coverage measurement approach'. Thus Member States which were relatively less important in terms of size were also part of the measurement. As a result, the sample selected is not always representative for each PA. Further studies would be needed to achieve fully representative results.

When data collection was carried out, the results were summarised for each business interviewed. These empirical results were then standardized with the objective of providing a single estimate of what would be required for a normally efficient business to complete each administrative activity in order to comply with a given national IO.

By combining the data collected from the workshops, face-to-face interviews and telephone interviews, a qualitative assessment was made of the resources a business devotes to each cost parameter related to fulfilling an IO. More specifically, an assessment was conducted on internal time and employee type per activity, consultancy costs, and costs of equipment. The goal of the standardisation is not to average the cost data obtained through the workshops and interviews, but to get a plausible result for a normally efficient business for each IO. The normally efficient business is defined as a business within the target group that perform administrative activities required by the IO neither better nor worse than may reasonably be expected.

3.2.2 Measurement approach chosen for Priority Area Agriculture and Agricultural Subsidies

For Agriculture and Agricultural Subsidies, nine IOs were identified and mapped in Regulation (EC) No 1291/2000. These are shown in the next Section.

The prioritised IOs are:

1. Application for licence – export
2. Application for licence – import.

The prioritised IOs were segmented further into the animal sector and the vegetable (non-animal) sector to account for the influence of the sector-specific legislation.

The selection of the two prioritised IOs was motivated by the expectation of a high volume and a relatively complex business process to comply with the IO (time spent).

It was decided to have two segments in relation to the application for a licence – based on exports and imports respectively, because different forms are used and these require different information to be submitted. No fundamental differences in business processes between the two IOs were expected.

In order to define the most appropriate data collection approach for the specific campaigns required for the measurement, the following were defined: the countries to be measured, the segmentation within the PA and clustered the IOs per segment.

The Sections below present in further detail:

- The Measurement Countries
- The segmentation
- The data collection.

Countries measured

Belgium, France, Greece, Ireland, Poland and Romania were the six countries where the measurement for Agriculture took place. This list was discussed with DG AGRI.

Particular attention was paid to having a spread in the “agricultural import/export” profile to ensure that countries with different kinds of agricultural production were represented. Belgium and Ireland were chosen since they have ports and considerable agricultural trading activity, in and out of the Union, and thus experience with both exports and imports. The remaining four countries were selected in accordance with the selection criteria described in Section 3.2.1.

Segmentation

It was expected that the same IO would be handled differently by different types of businesses. Therefore, segments were defined for the IOs that were going to be measured in the interviews.

The segmentation for the measurement of the IOs in Regulation (EC) No 1291/2000 was based on the following four segments:

1. Exporters of agricultural products - animal sector/products
2. Exporters of agricultural products - vegetable sector/products
3. Importers of agricultural products - animal sector/products
4. Importers of agricultural products - vegetable sector/products.

In some cases the same company may be engaged in all four segments.

The Regulation in scope affects producers and trading companies engaged in the export or import of agricultural products to/from the European Single Market. This also means the companies affected are accustomed to dealing with import/export licences, which are typically handled internally.

The target group is mainly made up of trading or producing companies within the respective agricultural sectors. This implies that the target group in some Member States is composed of a rather limited number of companies. Consequently, the majority of licences are handled by a rather limited number of companies.

It follows that the “normally efficient business” is an operator of a certain size with a history and considerable experience in applying for and handling export/import licences.

Some small businesses may use the assistance of larger businesses when filling out the application forms, thus relying on external assistance (consultancy costs) for the filing of licences or certificates. However, this is seen as the exception rather than the rule, which is why no outsourcing/insourcing was to be expected.

For the two prioritised IOs "Application for licence – export" and "Application for licence – import" it was decided, however, to have two segments based on vegetable products and animal sector products respectively, because the information that has to be submitted and the forms that are used are different.

Exporters may also apply for "advance fixing certificates" using the export licence form; the only difference is that the advance fixing requires Field 8 in the application to be ticked; no additional documentation is required. Meanwhile, in the poultry, egg and pigmeat sectors – the only sectors in which it is possible to issue advance fixing certificates – the applicant has to submit proof of having been active in trading within the sector for the past 12 months. Based on these considerations, the exporter segments were kept identical, as no extra time is needed.

In addition, the system of product categories means that a licence can be used for the export of several items under different product codes instead of the export of products under just one product code. Each product category currently contains between two and ten product codes. Technically speaking, there are differences between categories and groups because categories contain products with the same refund rate while a group contains related groups with different refund rates. Categories are normally used for animal products and groups are normally used for vegetable products.

On this basis, two more segments were applied: animal sector/products and vegetable (or non-animal) sector/products. The sector-specific legislation regulates which products fall under Regulation (EC) No 1291/2000, and is less specific on the amount of information needed. The so-called "non-Annex 1 products" (Regulation (EC) No 1043/2005) are also included, as they require the same application form, but do not constitute a separate segment.

For the remaining seven non-prioritised IOs, no segmentation was made, as no apparent differences exist between sectors or between importers and exporters. The only exception is the “Application for the release of the security by instalments”, in which there may be differences in the process between exporters and importers. By way of illustration, in some countries it is not necessary for exporters to apply for instalments, because this happens automatically. This is the case in Denmark, where companies do not need to apply for instalments, because data is automatically transferred from customs to the issuing agency, upon receipt of which the instalments are released. Based on these considerations, two segments were introduced for this IO (exporters/importers).

As the IO “Submission of licence or certificate to customs office” is the third most costly IO, it is appropriate to address why this IO was not prioritised. The IO is connected to the activity of submitting a licence. The IO was not prioritised as this activity was expected to be fairly simple and a direct result of the two prioritised IOs “Application for licence – export” and “Application for licence – import”. However, the IO was addressed in the interviews.

Data Collection Methods

Data was collected by the use of face-to-face interviews. This was mainly due to its flexibility, and the strategy of measuring as many IOs as possible in the same interview, depending on the interviewee’s experience. In addition, the face-to-face interview allowed for the collection of in-depth information about the way the business handles the IOs.

The IOs were divided into so-called campaigns, i.e. logical grouping of IOs that could be covered by one interview or workshop, which clearly indicates that the strategy was to include as many IOs in the individual interviews as possible and thus collect detailed empirical data. Consequently, all IOs have been measured empirically.

Campaigns

Based on the considerations above, four campaigns were devised:

- Campaign 1: Exporters of agricultural products - animal sector/products
- Campaign 2: Exporters of agricultural products - vegetable sector/products
- Campaign 3: Importers of agricultural products - animal sector/products

- Campaign 4: Importers of agricultural products - vegetable sector/products.

The campaigns were grouped in some cases, as some companies had both exports and imports, and covered both animal and vegetable products.

The Table below shows the campaigns together with the complete list of IOs covered in the various campaigns.

Table 3: Campaigns within the Priority Area Agriculture and Agricultural Subsidies

Campaigns	
Campaign 1: Exporters of agricultural products - animal sector/products	
1	***Application for licence – export
3	*Request for extract of licence
5	**Request for transfer of licence or certificate
6	*Submission of licence or certificate to customs office
7	**Application for the release of the security by instalments
8	*Application for extension or cancellation of licence or certificate due to <i>force majeure</i>
9	*Declaration to avail returned goods provisions
Campaign 2: Exporters of agricultural products – vegetable sector/products	
1	*** Application for licence – export
3	*Request for extract of licence
5	**Request for transfer of licence or certificate
6	*Submission of licence or certificate to customs office
7	**Application for the release of the security by instalments
8	*Application for extension or cancellation of licence or certificate due to <i>force majeure</i>
9	*Declaration to avail returned goods provisions
Campaign 3: Importers of agricultural products - animal sector/products	
2	***Application for licence – importer
3	*Request for extract of licence
4	*Notification to undo the effects of putting the goods in free circulation
5	**Request for transfer of licence or certificate
6	*Submission of licence or certificate to customs office
7	**Application for the release of the security by instalments
8	*Application for extension or cancellation of licence or certificate due to <i>force majeure</i>
Campaign 4: Importers of agricultural products - vegetable sector/products	

Campaigns	
2	***Application for licence – importer
3	*Request for extract of licence
4	**Notification to undo the effects of putting the goods in free circulation
5	**Request for transfer of licence or certificate
6	*Submission of licence or certificate to customs office
7	**Application for the release of the security by instalments
8	*Application for extension or cancellation of licence or certificate due to <i>force majeure</i>

This Table is based on data compiled by the Consortium.

Note: The prioritisation of each IO was based on the expected number of entities concerned, cost level and complexity. All IOs were addressed specifically in the interviews and workshops with business. *** indicates high priority; ** indicates medium priority; * indicates low priority.

3.3 High-level findings of the EU and national mapping in Priority Area Agriculture and Agricultural Subsidies

The following Section summarises the main findings of the EU and national mapping in the Agriculture and Agricultural Subsidies Priority Area which resulted from the work done during Module 1 on the identification and classification of EU IOs and Possibilities Stated in the EU Legal Act, followed by the identification of national IOs transposing EU legislation as well as the linking of EU IOs and national IOs in Module 2. The full results of this were presented in the final reports on Modules 1 and 2 of the EU project on baseline measurement and reduction of administrative costs²¹.

3.3.1 Main results of the EU mapping

In Agriculture and Agricultural Subsidies, as noted, nine IOs were identified and mapped in Regulation (EC) No 1291/2000. These are shown in the Table below.

Table 4: EU Information Obligations within the Priority Area Agriculture and Agricultural Subsidies

EU Requirements name
Request for transfer of licence or certificate
Application for licence – export
Application for licence – import
Request for extract of licence

²¹ For the details of the mapping please refer to the reports on Modules 1 and 2.

Submission of licence or certificate to customs office
Application for the release of the security by instalments
Application for extension or cancellation of licence or certificate due to <i>force majeure</i>
Declaration to avail of returned goods provisions
Notification to undo the effects of putting the goods in free circulation

This Table is based on data compiled by the Consortium.

3.3.2 Main results of the national mapping

The implementation of the EU Requirements at national level corresponds exactly to the Requirements of the Regulation. A total of nine IOs were therefore identified in all the 22 Member States where national mapping was conducted. And further, consequently, no Possibilities not Stated in the EU Legal Acts were identified.

The application form presented in the Annex to the Regulation is applied in the Member States without modification to the design. The content is written in the national language but placed in the pre-defined form. This ensures compliance with the principle that a company from one Member State may apply for a licence in another Member State.

Meanwhile, the application process may differ in different Member States as the Regulation allows for a simplified application process. The simplified process is primarily related to an electronic application system and to information-sharing between the awarding authority and the national tax authorities. It should be noted, however, that only a very few Member States make use of this possibility. The information-sharing is guided by Regulation (EEC) 2418/80 and Community Customs Code (Regulation (EEC) No 2454/93). The business may, therefore, be able to use a simplified application process based on e-application or agency data inter-linkages, thus limiting the application resources that they require.

3.4 High-level findings of the measurement in the Priority Area Agriculture and Agricultural Subsidies

The following Section presents the total administrative costs and administrative burdens in the Agriculture and Agricultural Subsidies Priority Area related to Regulation (EC) No 1291/2000. This is followed by a differentiated analysis by Member State as well as an

overview of the most burdensome IOs. This will form the basis for the detailed analysis of the most costly IOs in the next Chapter.

The total administrative costs for the Agriculture and Agricultural Subsidies PA related to the export and import licensing legislation is: €12.7 million

These costs are solely based on IOs related to Regulation (EC) No 1291/2000 and do not include the administrative costs related to the SPS.

5.1%²² of these costs are considered as business-as-usual.

Therefore, the administrative burden amounts to €12.1million for this Priority Area excluding the SPS.²³

The total costs are €12.7 million and the administrative burden and the administrative costs are almost one and the same. Of the €12.7 million, €12.1 million are considered administrative burdens. This basically means that if there were no IOs, the exporters and importers would not apply for licences²⁴. Approximately €3.3 million comes from the Measurement Countries, of which France accounts for approximately to €2.2 million (see more in section 3.4.3.1).

One of the Baseline Countries had measured Regulation (EC) No 1291/2000, namely the UK. Also, data was partly available from the German baseline study²⁵. The total costs in the UK amount to some €3.9 million which are the highest costs recorded in all Member

²² Following the overall methodology the UK data was analysed using the national value per IO and aligned to the nearest category used in the EU Administrative Burden (0%, 25%, 50%, 75%, 100%). This was done only for the prioritised IOs.

²³ For all countries, except the UK, the business-as-usual costs are 0%.

²⁴ In the existing data from the UK measurement, the two prioritised IOs of "Application for licence – export and import" were measured with a business-as-usual cost of 25%. For methodological reasons this approach was preserved for the British data of the two IOs. For further elaboration of this decision please see the Main Report.

²⁵ As mentioned, data from Germany is available and has been included in relation to the two prioritised EU IOs of "Application for import and export licences". The remaining data have been estimated by extrapolation.

States²⁶. Close to €4.8 million comes from the extrapolated costs (see more in Section 3.4.3.4).

It should be noted that, while it is possible to calculate an indicative total administrative cost and indicative total administrative burden for the IOs under this PA, the measurement covers only a selection of all EU legislation relevant to the PA. Therefore, additional administrative costs and burdens exist that have not been covered by the measurement.

3.4.1 Administrative costs and administrative burdens per item of EU legislation

The 42 pieces of legislation in the 13 PAs chosen for the measurement exercise within the Action Programme are believed to account for over 80% of the administrative burden of EU origin²⁷. Yet, as expected, within this group large differences in the costs per legal act were to be found. As shown in Table 5 below, the costs of the part of the Agriculture and Agricultural Subsidies Priority Area related to licences²⁸ stems from Regulation (EC) No 1291/2000, which, within this part of the PA, is the only piece of legislation in scope.

Table 5: Administrative costs and administrative burdens per EU legislation divided by EU Requirements

	EU Requirement	Total Admin. Cost	Total Admin. Burden	
	Admin. Cost (€x 1,000)	Admin. Cost (€x 1,000)	Admin. Burden (€x 1,000)	Admin. Burden as share of total Cost (%)
Commission Regulation (EC) No 1291/2000 of 9 June 2000	12,719.0	12,719.0	12,073.6	94.93

This Table is based on data compiled by the Consortium.

²⁶ The UK costs are high due to high populations of applications. The data is consistent with the UK database and has been confirmed by the national Single Point of Contact (SPOC). Furthermore the time spent in the UK is consistent with the measurement results across the IOs. See also section 3.4.3.3 for further detail on this.

²⁷ Commission Working Document, 30 January 2008, COM(2008) 35 final, Reducing administrative burdens in the European Union 2007 progress report and 2008 outlook, p. 3.

²⁸ In addition to the Commission Regulation (EC) No 1291/2000, the PA, as defined within this project, includes the Information Obligations stemming from the Single Payment Scheme.

The total cost in the EU-27 of Commission Regulation (EC) No 1291/2000 amounts to €12.7 million. Of the €12.7 million, €12.1 million are considered administrative burdens.²⁹

3.4.2 Administrative costs stemming from EU Information Obligations of International Origin

A number of the IOs identified in the EU legislation stem ultimately from international regulation, which has been transposed in EU legislation by the Directives and Regulations in scope of the project. Each EU IO was analysed in relation to any relevant international regulation. In cases where legally binding international regulation had a similar or analogous content to the EU IO, the EU IO was categorised as an EU IO of International Origin.

The analysis showed that – in principle – none of the nine EU IOs related to Regulation (EC) No 1291/2000 in the Agriculture and Agricultural Subsidies Priority Area stems from international legislation. However, the international context of the system of import licences has to be kept in mind, since this system is to a large extent used to monitor trade carried out within the context of international agreements.

3.4.3 Administrative costs and administrative burdens per Member State

The project offers the opportunity to identify differences in transposing and administering IOs at national level and thus obtain an insight into factors determining the level of administrative costs. This is important in identifying good practice and in learning how the costs for businesses can be reduced.

3.4.3.1 Different methodological approaches

When comparing costs at national level it is essential to recall that the data were collected in three different ways within this project:

- measurement in six Measurement Countries
- reuse of existing data in the so-called Baseline Countries
- extrapolation to other Member States of the cost data collected (Extrapolation Countries).

²⁹ This cost is solely based on IOs related to Regulation (EC) No 1291/2000 and does not include the costs of the administrative burdens related to the SPS that is presented in Part II of this report.

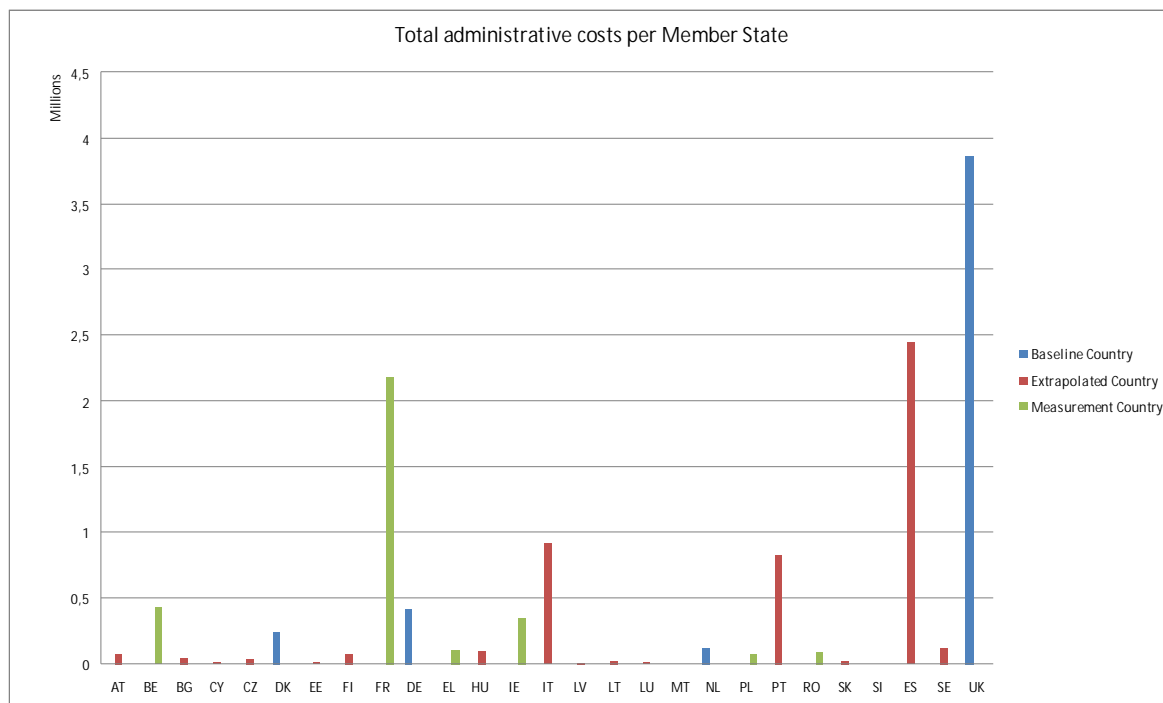
The combination of these three different approaches within the project creates special challenges when comparing data, i.e. Baseline Countries which have conducted measurements in the past have chosen different methodological approaches which reduce the comparability of their results. This has to be borne in mind when reading the following data comparisons.

The extrapolated costs are naturally less precise and less detailed than the measured costs. Analyses of specific legislative requirements should therefore only be based on data from countries that have been measured. However, the indicative total impact of the EU legislation can be assessed using the extrapolated costs.

Figure 2 below shows a comparison for Member States. The comparison is based on the measured data from the six measurement countries, the data from the Baseline Countries³⁰, and the extrapolated data for the other countries. The three sub-sections below present individual analyses of the data from each of the three data collection approaches.

³⁰ As mentioned, the Baseline Countries with existing measurements are the UK and partly Germany, thus extrapolated data have been applied to the rest of the Baseline Countries.

Figure 2: Total Administrative Cost per Member State



By Capgemini/Deloitte/Ramboll Management.

As mentioned, caution should be exercised when comparing data from the six measurement countries with data from the Baseline Countries and data from the Extrapolation Countries. A few comments seems however warranted. As the graph shows, the total costs in the UK amount to some €3.9 million. These are by far the highest costs recorded in any Member State³¹. Spain has with €2.5 million the second highest costs. In third and fourth place are France and Italy with total costs amounting to €2.2 and €0.9 million respectively.

³¹ It should be stressed that much of the explanation for the relatively high cost in the UK seems to lie in methodological choices, which will be dealt with in further detail below. The high UK costs are driven by mainly high populations and tariffs and not measured time. It should be noted that for the purpose of extrapolation, the UK data has been analysed and used in a manner such that the relatively high UK figure does not bias the extrapolation exercise, as the extrapolation is based on the time use and not the populations. Moreover, it should be noted that it has been agreed to replace the population for two of the UK IOs with calculated values to ensure more consistency with the general EU approach. The two IOs affected are "Request for extract of licence" and "Application for the release of the security by instalments". The replacement of populations has led to a significant decrease in the cost of the two IOs and thus the total cost figure for UK and EU-27.

The Table below gives a more detailed overview of the cost and burden distribution across Member States.

Table 6: Administrative Cost and Administrative Burdens by Member State for the Priority Area Agriculture and Agricultural Subsidies

Country	EU Requirement		Total Admin. Cost	Total Admin. Burden	
	No. of EU Requirements	Admin. Cost (€x 1,000)	Admin. Cost (€x 1,000)	Admin. Burden (€x 1,000)	Admin. Burden as share of total Cost (%)
AT Extrapolated data	9	87.0	87.0	87.0	100.00
BE Measurement data	9	433.4	433.4	433.4	100.00
BG Extrapolated data	9	49.0	49.0	49.0	100.00
CY Extrapolated data	9	21.2	21.2	21.2	100.00
CZ Extrapolated data	9	43.2	43.2	43.2	100.00
DE Retrieved and extrapolated data	9	414.5	414.5	414.5	100.00
DK Extrapolated data	9	242.6	242.6	242.6	100.00
EE Extrapolated data	9	15.0	15.0	15.0	100.00
EL Measurement data	9	107.0	107.0	107.0	100.00
ES Extrapolated data	9	2,451.9	2,451.9	2,451.9	100.00
FI Extrapolated data	9	76.3	76.3	76.3	100.00
FR Measurement data	9	2,182.4	2,182.4	2,182.4	100.00
HU Extrapolated data	9	105.3	105.3	105.3	100.00
IE Measurement data	9	348.3	348.3	348.3	100.00
IT Extrapolated data	9	921.5	921.5	921.5	100.00
LT Extrapolated data	9	29.7	29.7	29.7	100.00
LU Extrapolated data	9	20.0	20.0	20.0	100.00
LV Extrapolated data	9	9.6	9.6	9.6	100.00
MT Extrapolated data	9	0.0	0.0	0.0	0
NL Extrapolated data	9	125.5	125.5	125.5	100.00
PL Measurement data	9	83.8	83.8	83.8	100.00

Country	EU Requirement		Total Admin. Cost	Total Admin. Burden	
	No. of EU Requirements	Admin. Cost (€x 1,000)	Admin. Cost (€x 1,000)	Admin. Burden (€x 1,000)	Admin. Burden as share of total Cost (%)
PT Extrapolated data	9	831.1	831.1	831.1	100.00
RO Measurement data	9	97.0	97.0	97.0	100.00
SE Extrapolated data	9	124.4	124.4	124.4	100.00
SI Extrapolated data	9	2.1	2.1	2.1	100.00
SK Extrapolated data	9	28.4	28.4	28.4	100.00
UK Retrieved and extrapolated data	9	3,869.0	3,869.0	3,223.6	83.32
Total	243	12,719.0	12,719.0	12,073.6	94.93

This Table is based on data compiled by the Consortium.

Note: No populations were identified for Malta³².

As can be seen from the Table the total costs per Member State differ quite significantly. Ten of the 27 Member States have total costs below €50,000. These Member States are (in increasing order of cost Slovenia, Latvia, Estonia, Luxembourg, Cyprus, Slovakia, Lithuania, Czech Republic and Bulgaria. Fourteen of the Member States, namely Finland, Austria, Poland, Romania, Hungary, Greece, Sweden, the Netherlands, Denmark, Ireland, Germany, Belgium, Portugal and Italy, have total costs in the range of €50,000–€1 million. Only three Member States, France, Spain and United Kingdom have calculated costs of more than €1 million.

³² The size of the agricultural sector in Malta in terms of holdings and production is small compared to other Member States. (For an overview, see Report on Agriculture and Fisheries 2006 from National Statistics Office, http://www.nso.gov.mt/statdoc/document_file.aspx?id=2259). No data on population was available so that the population data had to be extrapolated. Compared to other countries in terms of holdings, the Maltese agricultural sector was not large enough to return values other than "0". Even in Member States with a high number of holdings, the number of activities related to Information Obligations was low. This does not imply that there is no activity in Malta, but indicates that the number is low. It should be noted that the level of observation is, therefore, not detailed enough to detect the low number of activities.

As also indicated in the Table, the share of the administrative burdens in most countries is 100%, indicating that 0% of the costs related to the IOs are considered as business-as-usual. An exception, however, is the UK as mentioned earlier. In the existing data from the UK measurement the two prioritised IOs of “Application for licence – export and import” were measured with a business-as-usual cost of 25%. For methodological reasons this approach has been preserved for the British data for the two IOs.

A general finding across Member States is that key drivers of costs at national level are populations³³ and wage level (tariff). A detailed overview of each of the populations will not be provided here, as this information is available in the database accompanying the specific PA reports, but an example of the importance populations have in explaining differences is the example of the Netherlands. The Netherlands accounts for a relatively low level of total costs. This may seem surprising given that it has a large agricultural sector. However, the number of Dutch applications is relatively low, which explains the relatively low level of total costs.

As mentioned, the wage level also influences the total costs. By way of illustration, in both France and the UK, the bulk of the work is carried out by clerks whose hourly rate is €24 and €21 respectively; in Greece, the hourly rate for a clerk is €12. In Romania, the work is primarily done by a professional at an hourly rate of €6. All these are factors which have a significant impact on the total cost per Member State.

The Table below shows the tariffs (€ per hour) per employee type and country including 25% overhead³⁴. The last column shows the average tariff for the Member State. The lowest average tariff is found in Bulgaria with €1.72. The highest average tariff is found in Denmark with €33.89. Ten of the Member States have an average tariff level in the range one to ten euro, five Member States in the range €10-20, 10 Member States in the range

³³ Further information about the populations can be found in Section 4 with the specific IOs.

³⁴ The 25% overhead included in the tariff covers a number of costs related to the individual employee and represents costs in addition to direct pay costs. The overhead covers costs in connection with fixed administration costs, such as expenses for premises (rent or building depreciation), telephone, heating, electricity, IT equipment, etc. The overhead also includes absence owing to illness, since the hourly pay used to calculate administrative costs should, as far as possible, be the hourly pay per effective hour.

€20-30, and only two Member States have an average tariff level above €30. These differences naturally have a high impact on the total cost calculated for the individual Member States.

Table 7: Tariffs (€ per hour) per employee type and country incl. 25% overhead

Member State	1: Legislators, senior officials and managers	2: Professionals	3: Technicians and associate professionals	4: Clerks	5: Service workers and shop and market sales workers	6: Craft and related trades workers	7: Plant and machine operators and assemblers	8: Manual workers (agricultural and fisheries)	9: Elementary occupations	Average
Austria	51.53	38.75	29.21	22.34	15.66	18.76	19.98	17.77	15.38	25.49
Belgium	50.63	35.25	27.34	23.38	18.93	15.23	21.31	22.04	20.28	26.05
Bulgaria	3.30	2.24	1.94	1.42	0.98	1.57	1.61	1.42	1.02	1.72
Cyprus	31.64	20.29	15.72	10.25	9.43	12.12	10.69	10.60	9.18	14.44
Czech Republic	11.52	7.74	6.28	4.81	4.02	4.77	4.87	4.59	3.51	5.79
Denmark	51.99	45.40	38.41	27.66	23.21	32.47	31.02	29.38	25.50	33.89
Estonia	8.10	7.83	5.83	4.36	2.88	4.14	4.12	3.82	2.79	4.87
Finland	44.75	34.74	26.71	20.85	18.49	22.23	22.06	21.46	18.56	25.54
France	51.14	47.02	26.79	20.71	19.62	21.43	21.35	20.73	18.33	27.46
Germany	46.40	43.15	31.12	24.93	17.08	21.89	22.07	20.47	17.78	27.21
Greece	26.98	21.00	15.15	12.22	9.66	12.58	12.22	11.16	9.04	14.45
Hungary	11.66	7.78	6.12	4.87	3.66	4.56	4.87	4.40	3.49	5.71
Ireland	49.56	45.94	32.86	24.97	19.81	26.14	21.55	21.80	19.93	29.17
Italy	61.50	59.26	25.07	20.38	15.90	15.49	15.43	15.25	14.66	26.99
Latvia	5.86	5.81	5.36	3.73	2.39	3.47	3.73	3.44	2.95	4.08
Lithuania	7.38	6.06	4.23	3.46	2.86	3.63	3.63	3.27	2.26	4.09
Luxembourg	56.63	41.58	34.33	27.80	17.83	21.45	20.99	19.83	17.20	28.63
Malta	16.67	13.21	11.39	8.85	7.43	8.30	8.19	7.91	7.27	9.91
Netherlands	36.88	35.19	27.85	21.94	18.97	22.20	23.34	20.62	16.77	24.86
Poland	13.02	10.37	5.78	5.01	3.37	4.60	4.92	4.39	3.28	6.08
Portugal	31.00	19.32	13.93	9.52	5.97	6.25	6.89	6.26	5.73	11.65
Romania	9.73	5.97	4.30	3.61	2.04	3.24	3.24	2.99	1.97	4.12
Slovakia	7.83	5.19	4.34	2.76	2.76	3.47	3.55	3.27	2.32	3.94
Slovenia	18.34	18.75	11.97	9.74	7.40	7.75	7.44	7.31	6.32	10.56
Spain	37.11	23.94	18.72	12.89	11.50	12.72	12.91	11.73	9.27	16.76
Sweden	50.80	40.47	31.29	22.86	22.76	24.83	23.86	23.41	20.11	28.93

Member State	1: Legislators, senior officials and managers	2: Professionals	3: Technicians and associate professionals	4: Clerks	5: Service workers and shop and market sales workers	6: Craft and related trades workers	7: Plant and machine operators and assemblers	8: Manual workers (agricultural and fisheries)	9: Elementary occupations	Average
United Kingdom	52.81	49.75	36.56	23.69	19.65	26.73	22.79	22.32	19.19	30.39

Source: Eurostat.

3.4.3.2 Measurement countries

The measurement of the IOs took place in six pre-selected Member States. As stated in previously the Member States chosen for measuring the prioritised IOs in the PA Agriculture and Agricultural Subsidies were:

- Belgium
- France
- Greece
- Ireland
- Poland
- Romania.

The Table below details the administrative costs for the Measurement Countries.

Table 8: Administrative Cost and Administrative Burden for the Measurement Countries

Country	EU Requirement	Total Admin. Cost	Total Admin. Burden	
	Admin. Cost (€x 1,000)	Admin. Cost (€x 1,000)	Admin. Burden (€x 1,000)	Admin. Burden as share of total Cost (%)
BE	433.4	433.4	433.4	100.00
FR	2,182.4	2,182.4	2,182.4	100.00
EL	107.0	107.0	107.0	100.00
IE	348.3	348.3	348.3	100.00
PL	83.8	83.8	83.8	100.00

	EU Requirement	Total Admin. Cost	Total Admin. Burden	
RO	97.0	97.0	97.0	100.00
Total	3,252.0	3,252.0	3,252.0	100.00

This Table is based on data compiled by the Consortium.

Of the total costs amounting to €3,252,000 in the Measurement Countries, €2,182,400 comes from France. This can be explained by the fact that France has by far the most licences of all six countries. Belgium comes in second with €433,400. Ireland comes in third with €348,300 – stemming from a smaller number of licences than Belgium, but a higher wage level. Greece, Poland and Romania together represent a total cost of roughly €300,000.

The level of administrative burden is 100% in the Measurement Countries, because – clearly – the IO derives directly from the existence of the licence system. This basically means that if there were no IOs, exporters and importers would not apply for licences and thereby not invest any resources in complying with the IOs.

3.4.3.3 Baseline Countries

A central aspiration of the project was to learn from measurements, which had already been undertaken in Member States. These measurements were an important input as they constitute the current “state of play” in those countries which have already carried out work in the SCM field³⁵. Existing measurements were reused whenever possible and efficient. This was mainly the case when complete baseline measurements were available for a Priority Area and where the methodology used in the Baseline Countries was comparable enough to the EU SCM not to distort the extrapolation approach.

³⁵ Wherever possible, data from the national baseline measurements was reused. However, where no comparable data was available the administrative costs were extrapolated. More specific information on the reuse of data from national baseline measurements is provided in the Annex ‘Challenges and constraints of reusing existing data from previous baseline measurements’.

Table 9: Administrative Cost and Administrative Burden for the Baseline Countries³⁶

Country	EU Requirement	Total Admin. Cost	Total Admin. Burden	
	Admin. Cost (€x 1,000)	Admin. Cost (€x 1,000)	Admin. Burden (€x 1,000)	Admin. Burden as share of total Cost (%)
DK	242.6	242.6	242.6	100.00
DE	414.5	414.5	414.5	100.00
NL	125.5	125.5	125.5	100.00
UK	3,869.0	3,869.0	3,223.6	83.32
Total	4,651.6	4,651.6	4,006.2	86.13

This Table is based on data compiled by the Consortium.

Only one of the Baseline Countries had measured Regulation (EC) No 1291/2000 fully, namely the UK. The total costs in the UK amount to some €3,869,018 or around €3.9 million, which are by far the highest costs recorded in any Member State. The costs are due primarily to two factors, one of which is the population, i.e. number of applications, and the other is the wage level, which is relatively high in the UK. Both the time estimates and the population used have, on an ongoing basis, been subject to further scrutiny in relation to the initial outset from the Baseline Country. Both the time estimates and the populations were found to be consistent with the UK database, but due to an obvious different methodology for assessing populations it was agreed to replace the population for two of the UK IOs with calculated values in order to ensure more consistency with the general EU approach. The two IOs affected are "Request for extract of licence" and "Application for the release of the security by instalments". The replacement of populations has led to a significant decrease in the costs of the two IOs, and thereby the total cost figure for the UK and the EU-27 when comparing to the figures at the outset. As noted earlier, the high UK figures have been specifically addressed in the extrapolation exercise and have not had a distorting impact on the extrapolated data.

³⁶ Not all data could have been retrieved from the existing measurements in the Baseline Countries. Therefore the missing data fields were compiled through extrapolation, in particular for DK, DE and NL.

For the remaining countries the costs have been extrapolated based on the data collected in the six Measurement Countries and the data from the German and the UK measurement. Germany has the second highest costs of the Baseline Countries with €414,500; Denmark is in third place with €242,600, with roughly one third the number of licences in Germany.

3.4.3.4 Extrapolation countries

As indicated above, the measurement was only conducted in a sample of six Member States. The results from the measurement countries and the Baseline Countries were used to estimate the costs in countries where no measurement was undertaken³⁷. This extrapolation process provided the indicative total costs for European businesses of complying with EU legislation. The Table below shows the administrative costs for the Extrapolation Countries.

Whenever the extrapolation model gave rise to results that were not consistent with what might have been anticipated based on economic analysis, this was further discussed with DG Enterprise, with whom a basis for manual extrapolation was agreed.

³⁷ The Consortium did however collect population data for all IOs for all 27 Member States.

Table 10: Administrative Cost and Administrative Burden for the Extrapolation countries

Country	EU Requirement	Total Admin. Cost	Total Admin. Burden	
	Admin. Cost (€x 1,000)	Admin. Cost (€x 1,000)	Admin. Burden (€x 1,000)	Admin. Burden as share of total Cost (%)
AT	87.0	87.0	87.0	100.00
BG	49.0	49.0	49.0	100.00
CY	21.2	21.2	21.2	100.00
CZ	43.2	43.2	43.2	100.00
EE	15.0	15.0	15.0	100.00
FI	76.3	76.3	76.3	100.00
HU	105.3	105.3	105.3	100.00
IT	921.5	921.5	921.5	100.00
LV	9.6	9.6	9.6	100.00
LT	29.7	29.7	29.7	100.00
LU	20.0	20.0	20.0	100.00
MT	0.0	0.0	0.0	0
PT	831.1	831.1	831.1	100.00
SK	28.4	28.4	28.4	100.00
SI	2.1	2.1	2.1	100.00
ES	2,451.9	2,451.9	2,451.9	100.00
SE	124.4	124.4	124.4	100.00
Total	4,815.5	4,815.5	4,815.5	100.00

This Table is based on data compiled by the Consortium.

No populations were identified for Malta³⁸.

The exercise of predicting costs through statistical modelling results in cost data with a different level of accuracy compared to the data collected through interviews. The extrapolated costs are for these reasons less precise and less detailed than the measured costs. Analyses of specific requirements should therefore only be based on data from countries that have been measured, whereas the total impact of EU legislation and of changes in legislation can be assessed using the extrapolated costs.

³⁸ The size of the agricultural sector in Malta in terms of holdings and production is small compared to other Member States relatively small. (For an overview, see Report on Agriculture and Fisheries 2006 from National Statistics Office, http://www.nso.gov.mt/statdoc/document_file.aspx?id=2259). No data on population was available so that the population data had to be extrapolated. Compared to other countries in terms of holdings, the Maltese agricultural sector was not large enough to return values other than "0". Even in Member States with a high number of holdings, the number of activities related to Information obligations was low. This does not imply that there are no activities in Malta, but indicates that the number is low. It should be noted, therefore, that the level of observation is not detailed enough to detect the low number of activities.

The Table above shows the costs for the Extrapolation Countries. The total costs for the Extrapolation Countries amount to €4,815,500. Two countries account for roughly two thirds of the total or around €3.3 million, namely Italy and Spain.

The highest costs – €2,451,900 – are found in Spain and are the result of a relatively high population, some 42,000 licences in 2006. Italy had a little more than 16,000 licences in total (2006) resulting in total cost of around €921,000. With total cost of €831,100 Portugal is ranked as the third most costly country, which again can be explained by a relatively large number of licences.

It is also clear from the overview that many Member States have few direct export/import activities. Their populations and hence their overall costs are relatively small.

However, it should be noted that the costs for the individual business in the countries with the relatively lower overall costs are still to be considered as significant for the companies affected.

The results of the extrapolation, as shown in the Table above, are consistent with the general findings for the PA. This means that the costs are primarily driven by the population, i.e. number of Qs, and the wage level.

3.4.4 Administrative Costs related to Irritation Potential of Most Burdensome EU IOs

The overall objective of the Action Programme is to achieve a 25% reduction in the administrative burden by 2012. Previous SCM projects at national level have proven that possible reduction efforts will be seen as especially successful if public authorities manage to lower the perceived burdens for the businesses. Thus two dimensions should be taken into account when analysing how burdensome an IO is:

1. Level of administrative burden
2. Level of irritation for businesses.

The extent to which business experience IOs as “irritating” was assessed based on the businesses’ responses to the following six statements:

- The information/data that the authorities require from me is linked to the information/data that are available from my own business process;
- I understand why the authorities want this information/data from me;
- I understand why the authorities ask me for this information/data with this frequency;
- The authorities make sure that I have to deliver this information/data only once and not to different authorities;
- The amount of information/data that the authorities ask for is in line with the objectives of the IO;
- The request for information/data is so clear that every entrepreneur/employee is able to comply with the request.

Summing up on the input given by the business Regulation (EC) No 1291/2000 does not appear very irritating to the companies. One explanation is that the time spent on the formalities is not considerable. This perhaps makes the perceived irritation negligible. Another reason may very well be that the typical applicant is a professional operator with a history of handling export activities and a considerable number of licences. By way of illustration, quite a few of the companies interviewed had templates for the application, meaning that they had to change only a very small amount of information from the previous application.

This impression is also supported by the fact that many of the companies interviewed stress that the application for refunds is a greater burden when engaging in export activities than is the application for licences.

Though not regulated by Regulation (EC) No 1291/2000, one subject of irritation which is often mentioned in some of the Measurement Countries relates to the securities. Exporters in some Member States find it time-consuming to get their security released. This is clearly an irritant and an additional cost as they have working capital tied up in securities.

Along the same lines, quite a few interviews stressed the need for a quick administration of the applications, as delays are critical when dealing in perishable products.

The Main Report on the measurement data and analysis as specified in the specific contracts 5&6 on Modules 3&4 under the Framework Contract n° ENTR/06/61 contains a high level overview of the irritation levels of all PAs. It includes an analysis on the total dataset.

4. Legal Acts and the 5 Most Burdensome Information Obligations - licence

The following Chapter provides an overview of the five most costly IOs identified and measured in Commission Regulation (EC) No 1291/2000 of 9 June 2000 laying down common detailed rules for the application of the system of import and export licences and advance fixing certificates for agricultural products.

Table 11 below provides an overview of the total administrative costs and burdens of all the IOs.

Table 11: Total Administrative Cost and Administrative Burden of all EU Information Obligations

EU Requirement	Legislation	Article	Admin. Cost (€x 1,000)	Share of Total (%)	Admin. Burden (€x 1,000)	Admin. Burden as share of total Cost (%)
Application for licence – export	Commission Regulation (EC) No 1291/2000 of 9 June 2000	Art. 13; Art. 18; Annex I	3,764.1	29.59	3,441.4	91.43
Application for licence – import	Commission Regulation (EC) No 1291/2000 of 9 June 2000	Art. 13; Art. 18; Annex I	3,568.9	28.06	3,246.2	90.96
Submission of licence or certificate to customs office	Commission Regulation (EC) No 1291/2000 of 9 June 2000	Art. 24 par. 1; Art. 31 point (a)- (b)	3,388.1	26.64	3,388.1	100.00
Application for the release of the security by instalments	Commission Regulation (EC) No 1291/2000 of 9 June 2000	Art. 35 par. 1	1,304.2	10.25	1,304.2	100.00
Request for transfer of licence or certificate	Commission Regulation (EC) No 1291/2000 of 9 June 2000	Art. 9 par. 3	467.3	3.67	467.3	100.00

EU Requirement	Legislation	Article	Admin. Cost (€x 1,000)	Share of Total (%)	Admin. Burden (€x 1,000)	Admin. Burden as share of total Cost (%)
Request for extract of licence	Commission Regulation (EC) No 1291/2000 of 9 June 2000	Art. 22; Art. 19 par. 2; Art. 18 par. 2	134.7	1.06	134.7	100.00
Notification to undo the effects of putting the goods in free circulation	Commission Regulation (EC) No 1291/2000 of 9 June 2000	Art. 46	90.6	0.71	90.6	100.00
Declaration to avail of returned goods provisions	Commission Regulation (EC) No 1291/2000 of 9 June 2000	Art. 43 par. 2; Art. 44 par. 1(a)	1.0	0.01	1.0	100.00
Application for extension or cancellation of licence or certificate due to force majeure	Commission Regulation (EC) No 1291/2000 of 9 June 2000	Art. 40 par. 1; Art. 41 par. 2	0.1	0.00	0.1	100.00
Total			12,719.0	100.00	12,073.6	94.93

This Table is based on data compiled by the Consortium.

Before moving on, a few comments seem warranted. As can be seen, the two prioritised IOs, "Application for licences" (export and import), together represent a cost of roughly €7,333,000 or 58% of the total, each with around 30% and 28% of the total costs. "Application for licence – export" accounts for €3,764,100. "Application for licence – import" represents costs of €3,568,900.

The third most costly IO is the "Submission of licence or certificate to customs office" with costs of €3,388,100. This IO is closely connected to the applications, as all licences need to be submitted to customs. The IO was not segmented further, which is why it covers the whole population.

The fourth most costly IO is "Application for the release of the security by instalments" with €1,304,179. For the application for instalments it should be noted that in some

Member States, companies do not need to apply³⁹, as the security is automatically released when data is exchanged from customs to the issuing authority.

The fifth most costly IO is “Request for transfer of licence or certificate” with a cost of €467,318.

In the Section below, the five most costly of the nine IOs are described in detail in relation to the following topics:

- Explanation of the legal aspects of the IO
- Underlying steps in the business process
- Overview of the cost parameters
- Segmentation
- Business-as-usual costs
- Potential reduction measures.

As the total administrative costs and burdens are indicative because they include extrapolated data, the most burdensome IOs are analysed on the basis of the detailed data collected in the six Measurement Countries only.

4.1 Information Obligation 1 “Application for licence – export (Art”. 13; Art. 18; Annex I)

The “Application for licence – export” is one of the two highly prioritised IOs in ‘Commission Regulation (EC) No 1291/2000 of 9 June 2000 laying down common detailed rules for the application of the system of import and export licences and advance fixing certificates for agricultural products’.

4.1.1 Characteristics of the Information Obligation

Companies that want to export outside the Community and/or receive an export refund must apply for an export licence via a competent national authority by filling out a pre-defined form, Annex 1 of Regulation 1291/2000.

³⁹ For more details on the IO on release of securities, please cf. Section 3.1.4.1

Section 3.2 provided an extensive account of the data collection approach and the segmentation chosen.

The segmentation for the IO on “Application for licence – export” is made up of the following two segments.

1. Exporters of agricultural products - animal sector/products
2. Exporters of agricultural products - vegetable sector/products.

4.1.2 Process for complying with the Information Obligation

The business process typically starts with an opportunity to export outside the Community. Then the operator must apply for an export licence via a competent national authority by filling out a pre-defined form, which is in Annex 1 of Regulation 1291/2000.

The licence is requested for a 12-digit code product from the nomenclature of agricultural products for use with export refunds or for several codes in the same category (Art. 14 of 1291/2000). Depending on the Member State the companies can use either a paper application form or apply online.

The typical process comprises the following activities:

- Becoming familiar with or checking sector-specific legislation, including contact with the authorities and checking guidelines
- Retrieving existing data, including checking previous applications
- Filling in the form, including calculating the security
- Perhaps copying and filing, so as to keep an internal record
- Submitting application.

The typical business process can be depicted as follows.

Figure 3: Business process for “Application for licence – export”



By Capgemini/Deloitte/Ramboll Management.

In passing it should be noted that the lodging of a security which, as noted earlier, is seen as a substantive, not an administrative cost and hence is out of scope, typically involves contacts with the bank during the process of filling in the form, if external security is used. This is mainly owing to the fact that this is the time when the company knows how much to apply for.

4.1.3 Costs and explanatory variables

The total costs of the IO “Application for licence - export” are €3,764,100 for the EU-27. As the business would not complete an application in the absence of legislation all the administrative costs are considered as administrative burdens, which means there are no business-as-usual costs. Of the total administrative costs, 19% stem from the Measurement Countries.

Table 12: Total Administrative Costs in the Measurement Countries – “Application for licence – export”

“Application for licence – export”, Commission Regulation (EC) No 1291/2000 of 9 June 2000 laying down common detailed rules for the application of the system of import and export licences and advance fixing certificates for agricultural products, Art. 13; Art. 18; Annex I							
		Measurement Data					
		BE	FR	EL	IE	PL	RO
Internal time per occurrence (minutes)	exporter, animal sector/products	19	10	50	20	45	150
	exporter, vegetable sector/products	16	20	84	20	35	145

“Application for licence – export”, Commission Regulation (EC) No 1291/2000 of 9 June 2000 laying down common detailed rules for the application of the system of import and export licences and advance fixing certificates for agricultural products, Art. 13; Art. 18; Annex I

		Measurement Data					
		BE	FR	EL	IE	PL	RO
Equipment costs per occurrence (€)	exporter, animal sector/products	5.00	7.00	0.00	0.00	0.00	0.00
	exporter, vegetable sector/products	25.00	11.00	0.00	0.00	0.00	0.00
Consulting costs per occurrence (€)	exporter, animal sector/products	0.00	0.00	17.00	0.00	0.00	0.00
	exporter, vegetable sector/products	0.00	0.00	11.00	0.00	0.00	0.00
Number of occurrences	exporter, animal sector/products	1,148	10,596	101	996	2,238	1,329
	exporter, vegetable sector/products	6,192	16,092	484	403	3,228	1,624
Total administrative costs per occurrence (€)	exporter, animal sector/products	12.28	10.50	27.00	15.33	7.50	15.00
	exporter, vegetable sector/products	31.13	18.00	27.80	15.33	5.83	14.50
Total administrative burden per occurrence (€)	exporter, animal sector/products	12.28	10.50	27.00	15.33	7.50	15.00
	exporter, vegetable sector/products	31.13	18.00	27.80	15.33	5.83	14.50
Total Cost (€)	exporter, animal sector/products	14,101.27	111,258.00	2,727.00	15,272.00	16,785.00	19,935.00
	exporter, vegetable sector/products	192,777.60	289,656.00	13,455.20	6,179.33	18,830.00	23,548.00
Total Cost, all segments (€)		206,878.87	400,914.00	16,182.20	21,451.33	35,615.00	43,483.00

This Table is based on data compiled by the Consortium.

Note: Collection of data for this IO was based on segments. The total costs per occurrence presented in this Table are calculated per IO as: (sum of total costs across segments)/(sum of Q across segments).

A zero value ("0") is used where there is no existing data on costs, minutes, occurrences and/or populations.

The highest costs are found in France and Belgium, with total costs for the IO of €400,914 and €206,878 respectively. In the rest of the countries this IO accounts for total costs of less than €50,000 for each country.

As shown in the Table the explanation of the high total costs in France is primarily due to the high number of licences applied for (a total of 26,688). The second highest costs, which are found in Belgium, can be explained by the relatively high Belgian equipment costs in the vegetable segment and the second highest population.

The lowest total costs, which are found in Greece, can be explained by relatively low number of occurrences (585 licences were applied for in 2006) and no existence of equipment costs.

The major time difference between the Measurement Countries in terms of the application is the time it takes to submit the application. The typical Romanian and Greek applicants deliver the application personally; thus a transportation time of 120 minutes is included for Romania and 20 or 50 minutes for Greece; in Greece, companies in the vegetable segments are typically located further away from the agency and hence the difference is the internal time use of the segments in Greece. The high time use in Romania can be explained by the relatively poor infrastructure and thus higher travel time related to making a submission.

In other words, there seems to be consistency in the overall assessment of the level of time spent.

The main "internal difference" as regards the relative internal time spent per occurrence between the two segments (vegetable products and animal products) is found in France. As shown in the Table, 20 minutes are spent per entity, but it is important to note that there is a difference in the time spent between the segments since dematerialisation exists only in the animal sector. This means that companies can apply electronically for an export/import licence, and that companies can fill in the licence form on a dematerialised platform. The dematerialisation leads to an application time of 10 minutes in the animal sector, compared to 20 minutes in vegetable products.

In France, a courier is commonly used, which explains the equipment costs per entity. Equipment costs in France are between €7 and €11 per licence (€9.41 average) because companies send the required documents by special postal services, such as "recorded

delivery". More documents are needed for the manual submission in the vegetable sector, which causes the costs to be higher.

In Belgium, Poland and Ireland "a hybrid" can be observed. In Ireland, the applications are either sent by e-mail or fax, and no other submissions take place. This explains the absence of equipment costs. In Belgium and Poland, the operator would typically fax the application to the relevant agency to notify them that the application is coming, after which they send in the original, either by post or courier. Furthermore, it is also common in Poland to submit the applications personally.

Greece is the only country in which consultancy costs were identified, with a cost per licence of between €17 (animal segment) and €11 (vegetable segment). This is due to the fact that it is normal to cooperate with a customs broker, who acts as the intermediary between the company and the authorities.

The "Application for licence" does not appear to be irritating for the companies. One explanation is that the time spent is not high, which perhaps makes the perceived irritation negligible. Another reason may very well be that the typical applicant is a professional operator with a history of handling export activities and a considerable number of licences. On the one hand, this means that the time spent per company may be rather high. On the other hand, it also means that the company has set up its internal processes and procedures to handle the licences. By way of illustration, quite a few of the companies interviewed had templates for the application, so that they only had very little information to change compared to previous applications.

However, though not regulated by Regulation 1291/2000, one irritant which is quite often mentioned in some of the Measurement Countries relates to the securities. Exporters in some Member States find it time-consuming to get their security released, which is a clear cost and irritant as they have working capital tied up in securities.

Also, most companies stress the need for a quick turnaround of the applications, as delays are critical when dealing with perishable products.

The overall consistency in the results among the countries provides an indication of the way in which a normally efficient business deals with the EU IO "Application for licence - export", where the concept of a "normal efficient business" is understood as the 'normal' process by which the business handles the requirements stemming from the law. As mentioned, the implementation of the EU Requirements at national level of this PA corresponds exactly to the requirements of the Regulation. Hence, the normally efficient business's way of dealing with the IO "Application for licence - export" reflects direct implementation of the EU IO in all countries, thus resulting in consistency between the countries. The normally efficient business's way of handling this EU IO suggests a general internal time use of less than an hour, none or only low equipment costs and no consultancy costs. This result reflects the findings in the Baseline Countries (the UK and Germany), where the time used on this EU IO also was close to - or less than an hour. Likewise only very low (Germany) or no equipment or consultancy costs (the UK) identified in the Baseline Countries.

4.1.4 First simplification suggestions

During the interviews and workshops with businesses and experts several initial simplification ideas were collected. A structured and detailed collection and analysis of possible reduction measures will be conducted during Module 5. Thus, this Section only contains a summary of the suggestions gathered and does not represent a final list of simplification suggestions.

A potential reduction avenue is the application procedure. As noted earlier, Member States are encouraged to introduce simplified application procedures. The simplified process is related to an electronic application system, for instance online application, and to information-sharing between the awarding authority and the national tax authorities. This in turn reduces the amount of information which a company must submit and the time spent on submission. Hence, the introduction of eGov. solutions is the reduction potential most commonly referred to by the companies. This goes both for the actual application process and also for the release of securities.

It should be noted that the eGov. solutions not only apply to the individual Member States. Several interviews pointed to the relevance of having such solutions and tools at the EU

level. However, as the implementation is at the Member State level, the introduction of an EU digital solutions platform could add an extra administrative layer and represent additional public administrative costs.

A large operator noted: "It would be great if there were one database with all licence information, and that customs in all Member States had access to such a database and could extract information from it. This would also mean that you should no longer handle the licences physically and that you could do the import/export in all EU-27."

From a public authority perspective, the high number of product-specific EU Regulations increases the administration time and the resources needed to administer the licence system.

Related to this, it is important to note that a Regulation adopted recently, Commission Regulation (EC) No 514/2008, not only reduces considerably the number of products for which a licence obligation exists, but also groups together and harmonises the rules for those products for which a licence system continues to be applied.

4.2 Information Obligation 2 "Application for licence – import" (Art. 13; Art. 18; Annex I)

The "Application for licence – import" is the second of the two highly prioritised IOs in 'Commission Regulation (EC) No 1291/2000 of 9 June 2000 laying down common detailed rules for the application of the system of import and export licences and advance fixing certificates for agricultural products'.

It should be noted that the information on this IO, including business processes, is very similar to the information describing the export licence application above. Therefore, the following Sections will primarily focus on issues which are specific to the importers.

4.2.1 Characteristics of the Information Obligation

Companies wishing to import into the Community must apply for an import licence via a competent national authority by filling out a pre-defined form, Annex 1 of Regulation 1291/2000.

Section 3.2 provided an extensive account of the data collection approach and the chosen segmentation.

The segmentation for the IO “Application for licence – import” is made up of the following two segments.

1. Importers of agricultural products - animal sector/products
2. Importers of agricultural products - vegetable sector/products.

4.2.2 Process for complying with the Information Obligation

The business process typically starts with an opportunity to import agricultural products into the Community. Then the operator must apply for an import licence via a competent national authority by filling out a pre-defined form, which is in Annex 1 of Regulation 1291/2000.

The licence is requested for eight-digit code products from the combined nomenclature or under an import quota. Depending on the Member State, the companies can use either a paper application form or apply online.

The typical process consists of the following activities:

- Becoming familiar with or checking sector-specific legislation, including contact with the authorities and checking guidelines;
- Retrieving existing data, including checking previous applications;
- Filling in the form, including calculating the security;
- Perhaps copying and filing, so as to keep an internal record;
- Submitting application.

The typical business process can be depicted as follows.

Figure 4: Business process for "Application for licence – import"



By Capgemini/Deloitte/Ramboll Management.

In passing, it should be noted that the lodging of a security, which – as noted – is seen as a substantive, not an administrative, cost and hence is out of scope, typically involves contacts with the bank during the process of filling in the form if an externally financed security is used. This is mainly because this is the time when the company knows what quantities it is applying for.

4.2.3 Costs and explanatory variables

The total costs of the IO "Application for licence - import" are €3,568,900 for the EU-27. As the business would not complete an application in the absence of legislation, all the administrative costs are considered as administrative burdens. This means there are no business-as-usual costs. Of the total administrative costs, 14% stem from the Measurement Countries.

Table 13: Total Administrative Cost in the Measurement Countries – “Application for licence – import”

		Measurement Data					
		BE	FR	EL	IE	PL	RO
Internal time per occurrence (minutes)	importers, animal	35	10	55	45	35	160
	importers, vegetable/non-animal	35	20	85	15	20	140
Equipment costs per occurrence (€)	importers, animal	10.00	7.00	0.00	0.00	0.00	0.00
	importers, vegetable/non-animal	10.00	11.00	0.00	0.00	0.00	0.00
Consulting costs per occurrence (€)	importers, animal	0.00	0.00	17.00	0.00	0.00	0.00
	importers, vegetable/non-animal	0.00	0.00	13.00	0.00	0.00	0.00
Number of occurrences	importers, animal	1,413	2,945	1,272	1,586	33	1,178
	importers, vegetable/non-animal	4,378	5,909	202	5,777	1,942	1,923
Total administrative costs per occurrence (€)	importers, animal	23.42	10.50	28.00	34.50	5.83	16.00
	importers, vegetable/non-animal	23.42	18.00	30.00	11.50	3.33	14.00
Total administrative burden per occurrence (€)	importers, animal	23.42	10.50	28.00	34.50	5.83	16.00
	importers, vegetable/non-animal	23.42	18.00	30.00	11.50	3.33	14.00
Total Cost (€)	importers, animal	33,087.75	30,922.50	35,616.00	54,717.00	192.50	18,848.00
	importers, vegetable/non-animal	102,518.17	106,362.00	6,060.00	66,435.50	6,473.33	26,922.00
Total Cost, all segments (€)		135,605.92	137,284.50	41,676.00	121,152.50	6,665.83	45,770.00

This Table is based on data compiled by the Consortium.

Note: Collection of data for this IO was based on segments. The total costs per occurrence presented in this Table are calculated per IO as: (sum of total costs across segments)/(sum of Q across segments).

A zero value (“0”) is used where there is no existing data on costs, minutes, occurrences and/or populations.

The highest total costs of this EU IO are found in France and Belgium, with costs of €137,284 and €135,605 respectively. Next is Ireland with total costs of €121,152. It is clear from the Table that a major part of the explanation behind these relatively high costs is the relatively high number of licences (number of occurrences). It is noteworthy that, of the six countries, Poland has by far the lowest costs (€6,665). The low tariff rate and the low number of licences partly explain these figures.

As was the case with export licences, the major time difference between the Measurement Countries on the application is the time it takes to submit the application. Typically, Greek and Romanian applicants deliver the application personally. Thus, transportation time is included: 120 minutes for Romania and 20 or 50 minutes for Greece. In Greece companies in the vegetable segments typically are located further away from the agency, so a longer timeframe has been taken into account. As indicated in Section 4.1.3, the high time use in Romania can be explained by the relatively poor infrastructure and thus higher travel time related to conducting a submission.

In other words, there seems to be consistency in the overall assessment of the level of time spent.

It should also be noted that there are "Internal differences" in time spent per application for a licence between the two segments in all countries except Belgium.

As noted above, France has introduced dematerialisation, meaning that companies can apply electronically for an export/import licence, and that companies can fill in the licence on a dematerialised platform. However, dematerialisation is only possible in the animal sector. This leads to an application time of 10 minutes, compared to 20 minutes in the vegetable products sector.

In France, a courier is commonly used, which explains the equipment costs. Equipment costs in France are between €7 and €11 per licence because of this use of a courier. More documents are needed for the manual submission in the vegetable sector. This causes the costs for the vegetable sector to be relatively higher compared to the non-vegetable sector.

In Ireland, importers of animal sector products typically spend 45 minutes per application, compared to 15 minutes for vegetable/non-animal importers. In the interviews the importers of animal sector products indicated that they spend relatively more time on retrieving information. For the non-animal importers the majority of licences relate to wine imports.

In Belgium, Poland and Ireland a hybrid process can be seen. In Ireland, the applications are either sent by e-mail or fax, and there are no other submissions. This explains the absence of equipment costs in Ireland. In Belgium and Poland, the operator typically faxes the application to the relevant agency to provide notification of the forthcoming application. They then send in the original, either by post or courier – or in the case of Poland in many cases submit the applications personally.

Greece is the only country in which consultancy costs were identified. This is due to the fact that it is normal to cooperate with a customs broker, who acts as the intermediary between the company and the authorities.

It should also be mentioned that the use of customs agents or brokers is not completely uncommon in other Member States, depending on the products. By way of illustration, in Ireland the use of customs agents is particularly widespread in the import of wine.

As to the business-as-usual costs, the observations are very similar to those made for the exporters (see previous section).

To sum up, there seems to be consistency in the level of time spent between importers and exporters across the Measurement Countries. The main conclusion is that the IOs are not seen as particularly burdensome or time-consuming. The companies are used to dealing with the licences. This is also reflected in the fact that little time is spent on becoming familiar with the legislation and thus keeping themselves up-to-date.

The main difference between exporters and importers is in Belgium where importers generally spend relatively more time on retrieving existing data when applying for a licence than the exporters.

Another interesting, cross-segment finding occurs in France. Here the use of on-line applications has reduced the application time by half in the animal sector compared to the vegetable sector. Furthermore, the relatively short application times in France have meant that, in total, costs the application for export/import licences rank third in France, after the application for the release of security by instalments and the submission of the licence or certificate to customs.

The high submission times in Greece and Romania deserve a mention. These are due to time spent on personal delivery and can, in the case of Romania, partly be explained by the poor conditions of the infrastructure.

The overall consistency between the countries gives an indication of the normally efficient business's way of dealing with the EU IO "Application for licence - import". As mentioned, the implementation of the EU Requirements at national level of this PA corresponds exactly to the requirements of the Regulation. Hence, the normally efficient business's way of handling the IO "Application for licence - import" reflects direct implementation of the EU IO in all countries resulting in consistency between the countries. As in the case of "Application for licence - export", the normally efficient business's way of handling this EU IO suggests a general internal time use of less than an hour, none or only a low equipment costs and no consultancy costs. Again, this result reflects the findings in the Baseline Countries (the UK and Germany), where the time used on this EU IO also was close to - or less than an hour. Likewise were only very low (Germany) or no equipment or consultancy costs (the UK) identified in the Baseline Countries.

4.2.4 First simplification suggestions

For preliminary ideas on simplification, please see above under the export licence.

4.3 Information Obligation 3 “Submission of licence or certificate to customs office” (Art. 24.1)

The “Submission of licence or certificate to customs office” is a non-prioritised IO⁴⁰ in “Commission Regulation (EC) No 1291/2000 of 9 June 2000 laying down common detailed rules for the application of the system of import and export licences and advance fixing certificates for agricultural products”.

4.3.1 Characteristics of the Information Obligation

Regulation 1291/2000 states that “Copy No 1 of the licence or certificate shall be submitted to the customs office”.

In other words, the licence holder must submit a copy of the licence to the customs office⁴¹.

The IO was not segmented further as no differences between exporters and importers were expected.

4.3.2 Process for complying with the Information Obligation

Based on the characteristics above, a typical process looks as follows:

The company:

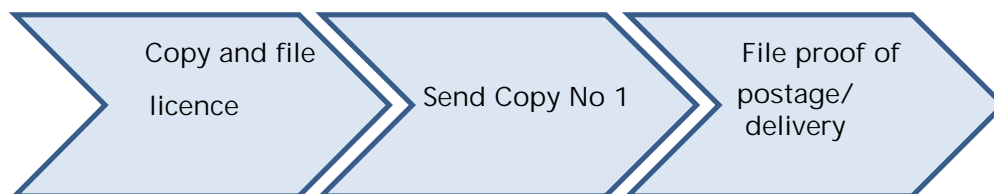
- Copies and files the licence in order to keep an internal copy
- Sends Copy No 1 to customs
- Keeps the “proof of postage”/delivery.

The typical business process can be depicted as follows.

⁴⁰ Although this IO is the third most costly IO, the IO has not been prioritised as the activities related to the IO are fairly simple.

⁴¹ It should be mentioned that to avoid the burden of submission of the licence or certificate to the customs office, Regulation 1291/2000 has foreseen that Member States may create the possibility of lodging the licence or certificate with the issuing body or the authority responsible for the payment.

Figure 5: Business process for "Submission of licence or certificate to customs office"



By Capgemini/Deloitte/Ramboll Management.

4.3.3 Costs and explanatory variables

The total costs of the IO "Submission of licence or certificate to customs office" are €3,388,100 for the EU-27. As the business would not complete an application in the absence of legislation all the administrative costs are considered as administrative burdens, which means there are no business-as-usual costs. Of the total administrative costs, 25% stem from the Measurement Countries.⁴²

In the measurement, the focus was on isolating the activities and the time spent on handling the licence. However, it cannot be ruled out that equipment costs cover more than Copy no. 1, as other documents might be delivered at the same time as the licence.

The results of the measurement show that the Measurement Country with the highest total costs is France with €495,218, while Ireland has the second highest costs with €203,709. Romania has the lowest costs with only €3,898. Ireland and Greece have the highest costs per submitted licence, €27.67 and €22.00 respectively. The data is presented in Table 14 below.

Table 14: Total Administrative Costs in the Measurement Countries – "Submission of licence or certificate to customs office"

	BE	FR	EL	IE	PL	RO
Internal time per occurrence (minutes)	3	10	10	10	22	10
Equipment costs per occurrence (€)	5.00	10.00	0.00	20.00	0.00	0.00
Consulting costs per occurrence (€)	0.00	0.00	20.00	0.00	0.00	0.00

⁴² Although other documents may be submitted together with the licence or certificate, the cost related to the submission is solely located with this IO as this has been identified as an administrative burden independently of submission of other documents.

	BE	FR	EL	IE	PL	RO
Number of occurrences	13,131	35,542	2,059	7,363	7,501	5,847
Total administrative costs per occurrence (€)	6.15	13.93	22.00	27.67	3.67	0.67
Total administrative burdens per occurrence (€)	6.15	13.93	22.00	27.67	3.67	0.67
Total Cost (€)	80,755.65	495,218.53	45,298.00	203,709.67	27,503.67	3,898.00

This Table is based on data compiled by the Consortium.

A zero value ("0") is used where there is no existing data on costs, minutes, occurrences and/or populations.

As can be seen from the results from the Measurement Countries, this IO has very large populations, as all licences need to be submitted to customs⁴³, see also Chapter 6 on methodological challenges. So, it is closely linked with the application. The highest population can be found in France where there are a total of 35,542 occurrences.

What is equally clear is the low amount of time spent on the submission. Most countries spend 10 minutes. An exception is Poland, where 22 minutes are taken. This difference can be explained by the tendency for the submission to be handled in person.

One difference that occurs between the countries is whether equipment costs are involved. For Ireland, France and Belgium the submission is typically carried out by an external courier. The high equipment costs for submission are motivated by the need to have proof of the submission and the fact that the companies need to make sure that the licence gets there. In Greece, the submission is handled by the customs broker. In Poland, no equipment costs were identified.

In Romania, the typical company spends time on copying and preparing the submission. The actual submission is handled by the company driver who has to go to customs anyway to pick up goods. The time the driver spends is not included, as the purpose of the journey is not to deliver the copy of the licence.

⁴³ Except where the Member State has allowed for lodging the licence with the issuing body or the authority responsible for the payment.

Again, the results point to the presence of streamlined and time-efficient processes. The overall consistency between the countries gives an indication of the normally efficient business's way of dealing with the EU IO "Submission of licence or certificate to customs office". As previously mentioned, the implementation of the EU Requirements at national level of this PA corresponds exactly to the requirements of the Regulation. Hence, the way in which a normally efficient business deals with the IO "Submission of licence or certificate to customs office" reflects direct implementation of the EU IO in all countries, thus resulting in consistency between the countries. The normally efficient handling of this EU IO suggests a general internal time use of 10 minutes, none or only a low equipment costs and no consultancy costs. Again, this result is close to the findings in the available data from a Baseline Country, the UK (35 minutes and no equipment or consultancy costs).⁴⁴

4.3.4 First simplification suggestions

The data collection made no specific suggestions for this IO, other than the suggestions in relation to the whole Regulation in terms of the possibility of introducing to introduce eGov. solutions. This would imply that the submission happens automatically from the issuing authority to the customs.

4.4 Information Obligation 4 "Application for the release of the security by instalments" (Art. 35.1)

The "Application for the release of the security by instalments" is a non-prioritised IO in Commission Regulation (EC) No 1291/2000 of 9 June 2000 laying down common detailed rules for the application of the system of import and export licences and advance fixing certificates for agricultural products.

4.4.1 Characteristics of the Information Obligation

According to the Regulation, "On application by the titular holder, Member States may release the security by instalments in proportion to the quantities of products for which proof as referred to in Article 32 has been produced, provided that proof has been produced that a quantity equal to at least 5% of that indicated in the licence or certificate has been imported or exported".

⁴⁴ No existing measurement data is available of Germany of this or the latter EU IOs.

In other words, the licence holder may apply for instalments of the security in proportion to the quantity of products.

Section 3.2 gave an extensive account of the data collection approach and the chosen segmentation.

The segmentation for the IO on application for release of security by instalments is made up of the following two segments:

- Importers
- Exporters.

The reason for having the two segments is that differences may exist in handling the IO between the two due to the system in the Member States.

4.4.2 Process for complying with the Information Obligation

The typical process contains the following activities:

- The company must apply in writing
- Information on company and licence
- Collect proof that 5% has been imported/exported
- Submit application, including internal copy.

The typical business process can be depicted as follows.

Figure 6: Business process for "Application for the release of the security by instalments"



By Capgemini/Deloitte/Ramboll Management.

4.4.3 Costs and explanatory variables

The total costs of the IO “Application for the release of the security by instalments” are €1,304,179 for the EU-27. As the business would not complete an application in the absence of legislation all the administrative costs are considered as administrative burdens, which means there are no business-as-usual costs. 87% of the total administrative costs are stemming from the Measurement Countries.

Table 15: Total Administrative Cost in the Measurement Countries – “Application for the release of the security by instalments”

		Measurement Data					
		BE	FR	EL	IE	PL	RO
Internal time per occurrence (minutes)	agriculture, exporter	20	31	9	0.00	70	140
	agriculture, importer	22	31	9	0.00	50	140
Equipment costs per occurrence (€)	agriculture, exporter	10.00	20.00	0.00	0.00	0.00	0.00
	agriculture, importer	10.00	20.00	0.00	0.00	0.00	0.00
Number of occurrences	agriculture, exporter	149	26,688	585	0	516	241
	agriculture, importer	95	8,854	1,474	0	388	154
Total administrative costs per occurrence (€)	agriculture, exporter	17.67	31.28	1.80	0.00	11.67	9.83
	agriculture, importer	18.43	31.28	1.80	0.00	8.33	9.83
Total administrative burdens per occurrence (€)	agriculture, exporter	17.67	31.28	1.80	0.00	11.67	9.83
	agriculture, importer	18.43	31.28	1.80	0.00	8.33	9.83

		Measurement Data					
		BE	FR	EL	IE	PL	RO
Total Cost	agriculture, exporter	2,632.33	834,889.60	1,053.00	0.00	6,020.00	2,369.83
	agriculture, importer	1,751.17	276,982.63	2,653.20	0.00	3,233.33	1,514.33
Total Cost, all segments		4,383.50	1,111,872.23	3,706.20	0.00	9,253.33	3,884.17

This Table is based on data compiled by the Consortium.

Note: Collection of data for this IO was based on segments. The total costs per occurrence presented in this Table are calculated per IO as: (sum of total costs across segments)/(sum of Q across segments).

A zero value ("0") is used where there is no existing data on costs, minutes, occurrences and/or populations.

The highest total costs are found in France (€1,111,872), the second highest in Poland (€9,253), then come Belgium, Romania and Greece. No costs were identified in Ireland.

Looking across the Measurement Countries, interesting patterns emerge. First, the patterns from the applications for licences appear to repeat themselves, which means that in Romania the application is delivered in person, and in France and Belgium a courier is commonly used. This explains the relatively high internal time per application for Romania of totally 140 minutes. For France and Belgium, the internal time spent per occurrence is 31 minutes, and 20 (exporter)/22 (importer) minutes respectively. Secondly, as can be seen from the Table a small time difference has been found between the segments (exporters and importers) in terms of time spent on applying in Belgium and Poland.

Nevertheless, significant differences do exist between the countries. In France, a very high number of the licence holders apply for the release of security by instalments, leading to the high total costs for this IO in France. This is why in France an applicant spends 31 minutes on an application, to which should be added an equipment cost.

In Greece, companies do not apply for the release. It is done automatically, once the finalised certificate is accepted by the authorities (the OPEKEPE). The importer or exporter does not have to do anything.

The nine minutes recorded for Greece are due to the fact that the companies receive a notification either from the bank or from the OPEKEPE on the amount that it is released, which they would typically screen and match up with the security they advanced.

The same pattern is found in Belgium. If the company has an account with the national authority responsible for the Regulation (BIRP), then the release of instalments happens automatically. If not, then the company needs to apply, which entails requesting the release by e-mail, and the submission of proof, including customs documents. These activities add up to some 20 minutes. These are mostly delivered by "recorded signature", hence the equipment costs.

In Ireland companies typically do not apply for the release of the security by instalments. The used licence is sent to the department for release when it is fully used. This explains why no costs were identified in the Irish case.

In Poland the number of applications is very low. This is due to the fact that some 95 percent of the transactions conducted under export and import licences are secured with a financial warranty. Therefore, very few businesses apply for the release of instalments. The security they use is of the non-cash type - mostly by bank guarantee. Also the number of applications in Romania and Belgium are relatively low, leading to low total costs.

Consultancy costs were not identified in any of the countries.

4.4.4 First simplification suggestions

The introduction of eGov. solutions is the reduction potential most commonly referred to by the companies. This goes both for the actual application process and also for the release of securities.

In terms of impact, the costs of applying are significantly lower⁴⁵ in those Member States where the release happens automatically.

⁴⁵ For further information on please cf. Module 5, Recommendation number 2

The release of the securities is the irritant most frequently mentioned in the interviews. This is not directly linked to the IO, but more to the general administration of the import/export systems in the Member States. Companies would generally welcome any initiative to reduce the release time.

4.5 Information Obligation 5 “Request for transfer of licence or certificate” (Art. 9)

The “Request for transfer of licence or certificate” is a non-prioritised IO in “Commission Regulation (EC) No 1291/2000 of 9 June 2000 laying down common detailed rules for the application of the system of import and export licences and advance fixing certificates for agricultural products”.

4.5.1 Characteristics of the Information Obligation

Regulation 1291/2000 states that “The titular holder has the right to transfer a licence or certificate by filing out a request. Transferees have the right to ask for a transfer back to the titular holder using the same notification process”.

In other words, the company holding the licence can surrender its commitments to another company. This can happen when a mother company, for instance, makes the actual licence application and subsequently transfers the licence to a subsidiary.

The IO was not segmented further as no differences between exporters and importers were expected, and no major variations in business processes were envisaged.

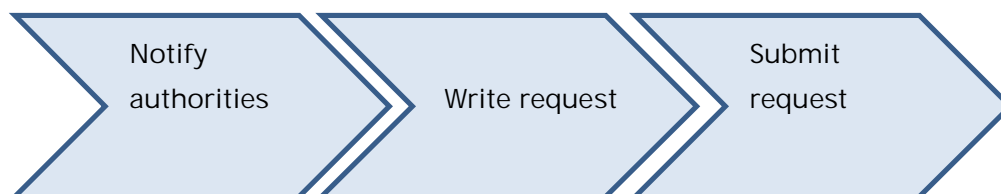
4.5.2 Process for complying with the Information Obligation

Based on the above characteristics, a typical process looks as follows:

- The company notifies the authorities of the request for transfer of licence
- The company writes a short letter containing the request and information on the licence number and company data; including internal copy
- The company submits the request, including the original licence.

The typical business process can be depicted as follows.

Figure 7: Business process for "Request for transfer of licence of certificate"



By Capgemini/Deloitte/Ramboll Management.

4.5.3 Costs and explanatory variables

The total costs of the IO "Request for transfer" are €467,300 or roughly €0.5million for the EU-27. All the administrative costs are considered as an administrative burden, which means there are no business-as-usual costs. Less than 1% of the total administrative costs stem from the Measurement Countries⁴⁶.

Table 16: Total Administrative Cost in the Measurement Countries – "Request for transfer of licence"

		Measurement Data					
		BE	FR	EL	IE	PL	RO
Internal time per occurrence (minutes)	non-segmented IO	42	16	60	60	30	220
Equipment costs per occurrence (€)	non-segmented IO	5.00	5.00	0.00	0.00	0.00	0.00
Consulting costs per occurrence (€)	non-segmented IO	0.00	0.00	20.00	0.00	0.00	0.00
Number of occurrences	non-segmented IO	21	350	1	27	51	0
Total administrative costs per occurrence (€)	non-segmented IO	21.10	10.70	32.00	46.67	5.00	0.00

⁴⁶ The relatively low share of total costs that is allocated to the measurement countries can mainly be explained by the high cost in the UK measurement on this IO. A total number of 19,302 reported transfers in the UK measurement leads to total cost of € 436,225, corresponding to roughly 93% of the EU wide total cost of the IO.

		Measurement Data					
		BE	FR	EL	IE	PL	RO
Total administrative burdens per occurrence (€)	non-segmented IO	21.10	10.70	32.00	46.67	5.00	0.00
Total Cost (€)	non-segmented IO	443.10	3,745.00	32.00	1,260.00	255.00	0.00

This Table is based on data compiled by the Consortium.

A zero value ("0") is used where there is no existing data on costs, minutes, occurrences and/or populations.

All the Measurement Countries have rather low total costs related to this EU IO. France is the country with the highest total costs (€3,745). All the other countries have total costs of under €1,300. Romania has no costs as no transfers were requested in the baseline year.

The highest number of requests is found in France, where 350 requests were made. For Belgium, Greece and Poland, the number of requests are rather low, meaning that only a small proportion of the companies actually apply for such transfers.

In addition, the time spent on such requests is relatively low, ranging from 16 minutes in France to 60 minutes in Ireland and Greece. In Ireland, the relatively higher time is primarily caused by the involvement of senior personnel in checking the terms of transfer. The time spent in Romania is 220 minutes, which may be explained by the tendency to submit the application in person.

In Belgium, France and Poland equipment costs are endured, as the request is sent to the authorities. In Ireland, the request is typically only sent by fax or e-mail. In Poland, the submission may also be made in person.

Again, the results point to the presence of streamlined and time-efficient processes. Also, the normally efficient business's way of dealing with this EU IO suggests a general internal time use of less than an hour, none or only a low equipment costs and no consultancy costs. Again, this result is close to the findings in the available data from one Baseline Country, the UK (60 minutes and no equipment or consultancy costs).

4.5.4 First simplification suggestions

The interview made no specific suggestions for this IO, other than the suggestions made in terms of the whole Regulation in terms of the possibility of introducing eGov. solutions. In the section above, the five most costly of the nine IOs has been described in detail. Due to the relatively low level of administrative burden, the last 4 IOs are not described in detail in the present report. More information on the IOs can however be found in the database accompanying this Report.

5. Conclusion and Outlook - Licence

In total the administrative costs resulting from Regulation (EC) No 1291/2000 of the Agriculture and Agricultural Subsidies Priority Area account for €12.7 million. Of the total administrative costs related to Regulation (EC) No 1291/2000, 94.9% (€12.1 million) have been classified as administrative burdens for the EU-27, while 5.1% are due to business-as-usual costs. However, for all countries except the UK no business-as-usual costs have been identified, and hence for most countries 100% of the costs represent administrative burdens.

A 25% reduction of the administrative burden for Agriculture and Agricultural Subsidies Priority Area related to Regulation (EC) No 1291/2000 would amount to approximately €3.0 million.

Nine EU IOs were identified. These result in 243 national IOs. Of these nine EU IOs, three IOs – “Application for licence - export”, “Application for licence - import” “Submission of licence or certificate to customs office” - alone account for €10.7 million in administrative costs, representing 84% of the total administrative costs arising from the EU IOs.

The measurement of the Agriculture and Agricultural Subsidies Priority Area related to Regulation (EC) No 1291/2000 included six Measurement Countries. As noted, the UK and partly Germany⁴⁷ are the only Baseline Countries with measurements on Regulation (EC) No 1291/2000. The time estimates given for handling the IOs are generally within the same range which is seen in the six Measurement Countries. This supports the overall conclusion of an efficient and not highly time-consuming process in relation to complying with the IOs identified.

The focus of this study is the administrative costs imposed on businesses due to IOs within the Agriculture and Agricultural Subsidies Priority Area. Hence the study does not look at the benefits of legislation or the direct financial or substantive costs. As objectives

⁴⁷ Data from Germany is, as mentioned earlier, available and has been included in relation to the two prioritised EU IOs of application for import and export licences.

and benefits have a significant impact on any potential decision as to whether to amend, replace, or reconsider certain regulatory frameworks or IOs as suggested in this report, these should be clearly analysed and considered before any such decision is made.

Changes of the kind put forward here are part of a highly dynamic environment and cannot be considered separately from this context. How a suggested change will impact the business and its stakeholders are important elements to include in further studies of the simplification suggestions. A structured approach to analysing simplification suggestions is being conducted in Module 5.

The first part of Module 5 has been started up in parallel to the measurement work presented in this report and focuses on conducting national events in all Member States as well as a large SCM event at EU level, the Cutting Red Tape for Europe Conference⁴⁸. The events were conducted to:

- Disseminate the early results of this project
- Involve and activate further national and EU stakeholders and
- Collect input into the analysis of the simplification suggestions.

To maintain and develop further the positive results of these activities, an e-magazine on important SCM news is produced quarterly and DG Enterprise's Administrative Burdens Reduction website has been restructured and editorial input provided.

Work to be undertaken in the second part of Module 5 uses the results of the first part of Module 5 as well as results from Modules 3 and 4 to deliver reduction recommendation for the PAs in this project based on a specially developed reduction methodology. This methodology will be used to identify and distinguishing changes to EU Legislation (IOs stemming from EU legislation), from changes to implementing/transposing measures adopted by the Member States (better practice, including possible elimination of additional requirements). Furthermore, a monetary evaluation of the reduction recommendations will be conducted along with an analysis on their implementability. In addition to the input stemming from this project additional input from best-practice countries, EU level experts

⁴⁸Held in Brussels on June 20th 2008; see www.cuttingredtape.eu.

within and across PAs, and existing reduction recommendations and strategies will be used. The results of this work are expected in the early months of 2009⁴⁹.

The Directorate-General for Agriculture and Rural Development has carried out a number of simplification actions since the mid-1990s. These actions aim at, inter alia, introducing so-called technical simplification, through which the legal framework, administrative procedures and management mechanisms are streamlined. By way of illustration, in 2007 a study on the administrative burdens on farmers arising from the CAP reform was launched which forms the basis for simplification initiatives, within the area of Direct Payments.

As to the sector-specific initiatives, the Commission adopted reforms in the fruit and vegetables sector on 24 January 2007 and reform of the wine sector on 4 July 2007.

To give a few concrete examples, the total number of export and import licences in Belgium decreased from 13,741 reported licences in 2006 to 11,424 in 2007. This decrease covers a decrease in export licences and certificates of nearly 3,000 licences, which is caused by an almost 75% reduction in licences for milk products, see remark on suspension of refunds below, and close to a 60% decrease in vegetable/fruit licences. The example of Belgium underscores that, by reducing the number of products with a licence requirement, the number of licences reported is reduced significantly.

The impact will affect countries differently, depending on their "agricultural profile". For instance, in Denmark, 1,950 export licences were issued in the animal sector in 2007, of which 1,369 were for milk and dairy products. In Greece, the total number of export licences dropped from 854 in 2006 to 585 in 2007, covering decreases in cereals (nearly 30%) which is by far the biggest export item, dairy products (nearly 50%), and sugar (almost 70%).

⁴⁹At the time of writing the final agreements between this consortium and the European Commission of the exact scope of this work have not been concluded and this outline of the expected work to be undertaken should not be considered as final.

There could also be a considerable impact on requirements stemming from neighbouring legislation, such as requirements for securities, since it is no longer necessary to meet these requirements. For some companies, this will reduce the amount of working capital tied up in securities.

Furthermore, the suspension of export refunds for some agricultural products - for dairy products as of summer 2007 - affects the number of licence applications. For such products, export licences under Regulation (EC) No 376/2008 (ex-Regulation (EC) No 1291/2000) are not necessary.

Subsequently the Commission decided to substantially reduce the number of products that are subject to an import or export licence and in June 2008 announced that⁵⁰.

“Overall, the number of products for which a licence is required has been considerably reduced. Where previously around 500 products (at eight-digit tariff line level) were subject to a licensing obligation for imports, from 1 July, 2008, onwards (1 August for wine) that number will only be 65. With regard to exports, only 43 will have to be accompanied by a licence⁵¹”.

In other words, this reduction in the number of products for which a licence requirement exists represents a considerable simplification for the companies involved in imports and exports, since many of them will no longer have to apply for licences and/or will have fewer licences to deal with.

“For those products that will continue to be accompanied by a licence (except in the case of export refunds and tariff rate quotas), the detailed rules will be laid down in one single Regulation that governs all aspects of licences, clearly identifies all the products for which

⁵⁰See also Commission Regulation (EC) No 514/2008 of 9 June 2008 amending Regulation (EC) No 376/2008 laying down common detailed rules for the application of the system of import and export licences and advance fixing certificates for agricultural products, as well as Regulations (EC) No 1439/95, (EC) No 245/2001, (EC) No 2535/2001, (EC) No 1342/2003, (EC) No 2336/2003, (EC) No 1345/2005, (EC) No 2014/2005, (EC) No 951/2006, (EC) No 1918/2006, (EC) No 341/2007 (EC) No 1002/2007, (EC) No 1580/2007 and (EC) No 382/2008 and repealing Regulation (EEC) No 1119/79.

⁵¹ Cf. the press release issued in June 2008, (IP/08/922, 12/06/2008⁵¹) in relation to Commission Regulation 514/2008.

a licence is required, and lays down the rules with regard to the period of validity of the licence as well as the level of security⁵².

⁵² Press release, *op.cit.*

6. Part II - SPS and SAPS

6.1 Introduction

This second part of the report covers the results of the additional work undertaken for Modules 3 and 4 within the Agriculture and Agricultural Subsidies Priority Area related to SPS and SAPS. More specifically, it covers the results from the measurement of administrative burdens stemming from Direct Payments.

As for all measurements undertaken in the “EU Project on baseline measurement and reduction of administrative costs”, the measurement is based on the Standard Cost Model (SCM). However, the measurement approach and the methodological challenges faced during the measurement process deviate in some important aspects from other measurements undertaken in the EU project. For this reason it is relevant to draw attention to the basic conditions and assumptions upon which the measurement and its results are built. Therefore, the rest of this opening section is devoted to the methodological challenges faced before and during the measurement process.

In the following Section 7 the high-level findings of the mapping and measurement phase are presented. Section 8 presents an analysis of the legal acts and most burdensome Information Obligations (IO) in scope. The Conclusions are present in Section 9, and the Outlook in Section 10.

6.2 Measurement context

The Consortium’s task has been to ‘widen’ – in relation to the original project definition – the Priority Area Agriculture and Agricultural Subsidies by incorporating administrative costs stemming from Direct Payment regulations and more specifically from the SPS and SAPS. As already mentioned, this exercise is based on some basic conditions not relevant for other measurements undertaken within the EU project.

The results presented in this Part II of the report, i.e. the administrative costs resulting from IOs identified in the CAP/SPS-regulations, are based on a previous measurement

exercise undertaken by Ramboll in 2007⁵³ (hereafter called the Ramboll study). The Ramboll study was conducted on behalf of DG Agriculture with the objective of measuring administrative costs for farmers in five Member States – Denmark, France, Germany, Ireland and Italy. The task within the context of the ongoing EU project has been to incorporate these results into the Priority Area. In this incorporation exercise, the results from the Ramboll study have been used as a basis for extrapolation to the remaining Member States. The extrapolation is based on a number of assumptions as shown below.

6.3 Methodological challenges and basic assumptions

Before moving on to the results of the measurement, a more detailed account of the most basic conditions and assumptions is warranted.

The themes that will be addressed in the following section are the following:

- Extrapolation of results from Ramboll study to EU-27
- Selection of one new Member State for validation of choice of model
- Collection of populations (Qs)
- Collection of cost data
- Business-as-usual (BAU) cost
- Wage levels
- Baseline year
- Mapping.

6.3.1 Extrapolation of results from Ramboll study to EU-27

The most fundamental and crucial assumption upon which the measurement and its results are based is found in relation to the extrapolation exercise. In the Ramboll study the five Member States were grouped according to the model chosen for the implementation of the SPS, as it was expected that the levels and composition of administrative costs would differ between implementation models. The SPS system came into operation on 1 January 2005, and had to be initiated by the Member States (EU-15) by 2007 at the latest. A unique feature of the scheme is that it gives the Member States a high level of discretion when implementing the new legislation. The Member States have

⁵³ Study to assess the administrative burden on farms arising from the CAP;
<http://ec.europa.eu/agriculture/analysis/external/burden/fulltext.pdf>

been able to select different means and timing for implementation. However, the Ramboll study also showed that the chosen model is in itself not a main cost driver; administrative costs are to a larger extent influenced by the way the model is implemented by Member States.

The EU-15 Member States were free to adopt the SPS according to a "historical model", a "regional model", or a regional "hybrid" model (regional model with historic elements). Further, the regional model may be "static" or "dynamic" (see the Box below for a more detailed description of the implementation models and their implications).

Table 17: Description of the implementation models

<u>SPS Models</u>
<p>Basic (historic) approach: Each farmer is granted entitlements corresponding to the payments received during a reference period (reference amounts) and the number of hectare (ha) he was farming during the reference period, which gave him the right to direct payments.</p>
<p>Regional (flat rate) approach: Reference amounts are not calculated at individual farmer level but at regional level - the sum of the payments received by the farmers in the region concerned during the reference period. Regional reference amounts are then divided by the number of eligible ha declared by the farmers of the region in the year of SPS introduction. This is done in order to establish the value of a single entitlement in that region. Finally, each farmer receives a number of (flat rate) entitlements equal to the number of eligible ha declared in the year of SPS introduction. This approach entails some redistribution of payments between farmers.</p>
<p>Mixed models: Member States, in justified cases, may apply different systems of calculation in different regions of their territory. They may also calculate SPS payments using a part-historic/part-flat rate approach. Such 'hybrid' systems may further vary over the period between first application of the SPS and full implementation, giving rise to dynamic as well as to static hybrid systems. 'Dynamic hybrid' systems can act as a vehicle to transit from the basic (historic) to the regional (flat) rate approach.</p>

SPS Models

Single Area Payment Scheme (SAPS): In the first years after accession, the new members may opt for a different type of direct aid scheme not on offer in the EU-15. The SAPS, which does not make use of payment entitlements, involves payment of uniform amounts per hectare of agricultural land in the Member State concerned, up to a national ceiling resulting from the accession agreements.

Source: http://ec.europa.eu/agriculture/capreform/infosheets/pay_en.pdf.

For the purpose of the current project, the decision was taken to extrapolate the results from the five countries measured in the Ramboll study to non-measured countries within the same model. For this process, it was assumed that differences in the implementation of these various models would be relatively marginal. The choice of the model as the basis for extrapolation was upheld, as the idea was to establish the formal structural framework, within which cost can be explained and understood. No correlation has been pursued between the cost drivers. Before conducting the extrapolation, it was necessary to pay attention to the fact that another implementation model is available to new Member States – the Single Area Payment Scheme (SAPS). It was concluded, after discussions with the Commission, that the regional model would be used as basis for the extrapolation of results to the new Member States as this model and the SAPS model have similar features. This principle was considered necessary in order to have a sufficient basis for extrapolating the results to establish an EU-wide figure.

6.3.2 Selection of SAPS Member State for validation

In consultation with the Commission, it was also decided that an empirical investigation should be undertaken in one new Member State, i.e. a 'SAPS country', in order to confirm the assumption regarding the similarities between the regional and the SAPS model. In practice, the task was to investigate whether administrative costs stemming from the SAPS model and the regional model are of the same order of magnitude. Poland was chosen for this exercise, due to the need to have a SAPS country with volume and experience in handling administration related to SAPS.

The objective was to validate the cost data established for Denmark in the Ramboll study. It was agreed that the data should be validated through an expert assessment performed by the Consortium. As an extension of this expert assessment, cost data for the EU IOs was further validated through farmer interviews and meetings with Polish officials from the Polish Ministry of Agriculture and Rural Development, and the Agency for Restructuring and Modernisation of Agriculture. Firstly, a check was made to determine which EU IOs are applicable in the Polish context⁵⁴. Then, having established the relevant set of IOs, the use of resources (internal/external time) by Polish farmers were checked and compared to the Danish results. The validation process also included an investigation of the Polish administrative set-up regarding SAPS in order to determine the resemblance with the Danish system in terms of, for example, use of pre-printed forms and IT systems. The validation exercise resulted in the conclusion that the regional model could be used as a starting point for extrapolation of results to new SAPS Member States.

The selection of Poland for the purpose of validating the similarities between the models has some restrictions. For example, Poland is dominated by many relatively small farms and caution should therefore be used when the Polish results are transferred to other SAPS countries. This factor could be taken into account in the extrapolation, why it was decided to proceed with Poland as the validation country.

Following the analysis and conclusions presented above, the Member States (EU-27) are grouped as shown in the Table below. The regional model is split into static-hybrid, dynamic-hybrid and flat-rate models. Further, the SAPS and the flat-rate system are based on the static-hybrid model. As mentioned above, the main implication of the approach chosen is that the results from the measured countries are extrapolated to non-measured countries within the same model.

⁵⁴ For more information, please see Annex

Table 18: Grouping of EU-27 according to implementation model for SPS

Historic	Static-hybrid – regional	Dynamic-hybrid - regional	Flat rate* - regional	SAPS*
Austria	Denmark	Finland	Malta	Bulgaria****
Belgium	Luxembourg	Germany	Slovenia***	Cyprus
France**	Sweden	United Kingdom		Czech Republic
Greece				Estonia
Ireland				Hungary
Italy				Latvia
Netherlands				Lithuania
Portugal				Poland
Spain				Romania****
				Slovakia

This Table is based on data compiled by the Consortium.

* Was measured through extrapolation from the static-hybrid model and expert measurement

**Countries marked in bold are measurement/validation countries

***Slovenia started applying SPS in 2007.

**** Romania and Bulgaria joined the EU the 1st of January 2007. For more information on how the later accession date has been handled for these two MSs please c.f., section 7.3.3

The choice of extrapolation approach also has implications for the calculation of populations in non-measured countries, a matter to which the report turns next.

6.3.3 Collection of populations (Qs)

In the Ramboll study, populations for the IOs were collected in each of the five countries as an integral part of the measurement exercise. In order to establish the populations in the remaining Member States, a different approach was used which is described below.

The number of SPS applications for the remaining EU-15 was provided by DG Agriculture. For the SAPS applications, only the total amount of ha for which support was claimed was available. The number of SAPS applications was estimated by dividing the DG Agriculture figures by the average number of ha per farmer in the respective country. This information was readily available from the latest annual Eurostat report on the structure of agricultural holdings in the EU. For Romania and Bulgaria no information was available. Thus, for Romania and Bulgaria, Eurostat data on the total arable hectareage land was used as input.

To ensure that the numbers corresponded in size to the other countries, the Eurostat figures were multiplied by a factor showing the relationship between the Eurostat figures and the DG Agriculture data. The results are shown in Table 19 below. It may be of importance to further explicate the difference between the Eurostat figures on arable land and the DG Agriculture statistics on the number of hectares for which support was claimed. As Table 19 shows, the average number of hectares for which support was claimed exceeded the hectares of arable land by approximately 50%. This may give the impression that the numbers are incompatible – but that is not necessarily the case. Instead, the most probable reason why support can be claimed for hectares that are not considered arable is that some support schemes provides funding for projects that are typically carried out in land that is not considered arable according to the Eurostat definition. One example of this may be the support for energy crops. Many of the crops used to produce bio-fuel can be grown on soils that are not suited for other agricultural production due to the low fertility or insufficient drainage of the area. Likewise, many projects aiming at the conservation of certain traits of the rural landscape may be carried out on land not considered arable.

Table 19: Calculation of number of SAPS applications

Country	Total ha arable land (Eurostat 2007) ⁵⁵	Ha for which support was claimed (DG AGRI 2008)	Average number of hectares per farmer (Eurostat 2007)	Estimated number of SAPS applications <u>approved</u> (2006)	Number of SAPS applications <u>submitted</u> ⁵⁶ (2006)
CZ	2,634,400	3,492,866	131,7	26,521	21,180
EE	562,500	850,811	57	14,927	18,532
CY	105,200	168,138	4,8	35,029	41,021
LV	916,800	1,553,855	29	53,581	80,362
LT	1,680,200	2,621,142	18,2	144,019	212,408
HU	3,445,500	5,101,110	26	196,197	199,725
PL	10,290,500	14,308,411	12,1	1,182,513	1,468,985
SK	1,300,000	1,866,330	143	13,051	14,472

⁵⁵ The Eurostat figures regarding 'Total ha arable land' differ from the DG Agri figures shown in the second column of the Table. This is due to different definitions of 'arable land' between the sources.

⁵⁶ http://ec.europa.eu/atwork/synthesis/aar/doc/agri_Annex6.pdf page 2.

SL	169,200	253,800	7,4	34,297	60,635
MT	7,000	10,500	1,2	8,750	4,666
BG	2,369,000	3,553,500	21,1	168,412	N/A
RO	6,626,500	9,939,750	8,4	1,183,304	N/A

This Table is based on data compiled by the Consortium.

Note: European average of percentage of arable land for which support was claimed*: 149,98%

* Used to estimate ha for which support was claimed for SL, MT, BL and RO.

It should be noted that the number of applications approved has been used instead of the number of applications submitted. This is in line with the methodological foundation used in the Ramboll study and in measurements based on the SCM in general, where the number of approved applications was considered as an indication of a 'normally efficient' business. As can be seen in the Table above, the estimated number of applications approved is, in general, lower than the applications submitted; this is an indication that the estimation model in general does not overestimate the relevant population. However, it should also be pointed out that in the case of the Czech Republic and Malta, the estimated number of applications approved exceeds the estimate on the number submitted. This is a result of the fact that the extrapolation model is not fully accurate. However, as the table shows, such fallacies are sparse, which suggests that it is accurate enough given that country specific measurements are out of scope. For Bulgaria and Romania there is no data on applications submitted in 2006, since these countries became Member States on January 1, 2007. For these countries, the populations are fully based on estimate.

In terms of estimated SAPS applications, Poland and Romania outnumber the other countries. The estimated numbers in these two countries exceed 1 million applications. The reason for this is inherent in the calculation model used – the total hectareage of arable land is relatively high in these countries, while at the same time, the average number of hectares per farmer is relatively low. The end result is a larger number of farms. This will also affect the calculation of populations for other IOs, as described below.

Through the above calculations, a reasonable estimate of the number of SPS/SAPS applications per country was reached. This however yielded only the population for one of the IOs. For this reason, it was also necessary to estimate the populations for the

remaining 19 IOs in all the Extrapolation Countries. In order to find a population for every IO, a generic key for distribution was calculated per IO. This was then used to calculate the population⁵⁷ for a certain IO in a certain country by using the number of SPS/SAPS applications as input data to the distribution key. The weights used per IO were calculated using a weighted average (where applicable) of the relationship between the respective IO and the number of SPS/SAPS applications that existed in the five countries that were measured extensively in the Ramboll study. For example: if the percentage of farms applying for SPS/SAPS payments that also applied for a protein crop premium was 30 in Germany, 25 in France, 40 in Denmark, 30 in Ireland and 15 in Italy, the average would be 28; thus generating a weight of 0.28 for this IO. However; if for some reason one or more countries would have country specific outliers, i.e. where cultural or geographical factors increased or decreased the number of applications significantly, those countries would not be included when the average was calculated.

The following weights were used per IO:

Table 20: Weights for calculation of populations for non-measured countries, per EU IO

EU Requirement	Weight
Additional application for sheep and goat premiums – supplementary premium	0.021754684
Cooperation with audits and on-the-spot checks - Cross-compliance	0.050980392
Notification of force majeure or exceptional circumstances	0.0005
Declaration of parcels corresponding to the eligible hectare accompanying any payment entitlement	1
Application for area payment for Nuts	0.0216199
Application for Protein Crop Premium	0.031673084
Cooperation with audits and on-the spot checks – Eligibility checks	0.029336913
Application for crop specific payment for Rice	0
Application for aid for Energy Crops	0.1025
Additional application for crop area payment	0.188154392
Application for aid for Starch Potatoes	0.00475
Application for additional payments from the National Reserve	0.00011628
Additional application for Sheep and Goat premiums	0.021754684

⁵⁷ A detailed list of populations for all IOs is provided in the Annex.

EU Requirement	Weight
Additional application for Beef and Veal payments	0.030638175
Transfers of payment entitlements	0.027491173
Application for specific premium for Durum Wheat	0.055
Application for Dairy Premium and additional payment	0.002

This Table is based on data compiled by the Consortium.

To calculate the population⁵⁸ for a certain IO in a certain country, the number of SPS/SAPS applications in the country at hand was multiplied by the weight for that specific IO.

Evidently, these weights cannot be said to represent the individual and unique countries in an exact way. Yet, as previously explained, it was out of scope of the present study to conduct an investigation into every national implementation of the SPS/SAPS. The populations calculated should however give a reasonably accurate picture of the costs on a high (national) level. The IOs are used to calculate the level of burden; it does not mean that the IOs in SAPS are the same as IOs as in SPS.

6.3.4 Collection of cost data

As described above, no empirical investigation, apart from the validation exercise in Poland, has been undertaken in the measurement. However, in the Ramboll study cost data was collected through a mix of workshops and face-to-face interviews held in each of the five countries as well as telephone interviews with farmers, experts, and farm advisory services.

When it came to validating the applicability of the regional model as a basis for extrapolation of cost data to SAPS countries, a number of face-to-face and telephone interviews were held with farmers. The data collection also included meetings with Polish officials representing the relevant national authorities. The purpose of the meetings was to get an overview of the Polish implementation work regarding SAPS. The farmer interviews were conducted using an interview guide with the IOs analysed in terms of standard activities and business processes. The data collection in Poland was undertaken in

⁵⁸ A detailed list of populations for all IOs is provided in the Annex.

September 2008. More detailed information on the Polish system is given in the Annex found in Section 12.

6.3.5 Business-as-usual costs

The business-as-usual cost (BAU) is a reflection of what tasks would be carried out in the absence of legislation. The BAU assessment in the process of integrating the Ramboll study in the current measurement differs from the approach used in the main study. The key difference is that the data was collected ex-post since BAUs were not a part of the Ramboll study, whereas the BAU cost in the main study was collected during the general measurement of the IOs. Therefore, a two-step expert assessment approach was used. First, an initial assessment was made by consultants from the Consortium. The consultants involved in the assessment were all part of the Ramboll study, and therefore have good insight into the business processes of the IOs. Second, these initial assessments were presented to DG Agriculture for validation. The task in this second step was to validate the correctness of applying the suggested BAU figures to the EU-27. The BAU expert assessment was applied at the level of EU IOs. In other words, one percentage range per IO will be applied to all 27 Member States. The results of the expert assessment are presented in Section 7.2.

6.3.6 Wage levels

In the process of integrating the Ramboll study it was necessary to direct attention towards one of the most basic features of the cost formula inherent in the SCM framework, namely the wage level. To secure similarity in wage level and job function (to the largest extent possible) – and hence administrative costs – between the Ramboll study and the present measurement, it was necessary to use different wage levels from those used in the Ramboll study, which used salaries for agricultural workers as a base. Since the numerical value of the salary for the employee type ‘agricultural worker’ differs greatly between the Ramboll study and the overall EU project, it was, after discussions with the Commission, decided that the wage level for ‘managers’ would be used instead. This wage level corresponds better to the original value but may lead in some cases to an increase in costs.

The alternative would have been to use the employee type ‘agricultural worker’ in the present measurement as well, but such a decision would have led to very large differences in the numerical

value of the salary, and in the end, lower administrative costs without substantive grounds. An example can make clear the potential of using the same employee type. In Ireland two hourly tariffs were used - €30.10 and €45.20 for owners of small and large farms respectively. Using the tariff for the 'agricultural worker' agreed upon in the EU project, which for Ireland is €22, would almost halve the cost for internal time in Ireland. Whereas using the employee type 'manager', with a tariff of €50, would lead to a result far closer to the original. The rationale behind the wages in the Ramboll study was that a farmer manages a business and is therefore better classed as a manager than a worker. A comparative overview of the different salary levels is presented in the Table below. Table 21: Comparison of wage levels between Ramboll study and current EU project

TYPE	Salary original study*	Salary new study - Manager*	Salary new study - Agricultural worker*
Ireland: Owner of a simple/small farm	30,1	50	22
Ireland: Owner of a complex/large farm	45,2	50	22
Denmark: Owner of a simple/small farm	35	52	29
Denmark: Owner of a complex/large farm	52,5	52	29
Denmark: Non-food/energy crop accountant	32,8	52	29
Denmark: External advisor	100	N/A	N/A
Italy: Owner of a simple/small farm	27	61	15
Italy: Owner of a complex/large farm	40,4	61	15
Germany: Owner of a simple/small farm	32,9	46	20
Germany: Owner of a complex/large farm	49,4	46	20
France: Owner of a simple/small farm	33,7	51	21
France: Owner of a complex/large farm	50,6	51	21

This Table is based on data compiled by the Consortium.

6.3.7 Baseline for measurement

The baseline year for the measurement has been set to 2006. However, since 2006, several changes have been made to the legal framework which may have an effect on the level of administrative costs. Elements that have changed since 2006, such as set-aside and cross-compliance provisions, will be dealt with in the Outlook section. This section lists initiatives DG AGRI has taken since 2006.

The accession date for Bulgaria and Romania (1 January, 2007) resulted in a question of whether to include these two countries in the measurement or not. It was decided to include both Bulgaria and Romania in the measurement in order to establish a baseline and to maintain consistency, meaning that all Member States are costed.⁵⁹

6.3.8 Mapping

As a central premise to the integration of the Ramboll study, no additional national mapping within the meaning of Modules 1 and 2 of the EU Project on baseline measurement and reduction of administrative costs was conducted. As already mentioned, a total of 20 EU IOs were identified in the relevant EU legislation. These 20 IOs have been transferred 1:1 to the countries that were not a part of the Ramboll study. This in turn means that no Possibilities that are not stated in the EU Acts have been mapped and included in the present measurement. It is therefore important to note that this methodological approach results in a generalisation of the level and, above all, the composition of administrative costs in the Extrapolation countries. Hence, national 'deviations' or special circumstances in relation to the implementation of the IOs are not reflected in the results presented in this report.

⁵⁹ See section 7.3.3 for a description of the extrapolation model used. In relation to the variable 'Year of initiating CAP' Bulgaria and Romania were grouped together with countries in category 1, i.e. after 2006 initiation.

7. High-level findings – SPS and SAPS

This Section presents an overview of the general context and the high-level findings of the measurement. Some topics reviewed in the previous section are also discussed further. More specifically, the following topics are considered:

- Findings of the mapping of EC Regulations in terms of IOs identified
- BAU Identified
- High-level findings regarding level and composition of administrative costs.

7.1 Findings of the mapping of EC Regulations

The boundaries for this part of the measurement are set by the EC Regulations that implement the Single Payment Scheme. Thus, the legislation in scope is the following:

Table 22: Legislation in scope of measurement

Agriculture and Agricultural Subsidies
<ul style="list-style-type: none">• Council Regulation (EC) No 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers;• Commission Regulation (EC) No 795/2004 of 21 April 2004 laying down detailed rules for the implementation of the Single Payment Scheme provided for in Council Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers;• Commission Regulation (EC) No 796/2004 of 21 April 2004 laying down detailed rules for the implementation of cross-compliance, modulation and the integrated administration and control system provided for in of Council Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers;• Commission Regulation (EC) No 1973/2004 of 29 October 2004 laying down detailed rules for the application of Council Regulation (EC) No 1782/2003 as regards the support schemes provided for in Titles IV and IVa of that Regulation and the use of land set aside for the production of raw materials.

This Table is based on data compiled by the Consortium.

These Regulations focus specifically on the issue of agricultural direct support schemes. They set out common rules for implementing the direct support schemes in Member States. The 'main' Regulation is Council Regulation 1782/2003, which establishes common and horizontal rules for the direct support schemes under the CAP. The other three Regulations lay down detailed rules concerning specific topics within the SPS framework. One of the three Commission Regulations implementing Council Regulation 1782/2003 – Regulation (EC) No 1973/2004 – was found in the mapping phase to contain no IOs relevant for the measurement. This Regulation is therefore not commented on further in this report.

The mapping of the Regulations resulted in the identification of a total of 20 EU IOs, of which 18 originate in Council Regulation 1782/2003. The EU IOs identified and measured are listed in the Table below.

Table 23: EU IOs within the Agriculture and Agricultural Policy Priority Area - SPS

EU Legislation name	EU IO name
Council Regulation (EC) No 1782/2003	Applications for direct payments/ single application
Council Regulation (EC) No 1782/2003	Application for dairy premium and additional payment
Council Regulation (EC) No 1782/2003	Additional application for crop area payment
Council Regulation (EC) No 1782/2003	Declaration of parcels corresponding to the eligible hectare accompanying any payment entitlement
Council Regulation (EC) No 1782/2003	Application for area payment for Nuts
Council Regulation (EC) No 1782/2003	Application for Protein Crop Premium
Council Regulation (EC) No 1782/2003	Cooperation with audits and on-the-spot checks - Eligibility checks
Council Regulation (EC) No 1782/2003	Application for crop specific payment for Rice
Council Regulation (EC) No 1782/2003	Application for aid for Energy Crops
Council Regulation (EC) No 1782/2003	Application for aid for Starch potato
Council Regulation (EC) No 1782/2003	Application for additional payments from the National Reserve
Council Regulation (EC) No 1782/2003	Additional application for sheep and goat premiums
Council Regulation (EC) No 1782/2003	Additional application for sheep and goat premiums - supplementary premium
Council Regulation (EC) No 1782/2003	Cooperation with audits and on-the-spot checks - Cross-compliance
Council Regulation (EC) No 1782/2003	Notification of force majeure or exceptional circumstances
Council Regulation (EC) No 1782/2003	Transfers of payment entitlements
Council Regulation (EC) No 1782/2003	Additional application for beef and veal payments
Council Regulation (EC) No 1782/2003	Application for specific premium for durum wheat
Commission Regulation (EC) No 795/2004	Application for initial allocation of payment entitlements
Commission Regulation (EC) No 796/2004	Amendments to the single application

This Table is based on data compiled by the Consortium.

As mentioned in the previous section, the mapping of EU IOs has, as a general rule, been transferred 1:1 to the Member States that were not part of the Ramboll study. This means that no additional mapping of national legislation has been carried out in the countries for which costs have been extrapolated.

7.2 Business-as-usual costs

When analysing the administrative costs, a distinction should be made between information that would be collected and processed by businesses even in the absence of the legislation and information that is solely collected because of a legal obligation. The former are called “business-as-usual” (BAU) costs, the latter administrative burdens. Added together, the administrative burdens and BAU costs represent the administrative costs. Having quantitative figures on the BAU costs is of crucial importance for the Commission in light of the reduction target, which is expressed in terms of administrative burdens (not administrative costs).

The methodology used in the assessment and incorporation of BAU costs in the measurement has been described in sub-section 6.3.5 above. The result of this assessment is presented below.

The BAU costs are expressed in the percentage ranges that have been used for the other PAs⁶⁰. The categories are:

- 0% or no business-as-usual costs
- Up to 25% of the administrative costs are business-as-usual costs
- Up to 50% of the administrative costs are business-as-usual costs
- Up to 75% of the administrative costs are business-as-usual costs
- 100% or all information would be collected and processes in the same way even in the absence of the legislation.

The BAU assessment is done at the level of EU IO. In other words, one percentage range is applied to all 27 Member States per IO. The total administrative burden however is broken

⁶⁰ The suggested approach is aligned with the ex-post approach that was applied for the pilot Priority Area Company Law/Annual Accounts. Discussed and agreed May 2008

down by Member State as a share of total cost. The Table below presents the results of the assessment of the BAU cost.

Table 24: Business-as-usual costs

Information Obligation (EU)	Assessment (%)
Additional application for sheep and goat premiums - supplementary premium	0
Cooperation with audits and on-the-spot checks - Cross-compliance	25
Notification of force majeure or exceptional circumstances	25
Declaration of parcels corresponding to the eligible hectare accompanying any payment entitlement	25
Application for area payment for Nuts	0
Application for Protein Crop Premium	0
Cooperation with audits and on-the-spot checks - Eligibility checks	25
Application for crop specific payment for Rice	0
Application for aid for Energy Crops	0
Additional application for crop area payment	0
Application for aid for Starch Potatoes	0
Application for additional payments from the National Reserve	0
Additional application for Sheep and Goat premiums	0
Additional application for Beef and Veal payments	0
Transfers of payment entitlements	0
Application for specific premium for durum wheat	0
Applications for direct payments/single application	0
Application for dairy premium and additional payment	0
Amendments to the single application	0
Application for initial allocation of payment entitlements	0

This Table is based on data compiled by the Consortium.

As can be seen from the results, the majority of the IOs have been given a BAU cost of zero, as, for obvious reasons, they would not normally be carried out in the absence of legislation.

The remaining four IOs have all been given a BAU cost of up to 25%, illustrating that only a very limited part of the activities would still be carried out in the absence of legislation.

7.3 High-level findings of the measurement

The following sub-section describes the high-level findings regarding the administrative cost and administrative burden originating from the Regulations under investigation. This presentation of results starts out with an overview of the total administrative cost and its distribution over the Regulations. The following sub-sections take a closer look at the administrative cost in measured countries, and the non-measured countries respectively.

A more detailed look into the level and composition of administrative costs is in the next Section. In addition, Section 12 (Annex) contains a more detailed description of the three most burdensome IOs is presented, based on the findings of the Ramboll study.

Before moving on, it is worth stressing the importance of not losing sight of the introduction provided previously about the methodological challenges and basic assumptions faced during the measurement process. This is of great importance when reading and analysing the results presented below. When comparing costs at national level, it is important to bear in mind that the data on which the results in this report are based derive from two different sources:

- Data from the previous Ramboll study (5 Member States)
- Extrapolation of these data to the remaining 22 Member States.

The combination of these different approaches within the project creates special challenges when comparing data. This has to be kept in mind when reading the following data comparisons. The extrapolated costs are less precise and less detailed than the measured costs. Analyses of specific legislative requirements should therefore only be based on data from countries that have been measured, whereas the total impact of EC legislation and of changes in legislation can be assessed using the extrapolated costs.

7.3.1 Total administrative costs

At an aggregate level the total administrative cost originating from the SPS regulations measured is nearly €4 billion EU-wide. As Table 25 shows, some €3.2 billion, or approximately 80%, of the administrative costs stem from Council Regulation 1782/2003. The most obvious reason for this result is that 18 out of 20 IOs were identified in this particular Regulation. The share of administrative costs originating in Commission

Regulation 795/2004 is almost 20%. The share of administrative costs originating in Commission Regulation 796/2004 is in this context negligible (0.20%).

Table 25: Total administrative costs distributed according to the Regulations measured

EU Legislation	Admin. Cost (€x 1,000)	Share of total (%)	Admin. Burden (€x 1,000)	Share of Admin. cost (%)
Commission Regulation (EC) No 796/2004	7,812.4	0.20	7,812.4	100.00
Commission Regulation (EC) No 795/2004	795,975.6	19.92	795,975.6	100.00
Council Regulation (EC) No 1782/2003	3,191,491.1	79.88	3,007,212.6	94.23
Total	3,995,279.1	100.00	3,811,000.6	95.39

This Table is based on data compiled by the Consortium.

Table 25 shows the cost distributed according to the Regulations measured. It is important to bear in mind that the figures are based on the Ramboll study and have been incorporated in the present measurement through the use of extrapolation. Due to the methodological challenges mentioned earlier, substantial caution is warranted when comparing costs between the countries. Subject to this proviso, the report reveals that France is the EU-27 country with the highest administrative costs - amounting to some €578 million. Germany, where the total administrative cost is approximately €531 million⁶¹ has the second highest cost. Both France and Germany are Measurement Countries.

Additional information regarding the changed DE and FR data

Comparing these results with the Ramboll study shows that both the level of administrative costs and the 'ranking' of the two countries differ. In the Ramboll study the total administrative cost for France was approximately €396 million (i.e. some €182

⁶¹ In a separate, more broadly based study including six different German states (Länder), the Federal Statistics Office (www.destatis.de) also applied the Standard Cost Model to Information Obligations relating to the Single Payment System. This study concluded that, overall, administrative costs were in the order of just €20 million in 2008. Since 2006 several requirements have been simplified, farmers have become more familiar with the Single Payment System, and for the most part they can now rely on previously established facts in their application. Results from the German study are accessible online as from early 2009 at the <http://www.destatis.de/webksm>.

million lower than what the results in the present study imply) and approximately €480 million for Germany (i.e. Germany was 'ranked' higher in terms of total administrative costs than France). The reason for this deviation is to be found in the use of different wage levels in the present study, the effect of this on France is greater as explained below. There are two 'waves' of changes in wage levels that result in the change of order. First, as mentioned above, the decision to use 'Managers' across all Measurement Countries has an impact on the order of the countries. Second, the general change of all tariffs (from 2002 to 2006 data) in October 2008 'magnifies' the results. The Consortium has conducted an analysis of the effects of these changes in wage levels. The main findings from this analysis are the following:

- A relatively higher rise in the Manager tariff in France compared to Germany. As the Table below illustrates, the tariff change from 2002 data to 2006 data has led to a relatively higher rise in the Manager tariff in France (51-46=5 euro) compared to Germany (46-45=1 euro).

Table 26: Tariff change from 2002 data to 2006

Type	Ramboll study (€)	2002 data (€)	2006 data (€)	Change (%)
Germany (small/simple farm)	32.9	45	46	+ 40
Germany (large/complex farm)	49.4	45	46	- 7
France (small/simple farm)	33.7	46	51	+ 51
France (large/complex farm)	50.6	46	51	+/- 0

This Table is based on data compiled by the Consortium.

- A higher distortion due to a frequent use of the 'small/simple' farmer in France in the Ramboll study. The 'small/simple' farmer is a more frequently used segment in France compared to Germany in the Ramboll study. The tariff changes will therefore have an even higher impact on the French data since the tariff of the frequently used employee type has now increased by €17.3 (51-33.7).

Taken together these two findings will lead to a relatively higher change of the French cost data compared to the German cost data as a consequence of the changed tariffs.

In order to further substantiate the above findings, the Consortium made a 'back of the envelope' calculation of the impact of the tariff change based on an index approach. The calculation is based on the assumptions in the Ramboll study of a close to 100% use of the employee type 'small/simple' farmer in France, and a close to 50-50 split between the two employee types in Germany. The results presented in the Table below indicate the significance of the tariff change.

Table 27: Impact of tariff change

Country	Total cost Ramboll study	Total cost present study	Estimated impact of tariff change
Germany	480	531	$(240 \times 1.4) + (240 \times 0.93) = 559$
France	396	578	$396 \times 1.51 = 598$

This Table is based on data compiled by the Consortium.

This means that all the cost in France is affected by the increase in tariffs of 51%. By comparison, half the cost in Germany is affected by the tariff increase of 40%, and the other half by the decrease of 7%.

Extrapolation countries

Of the Extrapolation Countries, Greece reveals the highest administrative costs, with some €410 million, followed by Spain with approximately €392 million (see Table 28). Total administrative costs for Poland – third among the Extrapolation Countries – are estimated at approximately €356 million. As mentioned in sub-section 6.3.2 above, the calculation of populations for Poland resulted in large populations, which is the main explanation to the high costs for this country. Looking at the distribution from the low end, Luxembourg has the lowest overall administrative costs with approximately €1 million. The distribution shown in the Table is in itself no surprise since the main cost drivers are population and wage level.

The Table also reveals the share of the administrative burden, i.e. the cost when subtracting BAU costs. At a grand total level, the administrative burden's share of the total

administrative costs is 95%⁶². This indicates that most of the costs derive directly from the existence of the IOs, which means that if there were no 'binding' IOs, they would not normally be carried out.

⁶² For more information about the methodology used in the assessment of BAU costs and the results please c.f. section 6.3.5 and section 7.2

Table 28: Total administrative costs per Member State

Country	EU Requirement		Total Administrative Cost	Total Admin. Burden	
	No. of req.	Admin. Cost (€x 1,000)	Admin. Cost (€x 1,000)	Admin. Burden (€x 1,000)	Share of Admin. Cost (%)
AT Extrapolated data	20	63,589.3	63,589.3	58,746.9	92.38
BE Extrapolated data	20	20,709.0	20,709.0	19,155.1	92.50
BG Extrapolated data	20	85,106.4	85,106.4	78,784.0	92.57
CY Extrapolated data	20	12,724.4	12,724.4	12,587.6	98.93
CZ Extrapolated data	20	13,402.1	13,402.1	12,406.5	92.57
DE Measurement data	11	530,676.7	530,676.7	529,488.7	99.78
DK Measurement data	11	32,612.1	32,612.1	31,911.1	97.85
EE Extrapolated data	20	7,543.3	7,543.3	6,982.9	92.57
EL Extrapolated data	20	409,907.8	409,907.8	379,456.4	92.57
ES Extrapolated data	20	392,716.4	392,716.4	363,542.1	92.57
FI Extrapolated data	20	38,052.0	38,052.0	35,225.2	92.57
FR Measurement data	12	577,683.6	577,683.6	555,050.3	96.08
HU Extrapolated data	20	99,146.9	99,146.9	91,781.5	92.57
IE Measurement data	8	42,407.0	42,407.0	42,061.5	99.19
IT Measurement data	13	448,802.6	448,802.6	448,560.7	99.95
LT Extrapolated data	20	39,028.6	39,028.6	33,621.9	86.15
LU Extrapolated data	20	1,046.2	1,046.2	968.5	92.57
LV Extrapolated data	20	27,077.0	27,077.0	25,065.4	92.57
MT Extrapolated data	20	4,421.8	4,421.8	4,093.4	92.57
NL Extrapolated data	20	29,976.1	29,976.1	27,749.2	92.57
PL Extrapolated data	20	356,374.4	356,374.4	329,785.8	92.54
PT Extrapolated data	20	98,901.4	98,901.4	91,554.2	92.57
RO Extrapolated data	20	271,025.6	271,025.6	250,804.8	92.54
SE Extrapolated data	20	44,658.2	44,658.2	41,340.6	92.57
SI Extrapolated data	20	17,331.7	17,331.7	16,044.2	92.57
SK Extrapolated data	20	6,595.4	6,595.4	6,105.5	92.57
UK Extrapolated data	20	323,763.0	323,763.0	318,126.4	98.26
Grand Total	488	3,995,279.1	3,995,279.1	3,811,000.6	95.39

This Table is based on data compiled by the Consortium.

As can also be seen from the Table, the total number of IOs varies from eight to thirteen in the Measurement Countries. This is due to the fact that national IOs were mapped and measured in the Ramboll study. The variation in the number of national IOs is among other things a result of different approaches in implementing the direct support scheme in the national legislation in these countries. This fact has a direct effect on the level and composition of administrative costs in the non-measurement, or Extrapolation Countries, since it is assumed that countries within the same SPS implementation model are similar with regard to time and cost data.

7.3.2 Administrative costs in Measurement Countries

This sub-section comments further on the total administrative costs in the five Measurement Countries. Table 29 below summarises the total administrative costs in the Measurement Countries. The administrative costs are derived from the Ramboll study, after adjusting for the wage levels used in the present study.

The total administrative cost for the Measurement Countries is approximately €1.6 billion. This figure represents approximately 40% of the total administrative cost for all EU-27 (€4 billion). In other words, the five countries account for two-fifths of the total EU-wide administrative cost in the measurement. As already mentioned, France has the highest costs among the five countries, accounting for some 35% of the total administrative costs for the Measurement Countries. Denmark and Ireland – small countries in the present context – have the lowest total costs among the Measurement Countries, falling far behind the other three countries in terms of administrative costs. This leads to the overall conclusion that a main cost driver seems to be population (Q).

In the Ramboll study it was also concluded that other cost drivers were (i) approach and timing of transposition of the SPS regulations, (ii) public administration, (iii) business culture and (iv) national structural differences. For example, the use of external advisors in Denmark seemed in the Ramboll study to be a natural element in conjunction with the SPS, whereas the French farmers made use of external advisors to a much lesser extent.

It is also worth mentioning the timing of the transposition of the SPS. In all countries except France, the SPS reform was initiated in 2005. France implemented the SPS in 2006.

Further, Italy implemented the 'second wave' of the SPS reform (tobacco, olive oil) in 2006. With regard to the baseline year (2006) of the Ramboll study, this means that the administrative costs for initial allocation of entitlements are higher in France and Italy than in the other Measurement Countries. From this, it follows that the costs for initial allocation are 'transferred' to the Extrapolation Countries in accordance with the extrapolation model used.⁶³ The costs for the initial allocation of payment entitlements are one-off costs as they only appear in relation to the implementation year. Another important implication of the extrapolation model used is the non-existence of initial allocation costs in SAPS countries. This is a result of the fact that no such 'initial' costs are present in Denmark. Therefore, no such costs were extrapolated to SAPS countries.

⁶³ See Section 7.3.3 for a description of the extrapolation model used. In relation to the initial allocation costs, the variable 'Year of initiating CAP' is relevant, and countries are grouped according to the year of implementation of the CAP, i.e. before or in/after 2006.

Table 29: Administrative costs in the Measurement Countries

Country	EU Requirement	National obligation going beyond EU Requirements		Total Admin. Cost	Total Admin. Burden	
		Possibility stated in the EC act	Possibility not stated in the EC act		Admin. Burden	Share of Admin. Cost
	Admin. Cost (€x 1,000)	Admin. Cost (€x 1,000)	Admin. Cost (€x 1,000)	Admin. Cost (€x 1,000)	(€x 1,000)	(%)
DK	32,612.1	0	0	32,612.1	31,911.1	97.85
FR	577,683.6	0	0	577,683.6	555,050.3	96.08
DE	530,676.7	0	0	530,676.7	529,488.7	99.78
IE	42,407.0	0	0	42,407.0	42,061.5	99.19
IT	448,802.6	0	0	448,802.6	448,560.7	99.95
Total	1,632,182.1	0	0	1,632,182.1	1,607,072.3	98.46

This Table is based on data compiled by the Consortium.

As mentioned before, the administrative costs for France are higher than those for Germany in the present study, whereas the ranking in the Ramboll study was the opposite way round. In general, the administrative costs in the present study are higher for all the Measurement Countries compared to the Ramboll study. This is explained by the use of new wage levels in the present study to secure consistency with the other EU measurements.

7.3.3 Administrative costs in Extrapolation Countries

As indicated above, interviews and workshops with businesses were conducted in a sample of five Member States. Consequently, no empirical data is available in the remaining 22 Member States. The results from the measured countries are thus used to estimate the costs in countries where no measurement was undertaken. This extrapolation of the costs provides the total costs for European businesses of complying with EC legislation. As populations are collected or estimated for all IOs for all 27 Member States, the extrapolation is fairly straightforward using the formula $P \times Q$ (where P = cost per activity and Q = yearly number of activities) once standardisation is completed. Filling in

the gaps through extrapolation is basically about making the best estimates of the standard administrative activities in a country, based on data from other countries.

For each area a specific extrapolation model is drawn up. Drawing up an extrapolation model is a process where several variables are simultaneously combined. The model with the best explanatory power in statistical terms is chosen. When deciding on the right model to use for extrapolating the results of the Ramboll Study to the remaining 22 Member States several variables were therefore tested. The variables that were tested follow below:

- Year of initiating CAP (before or after 2006)
- Model chosen by Member State
- Average time spent
- Education level
- IT level
- Productivity
- Purchasing power parity
- Gross Domestic Product
- Gross Domestic Product per Capita
- Gross fixed capital formation
- Population
- Agricultural production as share of Gross Domestic Product
- Agricultural employment as share of total employment.

Of these variables, all but 'Year of initiating CAP (before or after 2006)' and 'Model chosen by Member State' had to be discarded since the results they provided were not solid enough in statistical terms. As a result, the final model that was used to extrapolate the data is a simpler model, where a simple average was the main determining factor of the cost. The single explanatory variable in the model was an indicator variable 'Year of initiating CAP' (before (0) or in 2006/after 2006). This variable was used to capture differences between countries, or to be more precise between new and old Member States. Fixed effects for Information Obligations were added to take into account differences in the cost level across Information Obligations. Finally, fixed effects for the model types

(three in total) chosen in Member States (three in total) were included. This was done to take into account differences in cost level across model types.

The general extrapolation approach was adjusted for some Member States to secure consistent results. UK Ps are therefore exclusively based on the German Ps. Romanian and Polish Ps are exclusively based on the Danish figures. Due to the considerable difference in salary level between Denmark, Romania and Poland, a weighting factor was further applied to account for this difference.

The Table below shows the administrative costs for the 22 Extrapolation Countries.

Table 30: Administrative costs for the Extrapolation Countries

Country	Total Admin. Cost	Total Admin. Burden	
	Admin. Cost (€x 1,000)	Admin. Burden (€x 1,000)	Share of adm. cost (%)
AT***	63,589.3	58,746.9	92.38
BE***	20,709.0	19,155.1	92.50
BG*	85,106.4	78,784.0	92.57
CY*	12,724.4	12,587.6	98.93
CZ*	13,402.1	12,406.5	92.57
EE*	7,543.3	6,982.9	92.57
FI*****	38,052.0	35,225.2	92.57
EL***	409,907.8	379,456.4	92.57
HU*	99,146.9	91,781.5	92.57
LV*	27,077.0	25,065.4	92.57
LT*	39,028.6	33,621.9	86.15
LU****	1,046.2	968.5	92.57
MT**	4,421.8	4,093.4	92.57
NL***	29,976.1	27,749.2	92.57
PL*	356,374.4	329,785.8	92.54
PT***	98,901.4	91,554.2	92.57
RO*	271,025.6	250,804.8	92.54
SK*	6,595.4	6,105.5	92.57
SI**	17,331.7	16,044.2	92.57
ES***	392,716.4	363,542.1	92.57
SE****	44,658.2	41,340.6	92.57

UK****	323,763.0	318,126.4	98.26
Total	2,363,097.0	2,203,928.3	93.26

This Table is based on data compiled by the Consortium.

* SAPS ** Flat rate *** Historic **** Static-hybrid ***** Dynamic-hybrid

The Table indicates the implementation model for each Member State. As discussed earlier in the report, the extrapolation is based on this grouping of the Member States. The absence of administrative costs related to national IOs is a result of the mapping exercise where the EU IOs were transferred 1:1 to the Extrapolation Countries.

To begin with, the Table shows that the total administrative cost for the Extrapolation Countries amounts to nearly €2.4 billion, or approximately 60% of the overall total administrative cost in the measurement. Greece is 'ranked' No 1 in terms of administrative costs among the Extrapolation Countries (approx. €410 million), followed by Spain (€392 million). With reference to the population overview in the Annex (Section 12), this result is no surprise when comparing the population figures for Extrapolation Countries – both Greece and Spain are ranked high in terms of population figures on all EU IOs.⁶⁴ Poland and Romania – both SAPS countries – account for approximately 27% of the total cost for the Extrapolation Countries, or for 70% of the total cost only taking SAPS countries into account. Both Poland and Romania have substantially higher population figures than other SAPS countries – this is true also in relation to the two top ranking countries overall, Greece and Spain. The reason Poland and Romania fall behind Greece and Spain in terms of total administrative costs despite larger populations is that the wage levels in Poland and Romania have been adjusted and depreciated with a salary weight in order to account for the difference in wage level between these two countries and Denmark (see above under 7.3.3).

It is also surprising to see that a country like the Netherlands appears to settle at a relatively low level of administrative costs in comparison with other Extrapolation Countries. Again, the most apparent explanatory variable is population. Population figures in terms of number of SPS applications in the Netherlands are far lower than in, for

⁶⁴ See sub-section 6.3.3 for a description of the calculation of Qs

example, Poland and Romania⁶⁵. It is also worth mentioning that the absolute number of farms in the Netherlands is comparatively low. This follows from the fact that the average farm size in the country is relatively large.

In terms of the relationship of the administrative burden to the administrative cost, the Table reveals that in general, the share is approximately 93%.

In summary, it is crucial to note the following. The level and composition of administrative costs in the Extrapolation Countries are derived from the five Measurement Countries with the help of the extrapolation model used in this study. It is therefore difficult to analyse the differences in any detail. The results are a product of the extrapolation model and the inherent variables, among which the calculation model used for estimating populations is essential. The results are not a product of an actual measurement using interview data from the countries in question as input. The results should therefore be regarded only as an indication of the level of administrative costs – this holds true for every SCM-based measurement but is particularly important to bear in mind in this study.

⁶⁵ The calculation of Qs for countries other than SAPS countries is based the on actual number of SPS applications approved according to information received from DG Agriculture. See also sub-section 6.3.3

8. Legal acts and the most burdensome IOs – SPS and SAPS

The following section provides an overview of the administrative costs for each of the 20 IOs identified and measured. A more comprehensive and detailed description of the level and composition of administrative costs originating in the three IOs is in the Annex in Section 12. More specifically, the following IOs are described in the Annex: "Application for single payment", "Transfer of payment entitlements" and "Cross-compliance controls". The following descriptions summarise the findings in the Ramboll study and provide insight into the business processes and cost drivers in each of the five Measurement Countries. For a full picture of the three IOs, the reader is encouraged to consult the Final Report of the Ramboll study⁶⁶.

Table 31 below provides an overview of the total administrative costs and burdens of all the IOs.

Table 31: Total administrative costs of Top 20 EU IOs

EU Requirement	EU Legislation	Article	Total Admin. Burden		
			Total Admin. Cost (€x 1,000)	Admin. Burden (€ x 1,000)	Share of Admin. Cost (%)
1. Applications for direct payments/ single application	Commission Regulation (EC) No 1782/2003	Art. 22,2, Art 34, 2	2,148,984.5	2,148,984.5	100.00
2. Application for initial allocation of payment entitlements	Commission Regulation (EC) No 795/2004	Art. 12(2)(3)(4)(5), 6(1), 7(7)	795,975.6	795,975.6	100.00
3. Declaration of parcels corresponding to the eligible hectare accompanying any payment entitlement	Commission Regulation (EC) No 1782/2003	Art. 44.3.m13, 51.m13	646,784.4	485,088.3	75.00

⁶⁶ <http://ec.europa.eu/agriculture/analysis/external/burden/fulltext.pdf>.

EU Requirement	EU Legislation	Article	Total Admin. Burden		
			Total Admin. Cost (€x 1,000)	Admin. Burden (€ x 1,000)	Share of Admin. Cost (%)
4. Transfers of payment entitlements	Commission Regulation (EC) No 1782/2003	Art. 46	112,225.4	112,225.4	100.00
5. Cooperation with audits and on-the spot checks - Cross-compliance	Commission Regulation (EC) No 1782/2003	Art. 23+25	72,697.3	54,523.0	75.00
6. Additional application for crop area payment	Commission Regulation (EC) No 1782/2003	Art. 66+100-110	55,641.2	55,641.2	100.00
7. Application for aid for Energy Crops	Commission Regulation (EC) No 1782/2003	Art. 88-92	53,876.5	53,876.5	100.00
8. Application for specific premium for durum wheat	Commission Regulation (EC) No 1782/2003	Art. 72-75	22,153.6	22,153.6	100.00
9. Additional application for sheep and goat premiums - supplementary premium	Commission Regulation (EC) No 1782/2003	Art. 67+114	19,753.3	19,753.3	100.00
10. Cooperation with audits and on-the spot checks - Eligibility checks	Commission Regulation (EC) No 1782/2003	Art. 23.1 and 23.2	17,170.2	12,877.6	75.00
11. Additional application for beef and veal payments	Commission Regulation (EC) No 1782/2003	Art. 66-69+123-125+127+130+132	13,989.7	13,989.7	100.00
12. Amendments to the single application	Commission Regulation (EC) No 796/2004	Art 15, 21 (2)	7,812.4	7,812.4	100.00
13. Additional application for sheep and goat premiums	Commission Regulation (EC) No 1782/2003	Art. 67+111-119	7,241.2	7,241.2	100.00
14. Application for Protein Crop Premium	Commission Regulation (EC) No 1782/2003	Art. 76-78	7,060.1	7,060.1	100.00
15. Application for additional payments from the National Reserve	Commission Regulation (EC) No 1782/2003	Art. 42.2, 42.5	5,734.2	5,734.2	100.00

EU Requirement	EU Legislation	Article	Total Admin. Burden		
			Total Admin. Cost (€x 1,000)	Admin. Burden (€ x 1,000)	Share of Admin. Cost (%)
16. Application for area payment for Nuts	Commission Regulation (EC) No 1782/2003	Art. 83-87	5,204.5	5,204.5	100.00
17. Application for dairy premium and additional payment	Commission Regulation (EC) No 1782/2003	Art. 95-97	1,810.6	1,810.6	100.00
18. Application for aid for Starch potato	Commission Regulation (EC) No 1782/2003	Art. 93-94	677.4	677.4	100.00
19. Notification of force majeure or exceptional circumstances	Commission Regulation (EC) No 1782/2003	Art. 40	462.2	346.6	75.00
20. Application for crop specific payment for Rice	Commission Regulation (EC) No 1782/2003	Art. 79-82	24.9	24.9	100.00
Total			3,995,279.1	3,811,000.6	95.39

This Table is based on data compiled by the Consortium.

Looking at how the total administrative costs are distributed among the 20 EU IOs in the Table above, it is quite clear that one IO stands out from the rest. The IO “Applications for direct payments/single application” alone accounts for over 50% of the total administrative costs caused by EU IOs. The IO stems from Regulation (EC) No 1782/2003. The second most costly EU IO is “Application for initial allocation of payment entitlements”, accounting for approximately 20% of the total administrative costs. The IO “Declaration of parcels corresponding to the eligible hectare accompanying any payment entitlement” - third in terms of administrative costs - accounts for approximately 15% of the overall administrative costs imposed on farmers. In contrast to, for example, “Applications for direct payments/single application”, which give rise to annual, recurring costs, the IO “Application for initial allocation of payment entitlements” is a one-off type of administrative costs. This means that costs related to the latter IO only appear in the establishment phase, i.e. during the time period when the SPS is being implemented in the Member States.

Before moving on, a few more comments are warranted. As already indicated, the IO “Applications for direct payments/single application” is central under the direct payments regime and affects all farmers once a year, leading to a large population. The relatively high administrative cost for the IO “Transfer of payment entitlements” can also be explained by the ‘recurring’ nature of the IO, i.e. the frequency is high as transfers are made on a running basis throughout the year.

Regarding the administrative costs stemming from the initial allocation of payment entitlements, the following should be noted. For the SPS countries the costs are likely to be underestimated as a result of the extrapolation model used. The level of administrative costs for the IO “Application for initial allocation of payment entitlements” in the SPS countries is based on the results for Denmark in the Ramboll study. Denmark had already implemented the SPS in 2005 and had in 2006, which is the baseline year in both studies, low costs related to the initial allocation of entitlements. Due to the extrapolation model, Denmark’s low level of administrative costs in this context is transferred to the SPS countries, resulting in a likely underestimation of the costs for SPS countries that implemented the SPS/SAPS in 2006. Also, the use of Denmark as a base in the extrapolation leads to a likely underestimation in another, related context. Due to the fact that Denmark implemented the SPS reform in 2005 the ‘learning curve effect’ is very likely to have had an effect on the Danish costs in the Ramboll study. In the case of the new Member States implementing the SPS/SAPS in 2006, it cannot be assumed that this effect was visible during the baseline year of the present study. These circumstances have to be taken into account when analysing the results of the present study.

9. Concluding remarks – SPS and SAPS

The grand total administrative cost arising from the EC Regulations investigated in this part of the measurement amounts to nearly €4 billion EU-wide (EU-27). Approximately 95% of this amount can be regarded as an administrative burden, implying a low share of BAU cost for farmers in connection with the SPS. The results - based on the Ramboll study - reveal that France scores top in terms of administrative costs, followed by Germany, Italy, and Greece. As mentioned previously, some caution is, however, warranted when analysing the high-level results due to the specific context of the measurement. Whereas, for example, populations in France, Germany and Italy are based on actual population figures for the IOs, the populations for Extrapolation Countries, such as Greece, are based on a theoretical calculation model. Nevertheless, populations do have a major impact on the administrative costs originating in the SPS.

Analysing the administrative costs of complying with specific IOs, the measurement shows that the IO "Application for single payment" accounts for just over 50% of the total administrative costs and is by far the most costly IO of all. The third most costly IO, one which represents one-off costs "Application for initial allocation of payment entitlements" accounts for 15% of the total cost. The total administrative cost for this IO is likely to be underestimated due to the extrapolation exercise, as the cost for this IO in the new Member States (SAPS countries) is based on costs in Denmark, a country with low allocation costs.

The high total administrative costs related to the application for the single payment is to a large extent explained by the fact that the IO affects a large number of farmers, as it is central to the whole support scheme. Generally, the consulting costs borne by the farmers in complying with the IO are higher than for most other IOs. This is mainly a result of the relatively complex nature of the application forms used in the countries, although e-solutions are being implemented at an increasing rate. The importance of the application and the single payments to farmers also increases the need to obtain external help in the application process.

Finally, the validation exercise in Poland, based mainly on expert assessment, showed that Poland can be used as representative for the SAPS countries. This validation process clearly established that there is resemblance between the regional model and the SAPS. Among other things, the validation process showed a resemblance between Poland and Denmark with regard to administrative systems used in conjunction with SPS, the level of use of external consultants, business processes and internal resources used by farmers to comply with the IOs.

10. Outlook – SPS and SAPS

This concluding section of the report develops further the outlook presented in the Ramboll study, taking into account the developments in terms of reduction measures set in motion by DG Agriculture since that study. The learning curve effect and the CAP 'health check' will also be considered below. The section will be rounded off with a short listing of other ongoing initiatives.

10.1 Learning curve effect

When reviewing the results of the current measurement as well as the reduction measures, one should keep in mind that the baseline year of the Ramboll study, as well as the current measurement, is 2006. The most immediate implication of this fact is that it is very likely that the administrative costs in the measurement do not reflect the costs in 2008. For example, the so called learning curve effect is not captured in the measurement due to the re-use of the Ramboll study. In that study a general, gradual reduction of the administrative costs was foreseen in all countries as farmers and their advisors became more familiar with the scheme and as the result of a general process of learning the rules and processes. This should however not be regarded as an aspect that diminishes the value of the results of the current measurement (or measurements in general), since the true value of the measurement tool (SCM) is linked to its ability to capture the level of administrative costs – and the composition of these costs – among a set of IOs – not to capture the actual and precise costs.

In the Ramboll study, it was concluded that the development of the administrative costs over the coming years will vary among countries. For some countries, like France and Italy, the high one-off costs in 2006 will lead to immediate reductions once the implementation phase of the SPS is concluded. The study also concluded that the learning curve effect would lead to a general and gradual reduction of costs. In summary, the key changes anticipated as they were foreseen in the Ramboll study were related to four groups of cost drivers identified in the study: transposition of the CAP regulations, public administration, business culture and national structural differences.

Transposition of the CAP regulations

The different transposition patterns will affect the development of farmers' administrative costs in various ways for a number of reasons. As shown in the Ramboll study, one-off costs related to the establishment period will thus reduce administrative costs by up to 30% in France and 40% in Italy. Such one-off costs will lead to similar reductions in all Member States.

Changes in the crops coupled may further lead to a reduction of time spent on calculating land in connection with the declaration form. The Fruit and Vegetable reforms adopted in 2007 were designed, among others, to simplify the application for single payment from January 2008 and reduce the number of transfers, thereby leading to a reduction of total costs.

In addition, the set-aside entitlements have been put on hold and abolished in the Health Check. This will save time spent on demarcating entitlements related to land that has been set aside and land in use. This holds true for all EU countries. The abolition of the so-called 10-month rule related to the disposal period will considerably facilitate the application for the single payment as well as the transfer of rights.

Public administration

More and more applications will be submitted online in the years to come. This is already the case in Denmark, France and several German states (Bundesländer) where IT solutions are available and this trend is set to continue. Ireland started in 2007 and the Bundesländer without an online solution for the single payment application started work on this in 2007. Public administrations have also been reducing administrative costs by improving pre-printed forms and increasing the use of pre-print in Ireland and in the Bundesländer, for example. In Ireland, a text message service reminding the farmers of the application deadline via their cell phones is also planned.

A positive learning curve effect within public administrations is anticipated generally in the near future. The impact of this may be limited in the short term, but in the longer term, a positive effect should be seen in all countries.

Business culture

A positive learning curve effect provides a potential for recurrent administrative costs to come down over a period of a few years. The total savings on this account will be highest in Denmark and Ireland, where 14% of costs relate to familiarisation and training, and in France where these cost elements constitute 10% of the total.

Structural differences

The learning curve will probably be steeper for large farms than for smaller ones, which will lead to a slower reduction of administrative costs in countries and regions dominated by small farms.

10.2 The CAP health check

In November 2007, the Commission launched the so-called 'CAP Health Check' as a tool to further modernise, simplify, and streamline the CAP. The objective is to introduce adjustments to the direct payments to further simplify the functioning of the Single Payment Scheme (SPS), to seize new market opportunities, and to adapt the CAP to new challenges such as climate change, water management, biodiversity and bio-energy.

The Commission has, through the adoption of the Health Check proposals in May 2008⁶⁷, initiated steps towards further regulatory simplification of the SPS. These simplification steps are:

Further decoupling

The Commission has proposed 'decoupling' of most of the current partially and fully coupled payments. The only exceptions are "suckler cows" as well as "goats and sheep" where Member States may still maintain coupled support at the current levels. Experience shows that in general, coupled support schemes increase the level of administrative burden. The fact that under the current legislation two parallel support schemes co-exist (coupled aids and SPS), each with their own specific elements and procedures, creates

⁶⁷ The Council adopted the Health Check proposals on 19 January 2009, cf. http://ec.europa.eu/agriculture/healthcheck/index_en.htm. The Council Regulations related to the CAP "Health Check" (Council Regulations 72-74/2009) have been published in the Official Journal of the European Union on 31 January 2009.

additional burdens for national and regional administrations as well as to farmers. Reducing this parallelism will lead to a simplification and burden reduction for all parties involved. It is not possible to rule out the risk that introducing changes will lead to a temporary increase in the administrative burden in the form of one-off costs. However, after an interim period the administrative burden will decrease if Member States decide to decouple fully.

Cross-compliance

The 2003 CAP Reform introduced cross-compliance within the SPS, linking the payments to the farmers' adherence to legislation on environment, public, plant and animal health and animal welfare, as well as to the maintenance of the farm in good agricultural and environmental conditions. The Commission has initiated an examination of the scope of cross-compliance in order to simplify and improve its targeting. More precisely, the Commission's measures aim to withdraw certain standards stipulated under the Statutory Mandatory Requirements (SMRs) that are considered not relevant or linked to farmer responsibility. The Commission also proposes the inclusion in the Good Agricultural and Environmental Conditions (GAECs) of requirements that help to maintain the environmental benefits of set-aside and address issues of water management.

Energy crops

The 'Health Check' proposals foresee the abolition of the energy crops scheme. This scheme is associated with burdensome obligations in terms of procedures and contracts.

Set-aside

Until 2007, farmers had to set 10% of their land aside, to not use that land in order to qualify for direct payments. The percentage has been set at zero for 2008 due to market conditions. The Health Check proposal foresees the complete abolition of set-aside and the specific set-aside entitlements. Abolishing set-aside means that:

- Farmers no longer have to apply the procedures associated with set-aside
- Member States no longer have to check set-aside
- Farmers may use all their land for food and feed production
- The specific set-aside entitlements will disappear, thereby reducing the number of types of entitlement.

Extension of SAPS

New Member States have the option not to apply the SPS and choose the SAPS instead. At the time of writing, this option is set to expire by 2011. In the Health Check proposal, it is planned to postpone this deadline to 2013. Providing new Member States with the option of postponing the introduction of SPS denotes that national authorities and farmers are not faced with the burden associated with the introduction of SPS.

National reserve

At the time of writing, it was not allowed to transfer entitlements established using the national reserve for a period of 5 years. Entitlements that were established using the national reserve have to be activated each year within the 5 year period. The proposal made in the context of the Health Check no longer imposes a period of 5 years before transferring entitlements. Moreover, the requirement of having to activate the entitlements before transfer will not be maintained. This will facilitate a reduction of burden on national authorities for controlling purposes and a more efficient distribution of such entitlements.

Transfer of entitlements

Currently, entitlements may not be transferred unless 80% of the entitlements have been activated. The Health Check proposals intend to do away with this rule, except in the situation of Member States moving from the SAPS to the Single Payment Scheme.

The Council adopted the Health Check proposals on 19 June 2009.

10.3 Other initiatives

The Commission has also directed its focus towards the following issues in its simplification measures:

- Sugar reform (integration in SPS scheme, simplification as a farmer no longer has to distinguish between eligible and non-eligible hectares);
- Fruit and vegetable reform (integration in the SPS scheme, so called "stickers" were abolished);
- Wine reform (integration in the SPS scheme, implementation of cross-compliance);

- Simplification and improvement of cross-compliance (e.g. bottleneck controls, single control rate);
- Application for dairy premium and additional payment has been decoupled in 2007.

11. Annex - licence

11.1 Methodological challenges in the Priority Area Agriculture and Agricultural Subsidies - licence

The following Sections outline the main methodological challenges encountered in the measurement and discuss the measures taken to counter the challenges.

Thus, the Sections below address:

- Recruitment of companies
- Data collection, including remark on the collection of Qs (Number of entities affected by the obligations)
- Standardisation
- Reuse of existing data.

11.2 Recruitment of companies

Overall, the identification and recruitment of companies went well, but with country-specific challenges.

The target group is well-defined and rather narrow, as it is mainly made up of trading or producing companies within the respective agricultural sectors. This also implies that the target group in some Member States is composed of a rather limited number of companies. It follows that the agricultural import/export activities show a considerable degree of concentration in the Member States. This reduced the pool of likely candidates to choose from in the smaller Member States. By way of illustration, in one of the Member States, there was only one company which was engaged in agricultural exports of animal products.

In some Member States the authorities provided the country teams with contact lists of companies, which had applied for licences. This was very helpful.

Nevertheless, despite the relatively easy identification of companies, the actual recruitment of companies for the interviews proved somewhat challenging in some of the Member States, primarily in the newer Member States. The reluctance to participate was mainly owing to a general scepticism towards being interviewed as the agricultural sector

is subject to extensive scrutiny. For some of the countries, such scepticism slowed down the entire process considerably.

11.3 Data collection

The major challenge in the actual data collection was to keep the focus on the Regulation in scope. As already noted, a substantial amount of legislation regulates the agricultural field. The challenge was therefore to avoid including other Regulations and requirements, and to focus on the IOs deriving from Regulation (EC) No 1291/2000.

In general, all country teams started out by performing desk research on the area. The desk research involved, inter alia, familiarisation with the background information, including going through the legislation, the application form, the “standard” business processes and a short PA profile.

The desk research also involved the collection of relevant material from the Member State authorities, such as importers’ and exporters’ guidelines, in order to get a better understanding of how the overall application process and licence system is handled in the country. In addition, exploratory interviews were conducted with government officials to gain insight into the area and how it has been designed in the individual Member State.

The desk research meant that before starting the actual data collection, the country teams had a thorough understanding of the area, which also allowed them to specify and reformulate questions to the informants.

The interviews were conducted using an interview guide with the IOs analysed in terms of standard activities and business processes. The licence application form was also used at the interview to help steer the discussion.

Collection of populations (Qs)

The main source of Qs was the Member State authorities. All Member States were asked to provide data on the nine IOs, and the licences - if possible distributed by different product categories as well as imports and exports. Fourteen Member States came back with more or less complete data on the nine IOs.

The Q collection began in late 2007/early 2008, meaning that at that time the most recent full year was 2006, which is also the most recent full year before the baseline date. However, during the collection of the populations, data for 2007 also became available in some Member States. Though efforts have been made to focus on 2006, some Member States could only provide 2007 figures. The general experience is that the number of licences fluctuates over the years, which is why the picture for some Member States and product groups varies from year to year depending on activity in the sectors.

The data provided by the Member States constitutes the core for the extrapolation of the population data. This means that the ratios between different IOs, for instance, are calculated using the Member State data, leading to assumptions on the populations.

By way of illustration, if nothing else is indicated from a Member State, it is assumed that all licences are presented to customs (the IO "Submission of licence of certificate to customs office") at least once. In some countries or for some transactions this may be done automatically and thus involves no company activity, while in other cases the licence is presented a couple of times because it covers more transactions. In some Member States, the licence may be deposited at customs until the number of transactions has been completed. In addition, a few Member States are linked to a computerised system which issues electronic licences and certificates.

Similarly, when a company applies for a "Request for extracts of licence" for imports, the import licence – depending on the product – may be split into one or more partial licences, which will then increase the number of licences to be submitted to customs and thus the number of licences to be handled by the company.

As far as the "non-Annex 1 products" are concerned, to which export refund certificates apply using the export licence application form, they may be either animal or non-animal products. If nothing else is indicated, they are distributed evenly between those two segments. In some Member States such certificates are almost exclusively issued electronically and are thus presented electronically to customs, involving no company activity.

11.4 Standardisation

Generally, the standardisation of the collected data did not pose insurmountable challenges to the country teams. The general trend in the interviews, namely that this Regulation was not considered very time-consuming, quickly emerged in the interview results. Of course, there were differences between the highest and lowest times in a segment, but such differences could easily be explained and accounted for by the country teams, and such "outliers" were more often than not caused by objective factors such as a first-time application from the company or incorrect information in the application.

It cannot be said that pan-European standardisation is in place, or even pursued, as there are clearly differences between the Measurement Countries. Nevertheless, the trend towards time-efficiency and overall consistency in the amount of time spent across countries quickly emerged.

It should also be stressed that the time estimates for the non-prioritised IOs are generally based on standardisation. The strategy of grouping the IOs in the campaigns means that the number of data points is often quite high for the non-prioritised IOs. With a few exceptions, primarily in relation to the rare prevalence of a few IOs, the time-efficiency trend and overall consistency in the amount of time spent across countries also exists in the non-prioritised IOs.

"Country specifics"

A small remark needs to be made regarding the country specifics. As noted, the intention was not to establish pan-European standardisation, but instead to reflect differences in the Measurement Countries.

This also means that the employee types performing the activities vary across the Measurement Countries. In Belgium, France and Greece most activities are performed by clerks, whereas in Ireland, Poland and Romania, they are performed by professionals.

In Greece, the use of customs brokers deserves some comment. Companies spend time meeting the customs broker. As the cooperation with the customs broker also covers

other activities, an estimate was made for the proportion of the fee that can be ascribed to the IOs stemming from Regulation (EC) No 1291/2000.

11.5 Re-use of existing data

As noted, the UK and to a partial extent Germany⁶⁸ are the only Baseline Countries with measurements of Regulation (EC) No 1291/2000. The time estimates given for handling the IOs are generally within the same range as that which is seen in the six Measurement Countries. This is particularly the case in the UK for the actual application for licences, for which the time estimate is 65 minutes per licence. In the UK measurement, no further segmentation is used. In Germany, the time estimate showed that nine minutes are used. This supports the overall conclusion of an efficient and not highly time-consuming process.

The same amount of time is also found in the other IOs, with the exception of "Application for extension or cancellation of licence or certificate due to force majeure" and "Notification to undo the effects of putting the goods into free circulation" which the UK measurement shows as being handled much faster than in the six Measurement Countries. On the other hand, the "Request for extract of licence" is relatively more time-consuming in the UK measurement.

Furthermore, Sweden also has a measurement, which has been used to check the level of the time estimates in the Measurement Countries. It should be borne in mind that Sweden has an electronic application system.

The Swedish measurement reflects the time level found in the Measurement Countries. For the export licences two segments were identified: for the digital segment the time is 30 minutes per licence, with a population of 1,590 licences, whereas the manual segment requires 45 minutes and has a population of 1,302 licences. For import licences, the populations are identical, but the digital segment requires 45 minutes compared to 60 minutes for the manual segment.

⁶⁸ Data from Germany is, as mentioned earlier, available and has been included in relation to the two prioritised EU IOs of application for import and export licences.

In other words, the re-use of data has served as a benchmark against which to compare the results of the present measurement. The overall conclusion is that the amount of time in existing data corresponds to that found in the present measurement.

As noted earlier in the report, two UK populations were changed due to a manifestly different methodology used when assessing populations. Therefore, it was agreed to replace the population for the two UK IOs with calculated values in order to ensure more consistency with the general EU approach. The two IOs affected are "Request for extract of licence" and "Application for the release of the security by instalments". The replacement of populations has led to a significant decrease in the costs of the two IOs, and thereby the total costs figure for the UK and the EU-27 when comparing to the starting point at the outset.

11.6 Collection and extrapolation of population data

A detailed description of the process of population data collection and extrapolation can be found in the Main Report covering all PAs.⁶⁹ This Annex covers only the specific PA and describes the efforts that were carried out to obtain population data and the quality assurance.

For the Agriculture and Agricultural Subsidies Priority Area, the Consortium collected ~53% of the of data points for all Information Obligations. For the nine Information Obligations in this PA (of which three are segmented), in average ~8 data points were collected per Member State⁷⁰ (excluded from that are the so-called Baseline Countries). In turn, ~47% of the data points were extrapolated. Additional and supplemental information on specific issues like applications for licences was gathered through desk research at sectoral associations, from statistical reports on Agriculture⁷¹ and database queries at the Eurostat homepage as well as interviews with the respective authorities.

⁶⁹ The extrapolation model as well as the process of population data collection and extrapolation is further described in the Annex of the Main Report.

⁷⁰ The sources for individual data points can be found in the database.

⁷¹ http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-ED-07-002/EN/KS-ED-07-002-EN.PDF

Within the PA there were few problems arising from the data collection as the Information Obligations were clearly defined. Data points that deviated from the average values were identified and confirmed or amended after discussion with the Country Teams.

For the Agriculture and Agricultural Subsidies Priority Area an environment variable was set up to extrapolate the missing data points. This environment variable related to the share of large agricultural holdings (area larger than 50 ha) as this is an indication of ability to export but also the extent to which Member States are likely to import. This environment variable was tested against Gross National Product, nominal economic growth, number of businesses in different areas and other specific information like crop output and production of meat.

The quality assurance for this PA was integrated in the process of data collection and extrapolation. After extrapolation, the plausibility of the figures was again checked by expert assessment and by comparing the extrapolation results to the output of the desk research and to the results of the Baseline Countries.

12. Annex - SPS and SAPS

12.1 Polish SAPS implementation

This Annex provides an introduction to Polish SAPS implementation, together with a more general background description of the Polish context in relation to agriculture and agricultural support schemes. The Consortium would like to stress that the background information given in this section is of a general nature and that the information has no direct link to the administrative costs established for Poland which are set out in the report.

As described in the report, an additional measurement was carried out in Poland to test the hypothesis that the SAPS model is quite similar to the regional, static-hybrid model. The findings suggest that at a high level, i.e. the total cost level, the costs are indeed very similar. This holds true also when it comes to the business processes the individual farmers must go through.

At a more detailed level however, the national legal framework may differ substantially. This means that for the SAPS countries, and indeed to a large extent for the other Extrapolation Countries, the EU IOs are not to be seen as an exact replication of national IOs, but rather as a simplified way of describing the total costs in a way that is cost-efficient and similar for all countries.

As is the case in all new Member States, providing financial aid to farmers and growers is based upon the principle of payment of a uniform equivalent of euro amounts per cultivated agricultural land regardless of the type of agricultural activity performed on it. The major consequence of adopting this scheme is that it is much simpler to operate than the traditional SPS effective in the EU-15.

SAPS does not link payments with any historic point of reference concerning harvests, thus allowing the payment agency to target financial support at the area which is claimed by

applicants as being in use by farmers who have maintained land in good agricultural and environmental condition at 30 June 2003⁷².

Detailed terms for providing aid were specified in the relevant Accession Treaties. Because the way in which the aid is distributed has been copied from the SAP (Single Area Payment) model, national laws implementing the scheme had to be passed before the accession of Poland into the EU⁷³.

In its initial period of operation from 2004-6, the scheme was composed of two types of payments:

- Single Area Payment (SAPS) – fully-financed from the EU budget
- Complementary National Direct Payments (CNDP) – financed by the Member State in the form of national ‘envelopes’ (and therefore not part of the measurement)⁷⁴.

As far as the catalogue of plant products and crops receiving support under the scheme of additional payments is concerned, one should note that it is quite exhaustive. In practice it covers the majority of plant products which can be successfully cultivated in Poland and which account for a major share of national demand (grains, rapeseed, hops, and tobacco). All these payments should be considered as decoupled.

Since 2007, three new separate payments have been added to the existing range. These are the following:

- Payment for growing energy crops

⁷² Cf. Article 143 (b) point 4 of Council Regulation (EC) No 1782/2003. Land which was not in good agricultural condition at 30 June 2003 is excluded from the eligibility for SAPS.

⁷³ Act On Direct Payments to Agricultural Land of 18th of December 2003 – Journal of Laws; Year: 2004 No 6, item 40.

⁷⁴ The Council Regulation (EC) No 1782/2003 provides for the possibility to new Member States – subject to an authorisation by the Commission – to grant Complementary National Direct Payments (CNDP) to farmers under relevant direct payments. The CNDP may take the form of a decoupled or coupled payment depending on the support schemes. As a general rule, CNDPs are fully nationally financed. However, during the first three-year period starting from the date of accession, new Member States may co-finance certain CNDP from their Rural Development Plan (PL used this option).

- Sugar payment
- Payment for crops for use as fodder to be cultivated on permanent grassland labelled locally as 'animal payment' which is a part of the Polish CNDP programme.

All these payments were introduced based on the Act on Payments to Agricultural Land and Sugar Payment of 26 January 2007⁷⁵.

The major consequence of this extension of scope of the payment scheme for farmers was a requirement for a more detailed declaration of parcels used for cultivation of plants enjoying financial support from the Member State. New Regulations imposed an obligation to declare parcels broken down into three categories:

- All used for cultivation and claimed as a total area
- LFAs - all those qualified as a part of less favoured area (LFA). LFA is however only relevant for Rural Development ('second pillar'), and is therefore not in scope for this study on direct payments
- Area considered permanent grassland.

From the viewpoint of comparability of the Polish SAPS against the model payment scheme, the following features should be noted:

- The absence of a direct link with a historical basis makes the Single Payment easier to handle in administrative terms on either side, for both the beneficiary and the payment agency;
- Transferability of entitlements is limited only to subjects holding a legal right to use the land that can benefit from aid;
- Additional payments formed into 'envelopes' are claimable with the aid of the same application form by way of ticking the right combination of choices;
- The paying agency sends pre-filled application forms for aid to all registered beneficiaries (the average ratio of pre-filled data on the form was 60% in 2007 - it had grown steadily in the period 2004-2007);
- Farmers and growers are required to maintain the land in "limited" compliance with the cross-compliance requirements. The implementation of these starts in 2009. It

⁷⁵ Journal of Laws; Year: 2007 No 35, item 217.

will initially be limited to the application of Section A of the EU Regulation. Full implementation should be complete in 2011. Currently, informative brochures for beneficiaries are in printing and soon will be shipped by the payment agency to almost 1.8 million addressees.

Taking all these factors into consideration, it is possible to produce a conversion list of EU IOs that itemises their closest local matches. The Table below presents the current set-up in Poland.

Table 32: Match between EU IOs and national IOs in Poland

SPS			Polish implementation of SAPS				
		Legal Source	Item		Direct Equivalent	Paying Agency	
IO	EU IO			National IO		ARMA	AAM
1	Applications for direct payments/ single application	Art. 22,2 Art 34,2	1	Single Area Payment Acc. To terms of Accession Treaty -the local substitute	None	Yes	
2	Application for daily premium and additional payment	Art. 95-97	2	Exists as part of a consolidated additional payment covering sheep & goat, beef & veal and dairy - labelled Animal Payment Available from 2007	None	Yes	
3	Additional application for crop area payment	Art. 66+100-110	3	National Additional Consolidated Payment - secures support to many major crops such as grains, high protein crops, rapeseed, nuts, green plants used to fodder	None	Yes	
4	Declaration of parcels correspond to the eligible hectare accompanying any payment entitlement	Art. 44.3.m13, 51.m13	4	Declaration of parcels is integrated into one uniform procedure - a special application form is used for this purpose - this obligation is usually performed by new beneficiaries, then only changes are reported	Exists	Yes	
5	Application for area payment for Nuts	Art. 83-87	5	See item # 3	None	Yes	
6	Application for Protein Crop Premium	Art. 76-78	6	See item # 4	None	Yes	
7	Cooperation with audits and on-the spot checks - Eligibility checks	Art. 23.1 and 23.2	7	Performed locally	Exists	Yes	
8	Application for crop specific payments for Rice	Art-79-82	8	No local equivalent	None	-	
9	Application for aid for Energy Crops	Art- 88-92	9	Performed locally (before the launch of this scheme supporting the cultivation of energy crops willow and thorn-free rose were granted targeted aid and this form of aid is continued independently within the Additional Payment Scheme)	Exists	Yes	

10	Application for additional payments from the National Reserve	Art. 93-94	10	Similar to quota (covers also tobacco and hop)	None		Yes
11	Application for sheep and goat premiums	Art. 42.2, 42.5	11	No local equivalent	None		
12	additional application for sheep and goat premiums	Art. 67+111-119	12	see item # 2	None	Yes	
13	Additional application for sheep and goat premiums - supplementary premium	Art. 67+114	13	see item # 2	None	Yes	
14	Cooperation with audits and on-the spot checks - cross-compliance	Art. 23+25	14	Gradual implementation starts with section A in January 2009. Preparations for the information campaigns are under way, all beneficiaries will get a 32 page brochure detailing planned changes and their impact upon the functioning of the existing scheme. Inspections to check compliance with requirements stemming from Principles of Good Agricultural Culture are performed routinely.	None		
15	Notification of force majeure or exceptional circumstances	Art. 40	15	Performed locally	Exists	Yes	
16	Transfers of payment entitlements	Art. 46	16	No local equivalent, by principal all benefits are targeted at use of the land (parcels) - question of ownership is of secondary importance	None	-	-
17	Additional application for beef and veal payments	Art. 66-69+123-125+127+130+132	17	see item # 2	None	Yes	
18	Application for specific premium for durum wheat	Art. 72-75	18	No local equivalent (other crops are given extra support: soft fruits, tomatoes)	None	Yes	

This Table is based on data compiled by the Consortium.

ARMA plays a central role in the functioning of the whole payment scheme. In order to perform its mission adequately, it has a countrywide network of almost 350 branch offices where applications are submitted by farmers. It also manages an IT system which gathers and processes information regarding beneficiaries and registers first time applicants. Only the authorities have access to the information. There are plans for making the application process fully digitalised. However, the existing low ratio of only 25% of applicants with a permanent Internet connection is an obstacle to roll-out of online exchange of information with ARMA.

Resource-wise the management of the scheme is demanding and costly. However, the farmers' perception of the scheme as revealed in the interviews has shown that applying for aid under the existing rules is considered rather easy and applicant-friendly. It means

that the administrative burden imposed on the beneficiaries is very modest and continues to shrink thanks to the efforts made by ARMA and the Polish Ministry of Agriculture.

The only exception is applying for aid for the cultivation of energy crops. This requires the production of extra documents and good familiarity with a number of relevant regulations and laws. Numerical results also confirm this perceived complexity of this separate scheme. This manifests itself in an extremely high level of time spent as opposed to all the remaining IOs and the financial benefits they are designed to bring.

12.2 Detailed description of three IOs

This Annex contains a summary of the three IOs described in detail in the Ramboll study, i.e. "Applications for direct payments/single application", "Transfer of payment entitlements" and "Cooperation with audits and on-the-spot checks (Cross-compliance)". For a more comprehensive description of each IO, the reader is advised to consult the Final Report in the Ramboll study⁷⁶:

- IO 1: Applications for direct payments/single application

The IO "Application for direct payments/single application" is found in Regulation (EC) 1782/2003.

Characteristics of the IO

Regulation 1782/2003 states that the farmer eligible for direct payments under the CAP regime shall apply for single payments from the appropriate national authority. Hence, this IO is a central one within the context of administrative costs under the CAP, as defined in this project.

The practical implication of the IO is that the farmer must submit an application to the competent authority.

The IO was segmented in the Ramboll study as differences in administrative costs between farm sizes and the use of farm advisors/agricultural services were expected.

⁷⁶ Op.cit.

General remarks

The high total administrative costs related to the application for single payment is to a large extent explained by the fact that the IO affects a large number of businesses, as it is central to the whole support scheme. Generally, the consulting costs borne by the farmers in complying with the IO are higher than for most other IOs. This is mainly a result of the relatively complex nature of the application forms used in each country, although e-solutions are being implemented at increasing rate. The importance of the application and the single payments to farmers also increases the need to seek external help in the application process.

Table 33: Total administrative costs on EU IO in the Measurement Countries - Application for single payment

		Measurement Countries				
		DK	FR	DE	IE	IT
Internal time per occurrence (minutes)	complex	150	0	0	450	0
	complex - insourcing	660	0	0	480	0
	non-segmented io	132	641	1,505	0	708
	simple	60	0	0	30	0
	simple - insourcing	150	0	0	0	0
	high - insourcing	0	0	2,809	0	0
	high - outsourcing	0	0	2,209	0	0
	low - insourcing	0	0	814	0	0
	low - outsourcing	0	0	694	0	0
	simple - outsourcing	0	0	0	90	0
	no segments	0	0	0	0	70
Average hourly tariff (€)	complex	52.00	0	0	50.00	0
	complex - insourcing	52.00	0	0	50.00	0
	non-segmented io	20.66	37.54	0.52	0	14.14
	simple	52.00	0	0	50.00	0
	simple - insourcing	52.00	0	0	0	0
	high - insourcing	0	0	46.00	0	0
	high - outsourcing	0	0	46.00	0	0
	low - insourcing	0	0	46.00	0	0
	low - outsourcing	0	0	46.00	0	0
	simple - outsourcing	0	0	0	50.00	0
	no segments	0	0	0	0	61.00

		Measurement Countries				
		DK	FR	DE	IE	IT
Equipment costs per occurrence (€)	complex	0.90	0	0	6.00	0
	complex - insourcing	0.90	0	0	6.00	0
	non-segmented io	1.94	0	0	0	0
	simple	0.90	0	0	6.00	0
	simple - insourcing	0.90	0	0	0	0
	high - insourcing	0	0	100.00	0	0
	high - outsourcing	0	0	100.00	0	0
	low - insourcing	0	0	0	0	0
	low - outsourcing	0	0	0	0	0
	simple - outsourcing	0	0	0	6.00	0
	no segments	0	0	0	0	0
Consulting costs per occurrence (€)	complex	475.00	0	0	144.00	0
	complex - insourcing	0	0	0	0	0
	non-segmented io	0.02	0	0	0	0
	simple	200.00	0	0	0	0
	simple - insourcing	0	0	0	0	0
	high - insourcing	0	0	0	0	0
	high - outsourcing	0	0	600.00	0	0
	low - insourcing	0	0	0	0	0
	low - outsourcing	0	0	60.00	0	0
	simple - outsourcing	0	0	0	29.00	0
	no segments	0	0	0	0	0
Number of occurrences	complex	22,500	0	0	20,000	0
	complex - insourcing	1,400	0	0	7,500	0
	non-segmented io	15,713	600,000	3,930,000	0	1,469,017
	simple	22,500	0	0	50,000	0
	simple - insourcing	1,400	0	0	0	0
	high - insourcing	0	0	37,840	0	0
	high - outsourcing	0	0	94,599	0	0
	low - insourcing	0	0	151,359	0	0
	low - outsourcing	0	0	94,599	0	0
	simple - outsourcing	0	0	0	50,000	0
	no segments	0	0	0	0	8,561
Total administrative costs per occurrence (€)	complex	605.90	0	0	525.00	0
	complex - insourcing	572.90	0	0	406.00	0
	non-segmented io	47.25	401.07	13.00	0	166.86
	simple	252.90	0	0	31.00	0
	simple - insourcing	130.90	0	0	0	0
	high - insourcing	0	0	2,253.57	0	0
	high - outsourcing	0	0	2,393.57	0	0
	low - insourcing	0	0	624.07	0	0
	low - outsourcing	0	0	592.07	0	0
	simple - outsourcing	0	0	0	110.00	0
	no segments	0	0	0	0	71.17

		Measurement Countries				
		DK	FR	DE	IE	IT
Total administrative burden per occurrence (€)	complex	605.90	0	0	525.00	0
	complex - insourcing	572.90	0	0	406.00	0
	non-segmented io	47.25	401.07	13.00	0	166.86
	simple	252.90	0	0	31.00	0
	simple - insourcing	130.90	0	0	0	0
	high - insourcing	0	0	2,253.57	0	0
	high - outsourcing	0	0	2,393.57	0	0
	low - insourcing	0	0	624.07	0	0
	low - outsourcing	0	0	592.07	0	0
	simple - outsourcing	0	0	0	110.00	0
	no segments	0	0	0	0	71.17
Total Cost	complex	13,632,750.00	0	0	10,500,000.00	0
	complex - insourcing	802,060.00	0	0	3,045,000.00	0
	non-segmented io	742,385.30	240,640,741.75	51,088,871.90	0	245,119,966.10
	simple	5,690,250.00	0	0	1,550,000.00	0
	simple - insourcing	183,260.00	0	0	0	0
	high - insourcing	0	0	85,274,962.67	0	0
	high - outsourcing	0	0	226,429,013.1	0	0
	low - insourcing	0	0	94,458,106.60	0	0
	low - outsourcing	0	0	56,008,914.60	0	0
	simple - outsourcing	0	0	0	5,500,000.00	0
	no segments	0	0	0	0	609,257.83
Total cost for all segments combined	21,050,705.30	240,640,741.75	513,259,868.87	20,595,000.00	245,729,223.93	

This Table is based on data compiled by the Consortium.

Process to comply with the IO

Denmark

Behind the results for Denmark lies the fact of the 61,600 applications in Denmark, 13,800 farmers only had to fill in page one of the SPS application form, because their parcel maps remained unchanged compared to the previous year.

There are two other general factors which influence the administrative process of applying for single payment in a Danish context: the complexity of the application and the use of agricultural advisors. The complexity of the Single Payment Scheme and the amount of time spent on filling out the application typically depends on the number of FVP-permits

(fruit, vegetables and potato permits), the number of sale and lease arrangements, and the number of transfer of payment entitlements.

In relation to the usage of agricultural advisors, of the 47,800 applicants, the overwhelming majority – 45,000 farmers – consulted an agricultural advisor to a greater or lesser extent depending on the complexity of the application. Typically, the advisor and the farmer fill in the application together and the farmer is charged an insurance fee to cover the possibility that the advisor makes an error and the farmer therefore loses his payment.

Data from the Danish workshops show that the most time-consuming elements in the application include: understanding the disposal period (the 10 month-rule), locating the municipality number and the holding number, and conducting checks and identifying errors, as the amount of aid to a certain extent depended on the number and type of errors. Most of the agricultural advisors used the electronic online application system, EHA, to fill out the application scheme, as it was faster, more efficient, and reduced the error rate significantly.

Ireland

For Irish farmers, there are some differences regarding the amount of time spent on the application form depending on the complexity of the farm in question. Some applications contain information on many parcels and some only on a smaller number of parcels. If changes have occurred it takes longer to complete the form. The majority of the group of complex applications consist of large tillage farms. These are larger than the average farm and the land use is more complex due to the activity of crop rotation.

Since Irish farmers are presented with a pre-written application form, a relatively small amount of time is spent on filling out forms and tables. Conversely, more time is spent on checking the accuracy of the data in the pre-written form. Even if the farmer uses external assistance, time is typically spent on checking the data in the form. Irrespective of whether the farmer completes the entire form himself or uses external help, the form must be signed and posted by the farmer. The farmer will normally send the letter with evidence of postage to prove that the application was submitted before the deadline.

Italy

Almost all farmers in Italy are members of a farmers' union. These have a statutory obligation to represent the farmers in all questions regarding agriculture. The consequence is that, similarly to Denmark, Germany and Ireland, a significant number of Italian farmers make use of external assistance for the completion of SPS application. As almost all farmers use the services of a union office, the question of the insourcing and outsourcing segmentation appeared to be marginal and was therefore not included in the measurement.

As all relevant data for every registered farmer is stored in the "farm folder" within the national database, there are two different processes in relation to the application for single payments: a simple process when no modifications from previous year's data are necessary and a more complex one when modifications to the previously submitted data are necessary. These differences are quite similar to that of the other Member States included in the study.

The most time-consuming part of the application process is updating the parcel map. Its duration depends on the number of modifications of the crops, which the farmer has to indicate parcel by parcel on the parcel map. Large variations can also occur if the crop size varies from year to year.

France

In France, the farmer has to submit as many forms as the municipalities in which he has parcels. A typical farmer normally submits five 'S2-forms' per application. In order to complete the S2-forms, each farmer has to fill in the coupled crops form, which records the parcels that are coupled, at the national and at the European level. Furthermore, the farmer has to fill in an "irrigation form", which describes by means of very precise calculations, the way the parcels are irrigated and the way water flows within them.

The parcel map is a single form that consists of drawing, numbering, and listing the parcels. The farmer draws a parcel on aerial photos sent by the administration on demand

(generally, this is done when asking for supplementary S2-forms). These photos are attached to the form when it is submitted.

In France, the data collected for 2006 show that there is no clear segmentation or categorisation of targets possible in the application process.

Germany

In Germany, the Single Payment Scheme is responsible for the lion's share of the administrative costs. It accounts for 98.3% of the total administrative costs due to a high population and a time-consuming application process.

Similarly to the other countries, two general factors influence the process of applying for the single payment in Germany: the complexity of the application and the use of external advisors (consultants, industry organisations, etc).

When farmers do not use external assistance, handing the application over to the authorities is normally quite time-consuming as it is typically done in person in order to be able to discuss the application.

Application procedures also differ between federal states. Some offer online and CD-ROM/off-line applications, while some only allow for conventional paper applications. Since most farmers in 2006 used the paper application, the measurement refers to this application procedure.

Within this application, the definition of parcel maps and landscape elements, as well as the marking of every parcel in the attachment form areas are the most time-consuming activities. Other complicated and time-consuming tasks are the production of new data i.e. for the definition of gross and clear areas. The categorising of animals and land usage required slows the application process since there are no uniform categories. As a result, farmers often have to recalculate numbers and reformulate given explanations. The complexity of the application process is mirrored in the fact that familiarising themselves with the Information Obligation is one of the most time-consuming activities for farmers.

A central irritant identified in all five Measurement Countries was the deadline for the Single Payment Scheme applications. While Danish and Irish farmers focus on an earlier deadline for the application inter alia to reduce problems related to cash flow, Italian and French suggestions were to make the deadlines flexible or ongoing in order to spread out the work of applying and to align the application processes with the constantly changing nature of farms. They called for a digital and especially online application option for the SPS as this was seen as a way to ease and improve the application substantially. In Germany where such a system is in place already, these assumptions have been proven to be correct.

- IO 4: Transfer of payment entitlements

The IO "Transfer of payment entitlements" is found in Article 46 of Regulation (EC) No 1782/2003. Payment entitlements may be transferred by sale or any other definitive transfer with or without land. Payment entitlements can only be transferred to another farmer established within the same Member State (except in the event of inheritance).

Characteristics of the IO

Farmers may sell/buy payment entitlements and register the transfer with the competent national authority.

Table 34: Total administrative costs on EU IO in the Measurement Countries - Transfer of payment entitlements

		Measurement Countries				
		DK	FR	DE	IE	IT
Internal time per occurrence (minutes)	complex	0	0	0	2,704	0
	complex - insourcing	0	0	0	1,800	0
	non-segmented io	201	970	75	119	94
	simple	0	0	0	641	0
	simple - insourcing	0	0	0	406	0
	no segments	0	0	0	240	228
	no segment	0	205	0	116	0

		Measurement Countries				
		DK	FR	DE	IE	IT
Average hourly tariff (€)	complex	0	0	0	30.67	0
	complex - insourcing	0	0	0	49.07	0
	non-segmented io	2.16	19.82	24.53	50.00	61.00
	simple	0	0	0	29.45	0
	simple - insourcing	0	0	0	50.00	0
	no segments	0	0	0	38.46	25.54
	no segment	0	51.00	0	50.00	0
Equipment costs per occurrence (€)	complex	0	0	0	8.57	0
	complex - insourcing	0	0	0	6.00	0
	non-segmented io	1.36	0	0	1.00	0
	simple	0	0	0	8.57	0
	simple - insourcing	0	0	0	6.00	0
	no segments	0	0	0	109.23	0
	no segment	0	0	0	1.00	0
Consulting costs per occurrence (€)	complex	0	0	0	1,526.43	0
	complex - insourcing	0	0	0	0	0
	non-segmented io	205.76	0	0	60.00	0
	simple	0	0	0	418.43	0
	simple - insourcing	0	0	0	0	0
	no segments	0	0	0	180.23	0
	no segment	0	0	0	71.00	0
Number of occurrences	complex	0	0	0	4,900	0
	complex - insourcing	0	0	0	2,100	0
	non-segmented io	36,000	157,500	93,899	100	40,385
	simple	0	0	0	2,100	0
	simple - insourcing	0	0	0	900	0
	no segments	0	0	0	91	13,722
	no segment	0	8,200	0	170	0
Total administrative costs per occurrence (€)	complex	0	0	0	2,917.38	0
	complex - insourcing	0	0	0	1,478.22	0
	non-segmented io	214.35	320.36	30.67	160.17	95.57
	simple	0	0	0	741.64	0
	simple - insourcing	0	0	0	344.33	0
	no segments	0	0	0	443.31	97.07
	no segment	0	174.25	0	168.67	0
Total administrative burden per occurrence (€)	complex	0	0	0	2,917.38	0
	complex - insourcing	0	0	0	1,478.22	0
	non-segmented io	214.35	320.36	30.67	160.17	95.57
	simple	0	0	0	741.64	0
	simple - insourcing	0	0	0	344.33	0
	no segments	0	0	0	443.31	97.07
	no segment	0	174.25	0	168.67	0

		Measurement Countries				
		DK	FR	DE	IE	IT
Total Cost	complex	0	0	0	14,295,166.67	0
	complex - insourcing	0	0	0	3,104,266.67	0
	non-segmented io	7,716,631.30	50,456,255.00	2,879,596.17	16,016.67	3,859,459.83
	simple	0	0	0	1,557,450.00	0
	simple - insourcing	0	0	0	309,900.00	0
	no segments	0	0	0	40,341.00	1,331,978.67
	no segment	0	1,428,850.00	0	28,673.33	0
Total cost for all segments combined		7,716,631.30	51,885,105.00	2,879,596.17	19,351,814.33	5,191,438.50

This Table is based on data compiled by the Consortium.

Process to comply with the IO

Denmark

In Denmark, the Danish Directorate for Food, Fisheries and Agri-Business received 36,000 forms in relation to transfers of payment entitlements. As opposed to Germany, there was no electronic database to handle the transfers.

Typically, transfer of payment entitlements involves recording a whole number of transfer schemes at the same time, mainly due to lease arrangements. The first transfer scheme is the most time-consuming because the farmer/advisor can subsequently use the information from the first form when filling in the rest.

Furthermore, it was very complicated to transfer payment entitlements in 2006 due to Article 3(4) of Regulation (EC) No 795/2004. Firstly, it was only possible to split payment entitlements in connection with transfer of fractions of ha and secondly, before splitting an existing entitlement, all existing fractions had to have been used. Consequently, transfer of payment entitlements involved a number of difficult and time-consuming calculations, which caused a lot of stress and frustration among agricultural advisors.

Ireland

Transfer of entitlements can be the result of sale, gift, inheritance, or lease. In addition, entitlements can be transferred with or without land. However, the method of transfer does not in general influence the complexity. An exception is the transfer of entitlements with leased land. Hence, subject to whether the transfer is conducted with or without land,

an issue influencing the complexity is where the land transfer is permanent in nature. A possible temporary transfer, such as leasing, is to be considered as simple.

The distinction between simple and complex is based on whether or not the transfer involves land. The distinction in relation to outsourcing is based upon whether the farmers make use of the external advisor.

When the transfer is made without land (Section A of the application form) approximately 50% of the time is spent retrieving existing data. In establishing the value of the entitlements transferred, an assessor is used to assess the value. In the more complex cases (Section B of the application form), the total time spent is more than five times higher than in the case of transfers without land. The complex cases occur when the transfer of entitlements includes land transfers by sale, inheritance, or gift. In these situations, considerably more time is spent on land-specific information, e.g. the value of the land and number of ha.

Italy

Beside the common transfer of payment entitlements, it was also possible in 2006 to transfer provisional entitlements. This second Information Obligation is limited to the phase of prior recognition of farmers, and in 2006, it was limited to provisional payment entitlements for olives, tobacco, and sugar. However, the Agenzia per le Erogazioni in Agricoltura (AGEA) informed farmers that the process would be less complicated if they waited with the transfer until the entitlements were fixed. For this reason, the total number of transfers of provisional entitlements is comparatively low.

The relevant forms for the two Information Obligations are only slightly different and the time spent on the two processes varies only slightly according to the documents the farmer has to submit. A farmer who wants to transfer entitlements has to attend two meetings at his CAA (Centro di Assistenza Agricola). In the first meeting, the CAA-associate explains to the farmer which documents he has to submit.

The party making the transfer has to provide a series of documents containing information about the transfer of the payment entitlements. Consequently, they need to contact the

transferee to get copies of the relevant documents. Furthermore, the farmer has to prepare the entitlements which are the object of the transfer. At the second meeting, the farmer submits the relevant documents, which are checked and, if necessary, copied by the CAA-associate. The highest administrative (and financial) cost is not however represented by the meeting of the two parties at the CAA office, but by the necessity to transfer every entitlement with a single dedicated act issued by a public notary.

The IT system allows for electronic submission of the application to the data bank of the national paying agency. The 'transferee and transferor' have to sign the copy of the application that will be stored in the farm folder in the archive of the competent CAA and another copy, which is sent to the competent payment agency.

France

In France, the 2006 transfers of payment entitlements consisted of submitting one or several forms. Farmers fill in the forms in order to notify the administration of the movements of payment entitlements, land and eligibilities. This is usually done by attaching a copy of the existing contract between the relevant parties (transferor and transferee). For the 2006 notification, it is important to mention that farmers need to notify and prove any movement of land between 2000 and 2006. Since 2007, this has no longer been the case, as only transfers within the year will be dealt with.

At a practical level, there is only one way of completing the forms. No IT system has been developed and outsourcing is neither an option for nor requested by the farmers. In regard to the standard activities, they are similar for the entire form, but the time spent for these activities may vary. The farmer spends a significant amount of time in choosing the right clause to fill in. Thus, the activity of becoming familiar by reading notices, newspapers, and legislation is time-consuming. Furthermore, the farmer has to find the transferor to fill in the form or at least sign it. This activity consumes a large amount of time given the fact that the farmer has had to find a transferor for the movements of PE since 2000. We expect that this process will be less burdensome in the coming years.

Germany

In Germany the use of the Invekos database optimises the transfer process. Within CAP reform, direct payments in Germany were decoupled from production as far as possible. The farmers receive payment entitlements based on reference amounts that are area-related as well as individually adapted to each business.

For the purpose of a citizen-friendly and efficient administration, the federal and state governments decided that the parties can report a transfer to the authorities directly by using the CID on the internet. Simultaneously, a series of controls within the CID ensure that a transfer report is only saved if all legal prerequisites of the EU are accomplished. This reduces time radically.

Overall, the use of the database is regarded not only as convenient, but also as a time- and cost-saving solution.

- IO 5: Cooperation with audits and on-the spot checks – Cross-compliance

Articles 23 and 25 in Regulation (EC) 1782/2003 state that the Member States shall carry out on-the-spot checks to verify whether the farmer understands and meets the cross-compliance requirements.

Characteristics of the IO

The IO, as it is defined in the Ramboll study, requires farmers applying for single payments to assist with information etc. for audits and on-the-spot checks.

The IO has been segmented in the Ramboll study as differences between farms of different sizes and types of production were expected. The segmentation applies only to Ireland and France.

General remarks

The relatively low total administrative cost for the IO is due to the fact that each year only a selection of farmers receiving single payments are affected by the IO, as it is defined in the study, i.e. the population is relatively low. Nevertheless, the IO is often regarded as an

irritant by farmers who frequently perceive the cross-compliance audits as difficult to prepare for. This may to some extent be related to the fact that the farmers' performance in the cross-compliance audits affects the size of the payments.

Table 35: Total administrative costs on EU IO in the Measurement Countries - Cooperation with audits and on-the-spot checks (Cross-compliance)

		Measurement Countries				
		DK	FR	DE	IE	IT
Internal time per occurrence (minutes)	complex	0	0	0	450	0
	non-segmented io	1,020	1,080	361	0	0
	simple	0	0	0	180	0
	high complexity	0	0	0	0	250
	low complexity	0	0	0	0	130
Average hourly tariff (€)	complex	0	0	0	50.00	0
	non-segmented io	20.08	18.22	45.87	0	0
	simple	0	0	0	50.00	0
	high complexity	0	0	0	0	61.00
	low complexity	0	0	0	0	61.00
Equipment costs per occurrence (€)	complex	0	0	0	0	0
	non-segmented io	0	0	0	0	0
	simple	0	0	0	0	0
	high complexity	0	0	0	0	0
	low complexity	0	0	0	0	0
Consulting costs per occurrence (€)	complex	0	0	0	0	0
	non-segmented io	139.09	0	0	0	0
	simple	0	0	0	0	0
	high complexity	0	0	0	0	0
	low complexity	0	0	0	0	0
Number of occurrences	complex	0	0	0	1,350	0
	non-segmented io	4,832	16,870	11,101	0	0
	simple	0	0	0	5,150	0
	high complexity	0	0	0	0	1,718
	low complexity	0	0	0	0	4,007
Total administrative costs per occurrence (€)	complex	0	0	0	375.00	0
	non-segmented io	480.41	327.99	276.00	0	0
	simple	0	0	0	150.00	0
	high complexity	0	0	0	0	254.17
	low complexity	0	0	0	0	132.17
Total administrative burden per occurrence (€)	complex	0	0	0	281.25	0
	non-segmented io	360.31	245.99	207.00	0	0
	simple	0	0	0	112.50	0
	high complexity	0	0	0	0	190.63
	low complexity	0	0	0	0	99.13

		Measurement Countries				
		DK	FR	DE	IE	IT
Total Cost	complex	0	0	0	506,250.00	0
	non-segmented io	2,321,332.00	5,533,245.00	3,063,914.33	0	0
	simple	0	0	0	772,500.00	0
	high complexity	0	0	0	0	436,658.33
	low complexity	0	0	0	0	529,591.83
Total cost for all segments combined		2,321,332.00	5,533,245.00	3,063,914.33	1,278,750.00	966,250.17

This Table is based on data compiled by the Consortium.

Process to comply with the IO

Denmark

In Denmark, 53 cross-compliance requirements were in place in 2006. The requirements relate to three control areas: Environment, Health (plant, animal, and human) and Good Agricultural and Environmental Conditions in the practice of farming (GAEC). There were 6,431 controls.

When a farmer is notified of an upcoming inspection, they will typically consult an agricultural advisor for about an hour and carry out some initial preparations for about 2.5 hours. The preparations consist of checking up on the subject of the control and retrieving the necessary documents. The amount of time spent on cooperation with audits depends on the type of control, but on average, a farmer assists the inspectors for about 2.5 hours.

Ireland

In Ireland, the overall impression from the data collection is that the GAEC aspect of the SPS does not represent an additional cost to the farmer. The inspections have always covered the various themes and issues and are based on existing documentation and on-site visits. This is in fact consistent with the introduction of cross-compliance requirements. In total, 6,500 inspections in relation to cross-compliance were conducted in 2006. Farmers to be inspected are selected at random based on a risk assessment. The farmers are identified by the Department of Agriculture and Food, which is also the public authority that conducts the actual inspections.

For the Irish data it was also possible to segment the cross-compliance inspection based on complexity. A complex inspection is a full inspection whereas a simple inspection is one where only some aspects are included.

The farmer is not required to be present during the inspections, although in practice they normally are. However, the farmer may be requested to have a representative present or be available on the phone for clarification. The typical on-site simple inspection is estimated at two hours and the complex inspection at five and a half hours.

Italy

In Italy, AGEA, the national payment agency, is responsible for the coordination of cross-compliance controls. ASLs (Azienda Sanitaria Locale), the regions, and specialised agencies carry out the controls. In 2006, 15,725 cross-compliance controls were carried out on farms that applied for single payments.

Based on the data collection, the time needed for the on-the-spot-checks varies from approximately two to four hours depending on the diversification of the cultivation as well as on the character and size of the farm. Therefore, segmentation between controls of high and low complexity was chosen. For the farmer the on-the-spot check means that he needs to support the controller. The farmer has to show the controller the fields and/or the buildings where the animals are kept and any documents requested.

France

The French authorities only conduct several kinds of inspection. This study has focused on the two most common types, DDAF and DDSV – Direction régionale de l'agriculture et de la forêt (DRAF) and Direction départementale des services vétérinaires (DDSV)⁷⁷.

Two kinds of activities are linked to the inspections. First, the farmer has to prepare for the inspection, then the final inspection date is communicated by phone. The farmer usually asks for further details on the inspection's contents. The preparation phase

⁷⁷ http://agriculture.gouv.fr/spip/leministere.lesorganigrammes.lesservicesdeconcentres.presentationdesmissionsdeservicesdeconcentresdrafddafddsvbrtrombinoscopesdesdirecteursdrafddafdafetdds_v_a550.html

includes a certain level of self-diagnosis and the gathering of specific documents. Initial results show that this activity does not take up much of the farmer's time.

During the inspection, the farmer has to perform what is called "an act of presence". This means accompanying the inspector during the control and answering their questions and requests. The normal time spent for the DDAF inspection is six hours minimum whereas the maximum time for the DDSV inspection is one hour. At the end of the inspection, the farmer has to sign a declaration agreeing to the conclusions of the inspection.

Germany

In Germany, only 3% of all farmers are affected by the cross-compliance controls. On the other hand, when a control does take place it is very time-consuming. The process of control differs among the German federal states. In some federal states, these controls happen unannounced. In others, the farmer receives a notification about 24 hours in advance. The controls include several obligations and requirements to reduce the control costs for the farmers. Afterwards, farmers typically document the results of the inspection in a report.

When assessing the costs of cross-compliance inspections, it is important to mention that only a few owners of farms are affected by the Information Obligation "Control" (Systematic controls 'on-the-spot' are regulated by EU law for at least 1% of all farmers), but compliance with all compliance-control regulations is required continuously for all farms.

12.3 Population overview

In this Annex the estimated populations for all 20 IOs in the Extrapolation Countries are presented.

Table 36: Estimated populations for all 20 requirements in the Extrapolation Countries

Requirement	BE	GR	ES	LU	NL	AT	PT	FI	SE	UK	CZ	EE	CY	LV	LT	HU	PL	SK	MT	RU	BU	SI
Additional application for sheep and goat premiums - supplementary premium	917	19376	1856 3	42	1417	2818	4336	1489	1783	4088	577	325	762	1166	3133	4268	25725	284	190	25742	3664	746
Cooperation with audits and on-the-spot checks - Cross-compliance	2149	45405	4350 1	98	3320	6604	1016 1	3490	4179	9581	1352	761	1786	2732	7342	1000 2	60285	665	446	60325	8586	1748
Notification of force majeure or exceptional circumstances	21	445	427	1	33	65	100	34	41	94	13	7	18	27	72	98	591	7	4	592	84	17
Declaration of parcels corresponding to the eligible hectare accompanying any payment entitlement	42154	89063 8	8532 85	1920	6513 1	1295 48	1993 21	6846 5	8196 9	1879 26	2652 1	1492 7	3502 9	5358 1	1440 19	1961 97	118251 3	13051	875 0	1183304	16841 2	34297
Application for area payment for Nuts	911	19256	1844 8	42	1408	2801	4309	1480	1772	4063	573	323	757	1158	3114	4242	25566	282	189	25583	3641	742

Requirement	BE	GR	ES	LU	NL	AT	PT	FI	SE	UK	CZ	EE	CY	LV	LT	HU	PL	SK	MT	RU	BU	SI
Application for Protein Crop Premium	1335	28209	27026	61	2063	4103	6313	2168	2596	5952	840	473	1109	1697	4562	6214	37454	413	277	37479	5334	1086
Cooperation with audits and on-the spot checks - Eligibility checks	1237	26129	25033	56	1911	3801	5847	2009	2405	5513	778	438	1028	1572	4225	5756	34691	383	257	34714	4941	1006
Application for crop specific payment for Rice	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Application for aid for Energy Crops	4321	91290	87462	197	6676	13279	20430	7018	8402	19262	2718	1530	3590	5492	14762	20110	121208	1338	897	121289	17262	3515
Additional application for crop area payment	7931	167577	160549	361	12255	24375	37503	12882	15423	35359	4990	2809	6591	10082	27098	36915	222495	2456	1646	222644	31688	6453
Application for aid for Starch potato	200	4231	4053	9	309	615	947	325	389	893	126	71	166	255	684	932	5617	62	42	5621	800	163
Application for additional payments from the National Reserve	5	104	99	0	8	15	23	8	10	22	3	2	4	6	17	23	138	2	1	138	20	4
Additional application for sheep and goat premiums	917	19376	18563	42	1417	2818	4336	1489	1783	4088	577	325	762	1166	3133	4268	25725	284	190	25742	3664	746
Additional application for beef and veal payments	1292	27288	26143	59	1995	3969	6107	2098	2511	5758	813	457	1073	1642	4412	6011	36230	400	268	36254	5160	1051
Transfers of payment entitlements	1159	24485	23458	53	1791	3561	5480	1882	2253	5166	729	410	963	1473	3959	5394	32509	359	241	32530	4630	943

Requirement	BE	GR	ES	LU	NL	AT	PT	FI	SE	UK	CZ	EE	CY	LV	LT	HU	PL	SK	MT	RU	BU	SI
Application for specific premium for durum wheat	2318	48985	4693 1	106	3582	7125	1096 3	3766	4508	1033 6	1459	821	1927	2947	7921	1079 1	65038	718	481	65082	9263	1886
Applications for direct payments/ single application	42154	89063 8	8532 85	1920	6513 1	1295 48	1993 21	6846 5	8196 9	1879 26	2652 1	1492 7	3502 9	5358 1	1440 19	1961 97	118251 3	13051	875 0	1183304	16841 2	34297
Application for dairy premium and additional payment	84	1781	1707	4	130	259	399	137	164	376	53	30	70	107	288	392	2365	26	18	2367	337	69
Request for amendment to application for single payment	1832	38699	3707 6	83	2830	5629	8661	2975	3562	8166	1152	649	1522	2328	6258	8525	51381	567	380	51416	7318	1490
Application for initial allocation of payment entitlements	31223	65969 6	6320 28	1422	4824 3	9595 6	1476 37	5071 2	6071 4	1391 97	1964 4	1105 6	2594 6	3968 7	1066 75	1453 23	875888	9667	648 1	876473	12474 3	25404

This Table is based on data compiled by the Consortium.