How expensive is the implementation of rural development programmes?

Empirical results of implementation costs and their consideration in cost-effectiveness analyses

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Abstract

The present paper refers to the results from the evaluation of rural development programmes (RDPs) of five German states. It is focussed on two issues. The first is to develop a methodological approach for determining the implementation costs (ICs). The second is the discussion of their relevance in the context of the implementation of rural development policies presenting selected empirical results. The cost-impact synopsis (CIS) is a wider approach to relate the measure-specific implementation costs and disbursed funds, based on implementation cost classes, with achieved impact levels. The principles guiding the discussion are two theses: (1) High implementation costs increase the overall cost of the programme and thus reduce funding efficiency, (2) High implementation costs increase the use efficiency of the programmes because they are associated with more targeted, more effective measures. Sample analytical results for different study levels show that the empirical results lie somewhere between these two extremes.

Keywords: Implementation costs, Rural Development Programmes, Evaluation

JEL classification: H83, Q18

1. INTRODUCTION AND DEFINITIONS

Rural development programmes (RDPs) are the primary support instrument for rural areas within the second pillar of the Common Agricultural Policy (CAP). Due to the federal structure of Germany, the individual federal states are responsible for drawing up and implementing their own RDPs. Consequently, the RDPs in German vary in structure, financial compositions and organisational set-up. Activities supported within RDPs are characterised by differing intervention logic: sectoral measures (e.g. farm investment schemes, vocational training), maintenance of the agri-environment (e.g. less-favoured-areas or agri-environment schemes) and development of rural regions (e.g. village renewal, land consolidation).

The present paper is based on the experiences and results gained from the ex-post evaluation, completed in December 2008 (LR, 2008) of the RDPs of five German states for the 2000 - 2006 programming period.[1] It has two parts. The first concerns the development of a methodology for determining public transaction costs. The second is a discussion of the relevance of such costs in the context of the effective implementation of rural development policies and empirical results.[2]

Since the ex-post evaluation concerns only that part of the wider concept of transaction costs (OECD, 2007) which is related to the implementation of RDPs, the term "implementation costs" (ICs)

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[1] Lower Saxony (Niedersachsen; NI), North-Rhine Westphalia (Nordrhein-Westfalen; NRW), Schleswig-Holstein (SH), Hesse (Hessen; HE) and Hamburg (HH).
[2] Each *state* published its own full results in the form of evaluation reports in 2009 (###).

will be employed instead in the following. It excludes both the costs of political agenda-setting and of private participation. ICs are primarily defined as the costs at the level of the German states that arise from

1. personnel input by the public authorities, agencies and entities charged with implementing the RDP (operational staff, technical and administrative support)[3] for measure-specific tasks as well as for cross-functional tasks, called programme overhead[4],
2. the costs of contractors to whom tasks are delegated, such as banks, engineering consultants[5].

Further, a distinction is drawn between *absolute* and *relative implementation costs*. The latter is defined as the ratio of ICs to public expenditure (ICs/public expenditure) that is an indicator of implementation efficiency.

2. IMPLEMENTATION COSTS: BACKGROUND AND STATUS QUO

The implementation of policy measures *per se* gives rise to ICs. In the field of EU-co-financed programmes, with their highly complex implementation regulations, ICs are the subject of endless debate.

Thus, the Second European Conference on Rural Development, held in Salzburg in 2003, concluded with demands for a simplification of the CAP (CEC, 2003).[6] The current state of play of the main initiatives (i.e. the Simplification Action Plan, created in 2006, the new proposal of DG Agri on the tolerable risk of error) in this field can be found in Commission Communication "A simplified CAP for Europe – A success for all" and in the Commission Working Document on the 39 suggested simplifications currently being discussed (CEC, 2009a; CEC, 2009b).

Also, the Member States believe that EU regulations (especially concerning control and financing) are counteracting efforts to cut down on red tape and streamline, modernise and reduce public administration. In this context, ICs in general have acquired a negative connotation. Reducing them has increasingly become an objective in itself, uncoupled from the intended objectives of policy measures. While the importance of ICs in policy choice is recognised, they are rarely, if ever, taken into account (OECD, 2007).

In the literature, the issue of ICs is tackled in the context of individual RDP measures but not of entire programmes: thus, there are studies of agri-environment measures (AEMs) and farm investment aid schemes (Falconer and Saunders, 2002; Falconer and Whitby, 1999; Mann, 2000; Mann, 2001; Vatn et al., 2002). In part, these studies concentrate on private transaction costs.

Only a few studies exist which examine the ICs of a wider range of support measures within the CAP. They have mainly been conducted by national auditing agencies, which use the magnitude of the relative ICs (see above) as their main criterion, but seldom relate them to the specific objectives of the measures or to the resulting impact. The difficulty with this approach is that it might lead to the

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[3] Costs arising at the Federal German or EU level are ignored.

[4] Programme overhead primarily covers managing authorities, certifying bodies and any other coordination task concerning the entire programme.

[5] The acquisition and on-site checking of contractual nature conservation schemes and the implementation of public infrastructure schemes are often delegated, for example.

[6] "A significant simplification of EU rural development policy is both necessary and urgent. Delivery must be based on one programming, financing and control system tailored to the needs of rural development" (CEC, 2003).

conclusion that measures having low relative ICs are favourable, whereas those with a high ratio should be phased out, regardless of their impacts (LRH, 2002).

The bulk of the above-mentioned simplification activities focus on private costs, e.g. "Farmers and other economic operators in the agricultural sector should be relieved from red-tape and baseless requirements" (CEC, 2009b). This is why the proposed measurement of the administrative burden arising from the CAP concentrates on the costs incurred by the beneficiaries of direct payments and RDP measures.

A central task of the ex-post evaluation of RDP 2000 to 2006 was to assess the efficiency of both the entire programme and its measures. Efficiency is defined as the ratio of the costs incurred – including public expenditure and ICs – to the results achieved with respect to the stated objectives. Owing to the lack of quantitative information about ICs and their influence on programme decisions, the focus was placed on conducting a methodological and empirical analysis of ICs as a way of evaluating RDPs.

For several reasons, public ICs and their relation to the effectiveness of measures are especially relevant to RDPs. Unlike private transaction costs, they are not co-financed by the EU and so they are borne solely by the *state* administrations. At the same time, these administrations are under severe pressure to economise and have experienced extensive personnel reductions. If targeted measures are more expensive on account of specific EU implementation rules, they are less competitive than those "lean" measures which can be standardised and so they become less acceptable to the implementing administrative bodies.

We therefore studied the following key questions:
- What is the best method for determining the ICs of the various RDP measures? Does cost-performance accounting of the various agencies and authorities involved yield useful data?
- What is the magnitude of the ICs resulting from the implementation of the RDPs and measures?
- What are the main determinants of IC and is there a trade-off between the impacts of several measures and the magnitude of their ICs?

3. THE CONCEPT OF QUALITATIVE COST-IMPACT SYNOPSIS (CIS)

The ideal methodology for evaluating the cost-effectiveness would take the form of a quantitative cost-effectiveness analysis, as outlined in the MEANS collection (EC, 1999). For several reasons, we made two modifications to this approach. 1) The cost assessments include the ICs. 2) The impacts were categorized on an ordinal scale at programme level[7] instead of quantitatively.

Qualitative cost-impact synopsis (CIS) is an enhancement of the multiple-item impact analysis employed in previous evaluation studies (Fährmann et al., 2005). Qualitative CIS has three main components (see Figure 1).

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[7] This approach is described in detail in Grajewski and Schrader (2004) and LR (2008).

Figure 1:   Structure and flow of qualitative cost-impact synopsis (CIS)
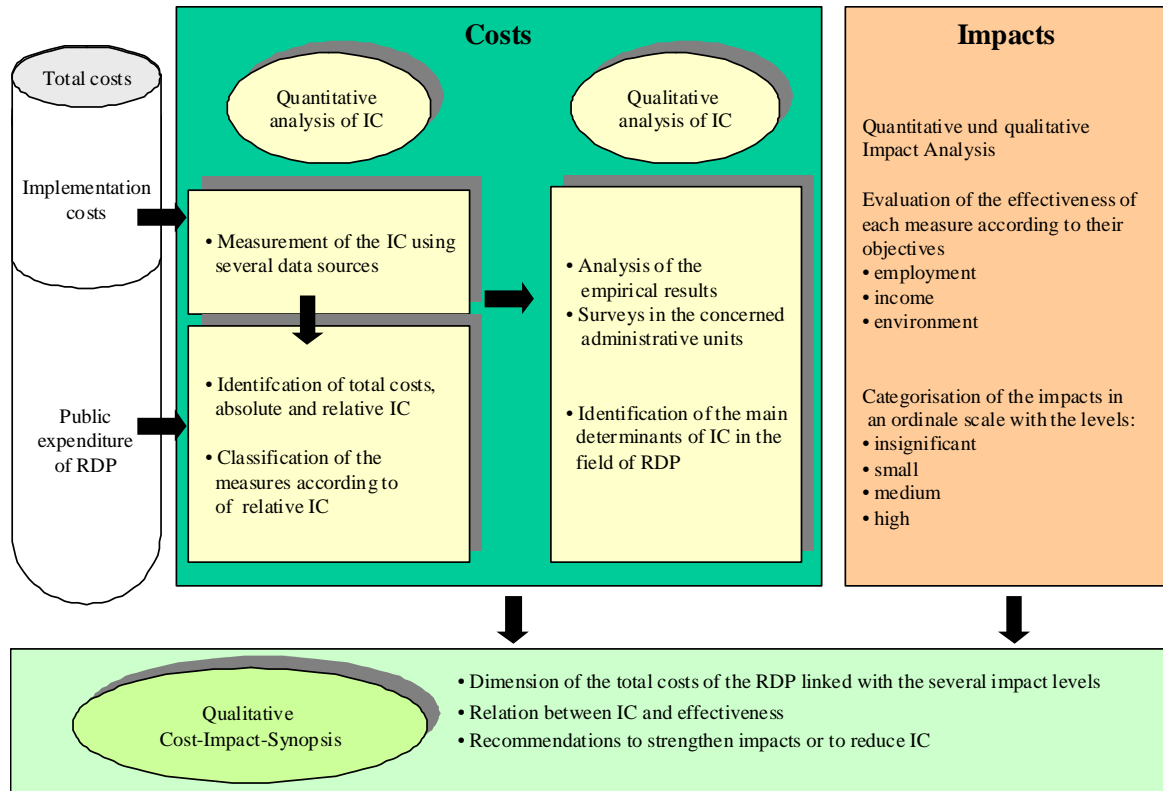
Source: Authors' own work

As shown in Figure 1, the various building blocks comprise different steps:

- 1a) Quantitative analysis of ICs seeks to determine the absolute and relative magnitude of ICs. This analysis, which is a direct-measurement approach, should be based on data from cost-performance accounting (CPA) in the administrations. Previous methods have relied either on direct or indirect estimates and have various disadvantages. The use of organisational charts (indirect estimates) for allocating the organisation's budget to different tasks and measures is insufficiently detailed or precise. Direct estimates obtained by interviewing the employees in the administrative units run the risk of delivering biased results. As they are based on self-appraisal by the interviewees, they tend to be a "declaration of auto efficiency" in that they understate or exaggerate input in order to demonstrate a given level of overwork (Mann, 2000; OECD, 2007). Moreover, this approach is quite time-consuming given that, in certain *states*, more than 150 committing agencies are involved in implementation tasks (for more details see Mann, 2000; OECD 2007; Fährmann and Grajewski, 2009). The advantages and disadvantages of using CPA data and the actual mix of data and methods employed are discussed in more detail in Point 4. The relative ICs were determined from data supplied by the paying agencies at the measures level and, where possible, the sub-measures level.

- 1b) Qualitative analysis of ICs identifies the main determinants of ICs. For this purpose, empirical results (1a) and written expert consultations (mainly members of the certifying body, the paying agencies and managing authorities) are used to identify the characteristics and structural factors which are common to those measures which have high or low relative ICs.

- 2) The "Impacts" block in Figure 1 incorporates the results of the measure-specific impact analyses. To gain an overview of overall RDP performance, evaluation results for the impact of

specific measures (e.g. employment, income and environment) were converted to an ordinal scale having the following levels: insignificant, small, medium and high. This classification is based on subjective judgments by the evaluators. Standardised criteria were employed to harmonise classification of the impacts identified in the various measures into impact levels. Nonetheless, any comparison of the measures can be very limited in scope on account of remaining differences in impact classification, measured parameters and analytical depth, and the lack of a defined criterion for the impact levels.

- 3) Qualitative cost-impact synopsis seeks to achieve a synthesis of costs and impacts. It assigns the total costs (public expenditure and ICs) of measures to corresponding "impact levels." The synopsis helps to illustrate the structure of the total public costs of the programmes and the proportion of costs attributable to the different impact levels. Comparison of the "IC classification" with each measure's impact allows the balance of ICs and effectiveness to be discussed and their proportionality or disproportionality to be assessed. Moreover, for some impact fields (environment), the study tries to identify a relation between the IC and the effectiveness of measures (price of targeting). The full synopsis concludes with recommendations on reducing specific IC components and / or strengthening the impact of several measures: without the latter disregarding the implications for the ICs.

4. QUANTITATIVE ANALYSIS OF IMPLEMENTATION COSTS

As already mentioned, one objective of the chosen study design was to use CPA data.

CPA systems have been introduced into public administrations over the last decade. They are designed to be steering instruments for controlling costs and output. In CPA systems, administrative tasks are defined as results or products. Every employee must record and allocate the time spent working on a certain product, such as an approval procedure for an RDP support measure. The total costs of a specific product are calculated on the basis of actual employee wages, overheads and material costs. However, the advantage of using existing CPA data failed to be as great as expected.

CPA-based calculation of ICs requires that all the executive levels and organisations concerned implement a CPA system whose products reflect activities supported by RDPs. This was not the case in the German *states* under review. The main restrictions were:

- Availability of a proven CPA: Not all administrative bodies involved in RDP implementation had CPAs in place.
- Reliability of the data: Due to numerous reorganisations of administrations, the merging of several agencies, the conversion of public administrations into publicly-owned enterprises and the abolition of entire executive levels, there is no continuity of either the implementation structure or the existing CPA structure.
- Identifiability of the support measures in the products: The structure of the products does not always reflect the RDP measure. More than one measure might be allocated to one product, and some products contain both EU co-financed and nationally-financed measures of the same type (e.g., land consolidation, village renewal etc.).

Due to these factors, the IC analysis had to be supplemented with other tools:

- Data correction and verification through the use of estimates and assumptions: for example, the administration unit concerned estimated the proportion of EU-co-financed projects and the time expended on them. It also did this for products in the CPA, including several RDP measures.

- Filling of data gaps through direct surveys of personnel input. Questionnaires were used to gather information about the time spent on particular measures and tasks by employees or civil servants, differentiated by salary group. These data were expressed in terms of Fulltime-Equivalents and converted into costs with the aid of official personnel cost tables for the public sector.

As a consequence of these restrictions and their implications for the study design, data gathering was limited to the year 2005. At that time, most administrative reorganisations were complete und the support procedures largely well-established. Figure 2 illustrates the resulting mix of data sources and methodological approaches for the case of North Rhine-Westphalia.

Figure 2: Data sources of executive levels and organisations involved in North Rhine-Westphalia

Examples of supported measures	Data sources of the considered tasks and Organisations					
	Conception and Monitoring (ministry)	Assurance of the legal granting procedure	Acceptance of application documents/ administrative Control	Granting procedure	On-spot-Checks	Disbursement and Booking
Farm investment aid	Personnel input estimation of the single technical departments of the ministry via questionnaires	CPA of the Chamber of Agriculture	CPA of the Chamber of Agriculture			CPA of the Chamber of Agriculture NRW
Vocational training						
Investment support for processing and marketing facilities, sectors a, b, c						
Investment support for processing and marketing facilities sectors d, e, f			CPA of the State Office of Nutrition and Hunting			
Land consolidation			CPA of Regional Agrarian Offices Estimation of the share of EU co-financed proceedings	CPA of the Chamber of Agriculture		
Village renewal			CPA of Regional Agrarian Offices			
Diversification into non-agricultural activities			CPA of the Chamber of Agriculture NRW			
Rural infrastructure			CPA of Regional Agrarian Offices	CPA of the Chamber of Agriculture		
Less favoured area schemes			CPA of the Chamber of Agriculture, Estimation of the share of both measures according to the number of paticipants			
Compensatory payments in areas with environmental restrictions						
Non targeted Agri environmental schemes			CPA of the Chamber of Agriculture			
Targeted Agri environmental schemes (contractual nature protection)			Personnel Input estimation of the 38 communal committing authorities via questionnaires*			
			CPA of Regional Agrarian Offices Estimation of the share of EU co-financed proceedings	CPA of the Chamber of Agriculture		
First afforestation of farmland			CPA of the State Agency of Forestry and Timber including 31 Forestry Offices			
Other forestry measures						
Cross functional tasks						
Coordination of the RDP		CPA	not relevant			
Coordination of the paying agencies						
Certifying Body						
Evaluation		Data of Payments				

* Questionnaires include the determination of Costs for delegated tasks (e.g. Biological Stations, Chamber of Agriculture)

☐ Direct use of CPA Data   ▓ Adaptation from CPA Data via estimations   ┅ Direct estimation via questionnaires

Source: Fährmann and Grajewski (2008)

In conclusion, available CPA data are not detailed or reliable enough to allow the ICs of the individual measures to be calculated in full. Field analyses are more informative, but very time-consuming. Moreover, they only represent snapshots in time of specific situations and stages of funding. Genuine cost monitoring of support would require continuous CPA. It would therefore be

advisable for those public entities which are involved in RDP implementation to set up their CPAs in a way that facilitates their use as monitoring and steering instruments which are capable of providing more transparency about the ICs of policy instruments. The product and performance structure would need to be sufficiently detailed and the CPA would need to be as continuous as possible (LRH NRW, 2005).

In that case, the evaluation and CPA would complement each other perfectly, with the evaluation providing results for the performance measurement, and the CPA showing the costs side.

5. EMPIRICAL RESULTS

5.1. Quantitative analysis of ICs

For the analysis of implementation costs, measure-specific and cross-functional measures (programme overhead) were separated and the costs shown separately (see figure 2). So far, no plausible relative values have been developed that allow cross-functional costs to be allocated to individual measures. An arithmetic distribution across the various support measures leads to strong distortion of the results for measure-specific costs. Coastal protection is excluded from the results as it is aimed at implementing planned major projects and is therefore subject to highly specific implementation conditions.

Evaluation of all available data on implementation costs, relative to the overall programmes, yielded the following picture (figure 3).

Figure 3: Funding levels and implementation costs in the five *states* in 2005
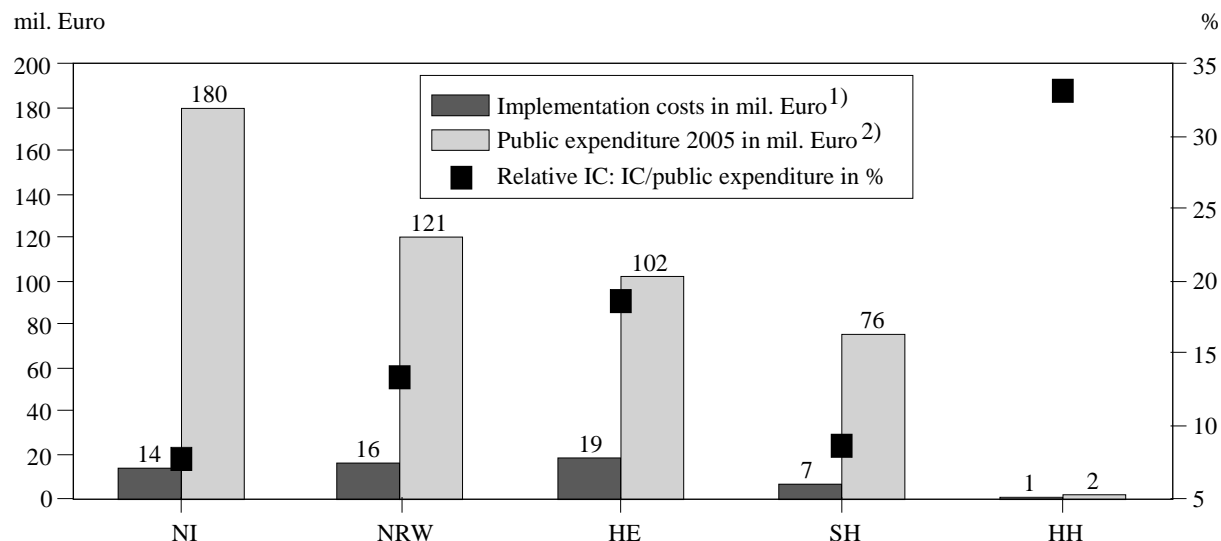
1) including cross functional tasks, without costal protection measure
2) for some Länder average of several years
Source: Authors' own work

For the average *state*, ICs represent 12% of public expenditure. Figure 3 shows that, contrary to what might have been expected, the absolute ICs, did not correlate with the level of disbursed funds, but rather are dependent on other factors. Hesse is a prime example of this.

The magnitude of the relative ICs for individual rural development measures varies from less than 1 % to more than 80 %.

For better systemisation, the measures are classified by their relative ICs into three different IC classes: low, medium and high. On the basis of a literature evaluation and the above-mentioned average of 10 %, the cost classes were defined as follows: Low: measures having relative ICs of 5 % or less; Medium: measures having relative ICs of 5.1 to 20 %; High: measures having relative ICs of more than 20 %.

Figure 4 provides an overview of the share of disbursed funds of the respective RDPs in the three different cost classes, which vary extensively in the *states*.

Figure 4: Share of disbursed public funds in the IC classes (*)
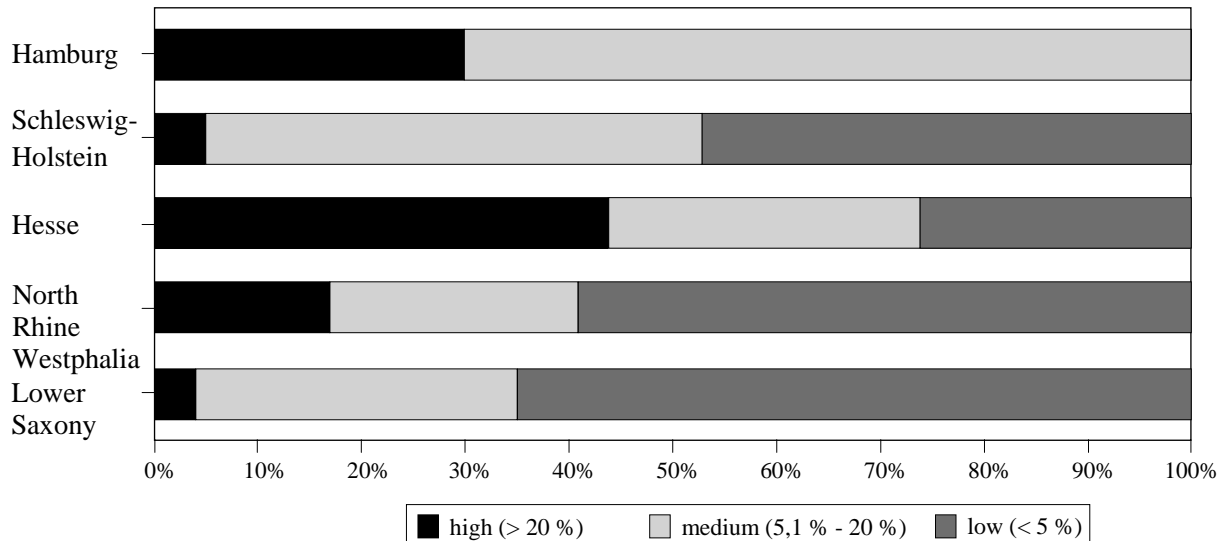
(*) Excluding coastal protection
Source: Authors' own work

The cost structure of the Hamburg RDP illustrates the high fixed costs of EU funding and the problems associated with small-dimensioned programmes in relation to the extent of the ICs as a proportion of disbursed funds. On account of the low uptake of many funding measures, contingency costs predominate in many areas; measures having low relative ICs could not be identified.

5.2. Qualitative analysis of the ICs

To judge from the evaluation of the cost surveys and the interviews with the committing bodies, the main reasons for the ICs lie in the implementation structure of the states and in the composition of the programme measures.

Implementation structure

The following features of the implementation structure exert a particularly large influence that increases the ICs:

- Structure of the *state* administrative body: three-tier administrative bodies, whose middle tier is involved in programme implementation, tend to have higher ICs than their two-tier counterparts.
- Organisation of programme implementation: fragmentation of responsibilities for one measure across many service agencies; decentralised approval and control structures
- Proportion of communalised support tasks: communalisation is allied with a rise in the number of agencies involved in programme implementation and thus with a high coordination and

quality-assurance outlay on paying-agency-compliant processing. Overall, a great deal of decentralised expertise needs to be built up and maintained.

- Structural hiatuses in the implementation structures: Experiential knowledge and long-established routines are a key to efficient implementation in EU funding. The multi-stage, major structural reforms in *state* administrative bodies that have been made since 2000 have entailed enormous learning costs for programme implementation.

- Technical equipment: With regard to EDP, not only a shortage of computer software but also highly-complex, error-prone software and system changeovers had a particularly deleterious impact. A lack of computerization leads to enormous outlay per funding case, as happened in connection with Natura 2000 payments in Lower Saxony, while system changeovers and highly complex (GIS) systems generate huge expenditure on data entry, incompatibility and training, as was the case in Hesse

Composition of programme measures

A pan-*state* analysis of the data showed clearly that, irrespective of the organisational structure, ICs were always high in certain funding measures and low in others. The cause of these measure-specific, relative ICs is the scope of advice and support provided, the financing level of the measure, the level of payment per beneficiary, the type of beneficiary, a low level of equipment generally and the duration of the commitments.

Table 1 summarizes the main determinants and the parameters that give rise to different levels of relative ICs.

Table 1: Measure-specific determinants for the magnitude of relative ICs

Main measure specific Determinants /Parameters	Parameter value contributing to …		
	… low relative IC		… high relative IC
Average payment per beneficiary	high	middle	low:
Share of public expenditure in total budget	high	middle	low:
Number of beneficiaries	low:	middle	high
Type of beneficiaries	public entities	private enterprises	private households
Specific selection of beneficiaries	none	in part pro active	pro-active acquisition
Administrative contracting procedure	standardised granting	-	individual contracting
Functional eligibility criteria*	none, besides formal	-	functional, as e.g. eligible areas, sectoral planning, list of species

* The intensity of their "negative" influence on the IC depends on the technical performance of applied IT*
Source: Authors' own work

Measures that incur high relative ICs always include contractual nature conservation (targeted AEM), Natura 2000 payments, first afforestation and forestry measures for enhancing ecological stability and, frequently, qualification measures. They also include the niche measures[8] of rural development (e.g. tourism, public services). The relative ICs for contractual nature conservation in all states are approx. 30%. For the other measures mentioned, a combination of just a few beneficiaries, low average payments and a high number of local granting authorities can lead to ICs which almost double the total costs of the measure.

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[8] Niche measures are measures which have a low funding volume, which were not introduced until the 200-2006 funding period and which do not readily lend themselves to standardisation.

These contrast with investments in nature conservation and water conservation, rural infrastructure, farm investment aid, less favoured area schemes as well as untargeted AEMs in all *states*, all of which fall into the low relative IC class. Due to economies of scale, the main determinants of the IC ratio of an individual measure are its share of public expenditure in the total RDP budget and the average payment per beneficiary. The latter is high in almost all cases of low relative IC and sometimes amounts to 50,000 Euros. Furthermore, those measures which have a low IC ratio are partly characterised by oversubscription due to attractive approval conditions (e.g. a few special requirements and commitments).

The administrative units that were interviewed were asked to estimate the share of EU-specific provisions in the ICs. These are primarily controlling and documentation obligations. It was estimated that national financing of the measures would reduce costs by 10 to 30% for the bulk of the measures and by 80% for individual measures. For the purpose of classifying these interview results, the reference system – "normal" administrative action or strict implementation of the state budget – is crucial. This differentiation was not systematically possible during the study. Were the latter to serve as a basis, to judge from results of other surveys, the extra burden which EU regulations impose on individual measures would likely decline. This has been demonstrated, for example, by complaints by the Court of Auditors with regard to certain national funding measures (LRH NRW, 2005).

5.3. Cost-Impact Synopsis (CIS)

The CIS expresses the measure-specific implementation costs and disbursed funds, based on implementation cost classes, in terms of the achieved impact levels (see also Böhm et al., 2002). This facilitates a final discussion of the proportionality of funding, implementation costs and the impacts achieved. The principles guiding the study are based on the theses previously formulated by Mann (2000, 2001):

- High implementation costs increase the overall cost of the programme and thus reduce funding efficiency,
- High implementation costs increase the use efficiency of the programmes because they are associated with more targeted, more efficient measures.

Sample analytical results for different study levels (overall programme, comparison of AEM sub-measures, and comparison of two funding instruments for erosion control) are presented below and show that the empirical results lie somewhere between the extremes formulated in these theses.

*Overall programme: Impact intensities and ICs of the Hesse RDP measures*

Allocation of impacts achieved in different impact fields[9] to the associated relative implementation costs of the Hesse RDP measures fails to reveal a clear relationship (see figure 5). The only clear trend is found among the area-based environmental measures. High environmental impacts were exclusively allocated to the targeted AEMs, which are associated with high relative ICs. The non-targeted AEMs were allocated to the medium impact level, as the stipulations overall were less targeted and less ambitious. However, their relative ICs are also much lower than those of the targeted AEMs. Low impacts were found for the Less-Favoured Areas scheme, as it has few associated

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[9] In this connection, the highest impact level attained always served as the basis (socio-economic impacts, environmental impacts etc.). The multi-functionality of several measures concerning several impact fields was ignored.

stipulations that have an environmental impact. This fact is reflected in the low relative ICs, since the application, approval, and checking procedures are very simple, compared to those for AEMs.

Expressed in terms of area-based environmental measures in Hesse, it may be concluded that implementation costs rise in line with rise in impact intensity. Hesse was a particularly good subject for this analysis because all the aforementioned area-based measures, unlike the case for other *states*, are handled via the same chain of approval. Hence, the low influence exerted on this result by the organisational set-up.

Figure 5: Relationship between relative impact costs and the impacts of RDP measures in Hesse

Relative IC in %
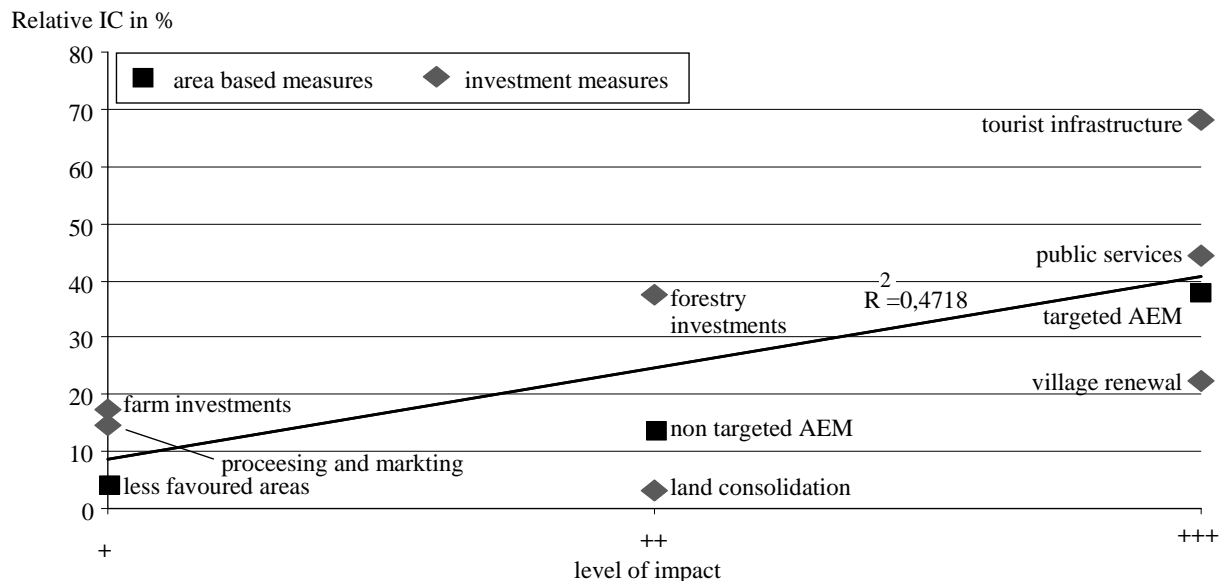
Source: Authors' own work

Impact intensities and ICs of sub-measures in the AEMs of NRW

The data situation in the *state* of NRW made it possible to analyse impacts and ICs at the level of AEM sub-measures. The following questions could thus be studied:

- How great is the variance between the ICs of individual sub-measures?
- Can highly effective sub-measures be identified which are being implemented economically?

The results are shown in Table 2. The environmental impacts are related not only to the configuration of the management requirements but also substantially to the accuracy of the measures. Improvements in accuracy are often sought through specific target areas (eligible area), which are generally viewed in the various administrative bodies as enhancing ICs.

Obviously, there are sub-measures, such as erosion control, which are associated with low relative ICs and high efficacy – partly because the target area is measure-specific. In this regard, the implementation specifics need further scrutiny to establish whether this can be applied to other measures. The relatively expensive contractual measures are attributable inter alia to their highly regionalized implementation via the communal committing authorities and biological stations. For experts, however, this decentralized implementation structure simultaneously guarantees the success of this measure due to the large consulting and support effort involved.

Table 2: Relative ICs and impact levels of AEM sub-measures in NRW

AEM sub-measure	Relative ICs in %	Level of environmental impacts	Eligible area
Erosion control	4	+++	X
Extensification measures based on the National Framework	4	++	-
Long-term set aside	13	+++	-
Riparian buffer strips	13	+++	X
Endangered animals	17	+++	not relevant
Contractual nature conservation	33	+++	X
AEM in total	10	+++	

Source: Authors' own work

Impacts and ICs of two support instruments for erosion control in Lower Saxony

The ex-post evaluation for Lower Saxony included a comparison of the funding efficiency of land-specific erosion-control measures (mulching and direct sowing) with the funding of suitable machinery under the Farm Investment Aid scheme, taking account of the respective ICs. The reference variable was the unit area (ha) of problem crops (root crops) (see LR, 2008 for more details)[10]. The aim of both measures is to reduce the potential risk of water erosion.

Following evaluation of the IACS data, machinery funding was used to support holdings which overall have but little land at risk of (water) erosion and only 17% of whose land is cultivated with root crops. Under the corresponding AEM, the share of root crops amounted to 32% of the supported land. Some 67% of land measures were implemented in areas subject to erosion (water and wind erosion). With regard to water erosion, the measure reached an above-average proportion of very high-risk locations. While the AEM subsidies per hectare of about 360 euro/ha were below those for machinery funding of approx. 430 Euros, the relative ICs of the AEM of 17.6 % far exceeded the Farm Investment Aid funding of 4.8 %, due to the complicated application and checking process. Overall, total costs per funded hectare were nearly equal. Expressed in terms of the root crops reached per hectare, area related funding fares much better, since a high "dilution effect" occurs under machinery funding. Even given the 5-year commitment period of the AEMs and the associated mandatory annual submission of applications and checks, overall costs run to around 2670 Euros under Farm Investment Aid compared with 1230 Euros per hectare of root crops reached under AEM.

6. CONCLUSIONS

The general trend is that there is a link between the magnitude of the relative ICs and the impacts achieved, i.e. effectiveness comes at a price. However, this is not always the case. Analysis of the observed differences yields great insights that can assist with optimisation of the implementation measures. In particular, the target areas chosen under AEMs need not lead to high levels of relative ICs; these are critically dependent on their technical implementation.

The analysis for Lower Saxony has shown that it is permissible and meaningful to compare the ICs of different funding instruments if the costs are expressed in terms of the impacts. Analysis of the ICs in isolation would otherwise lead to wrong conclusions.

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[10] The evaluation approach of the two measures was too different to enable a direct comparison of the cost effectiveness in relation to the tonnage of soil erosion avoided.

Overall, CIS can serve to verify whether high relative ICs tend to be caused more by the measure-specific characteristics listed under Point 5.2, or are due to targeting and greater effectiveness.

Measures to reduce the influence exerted by the listed characteristics on costs are centralization of tasks and responsibilities, the introduction or raising of a minimum claim threshold or other standardisation options. Especially for small-scale measures (e.g. vocational training, some forestry-related measures), it is necessary to consider whether they could be better realised in a national support scheme since a high proportion of ICs are spawned by complex EU regulations.

For those measures of low impact, it is necessary to consider to what extent a more differentiated funding design and targeting can enhance the effectiveness, without causing the ICs to "explode". If this is not possible, a general re-think of the programme on offer is needed. In no circumstances should low ICs be used to justify the programme.

General actions to reduce cost factors (see Point 5) related to EU funding costs consist primarily in continuity of implementation structures and regulations, establishment of adequate computer systems, training of staff, and reductions in checking and documentation requirements.

7. CURRENT DEVELOPMENT IN THE 2007 - 2013 PERIOD UNDER THE EAFRD REGULATION

The above-mentioned survey conducted of the implementing administrations also solicited their assessment of the how ICs were developing under the implementation rules for the funding period 2007 to 2013. The vast majority of the bodies expected higher ICs. The main causes mentioned were increased demands on checks, documentation and reporting, the multi-level strategy process, the introduction of the selection criteria, and monitoring and ongoing evaluation. In its own assessment, CEC said "at the time 2007-13 legislation was adopted, neither the costs of verifying the respect of eligibility conditions nor the risk of error (...) was explicitly considered (CEC, 2010). For the current discussions on achieving the right balance of checks, CEC has therefore initiated a control cost survey initiated in the Member States (for method and background, see DGagri, 2009). The preliminary results for the first five states have shown that, overall, the programme-specific ICs have increased significantly. The average control costs for the federal states in 2008 alone are about 15 %.[11] (BMELV, 2010).

On account of these developments, a new CIS that will record the measure-specific ICs will form part of the ongoing evaluation. Particular challenges with regard to improving the method are
- greater allowance for IT costs,
- recording the committee costs of LEADER (Axis 4)
- allocation of cross-functional ICs to various measures, and the
- comparability of the impact measurement, especially between measures targeting the same impact.

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[11] Some of the *states* have not included the administrative bodies and other steering instances in their reported calculations, with the result that comparability is limited.

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