

Administration of agricultural subsidies

The administration of agricultural subsidies has been regarded as weighty among farmers, European Union Member State administrations and administrative bodies of the European Union. A great many measures have been taken in recent years at the national and European Union levels to simplify administration and reduce the administrative burden. In Finland roughly €60 million a year is spent on the administration of agricultural subsidies, of which around one-third is targeted at municipalities and the rest directly at central government. Administrative costs are not, however, monitored in a manner enabling a precise assessment. There are no assessments of the scale of the administrative burden on farmers.

The main audit question was to assess the efficiency and legality of the administration of agricultural subsidies. The assessment of the efficiency of the administration of agricultural subsidies proved to be difficult in the audit. On the basis of the audit, the efficiency of subsidy administration has not even been a particularly key objective in Finland's agricultural policy. The focus in target-setting has rather been on the preservation of agricultural production throughout the country and the maximum utilisation of European Union agricultural subsidies in this. In practice the policy aim concerning agricultural subsidies has been to preserve the current situation. When making changes in agricultural policy, efforts have been made to take the different areas and types of farming into consideration in order to minimise changes in production. Therefore subsidies, subsidy levels and subsidised areas have turned into a highly complex whole. The resulting operating environment has made it difficult to arrange for efficient administration.

Finland's administration of agricultural subsidies is exceptional in terms of its structure. There are four tiers of administration in Finland, while in most other comparable countries there are only two or a maximum of three levels of administration. Furthermore, as regards regional administration, the administration of agricultural

subsidies takes place at Centres for Economic Development, Transport and the Environment operating under the Ministry of Employment and the Economy. For historical reasons, municipalities also participate in the administration process at the local level in Finland. Municipalities also remained as part of the administration in the latest reform, which took place in 2012. The reform did, however, oblige municipalities to cooperate with each other, and they formed 61 local government cooperation areas. Steering of the system as a whole is difficult because of the complexity of national administration. Illustrative of this is the fact that not even the total costs are monitored.

A common agricultural policy is pursued in the European Union. The common agricultural policy is based on compromises, and to reach these the system often has to be made more complex in order to reach an acceptable solution. In the European Union, agricultural policy implementation takes place through national systems and there is a focus in European Union control on inspections and supervision. This has resulted in legislation and measures seeking to take the inspectability of matters rather than the efficiency of measures into consideration. Because the EU sanctions system in the form of financial corrections is very efficient, the Member States have to adapt to an inspections-heavy system. The situation is not good from the perspective of accountability, with inspections mainly ensuring the equal treatment of beneficiaries. Ensuring the effectiveness of support remains in the background.

The audit found that, despite the difficult operating environment, the level of legality in the administration of agricultural subsidies has been good in Finland. There have been no major errors resulting in financial corrections. In this respect the system works well.

The complexity of agricultural subsidy administration and the administrative burden have been recognised as a problem for a long time. On the basis of the audit, the benefits obtainable through individual development measures will not, however, be very significant in this complex operating environment. Considerable efficiency benefits could be obtained if the administrative structures were simplified. The most important factor as regards reducing the administrative burden would, however, be to simplify the subsidy system. This, however, would at the same time mean compromises on the

preservation and maintenance objectives of the current agricultural policy.