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**FINANCING CONTROLS OF A PUBLIC SUPPORT POLICY WITH THE  
USE OF INFORMATION TECHNOLOGIES AND VARYING COSTS OF  
SUCH CONTROLS ON THE EXAMPLE OF THE COMMON  
AGRICULTURAL POLICY**

**COMMON AGRICULTURAL POLICY AND ITS MAIN CONTROL  
MECHANISM**

The Common Agricultural Policy (CAP) is the European Union's (EU) policy on agriculture that is funded from the EU budget. It provides direct payments to farmers, decoupled from actual production, and funds different market and rural development measures. Launched in 1962, CAP underwent a series of significant reforms and accounts for approximately 25% of the EU budget in the current financial framework 2021-2027.

Almost the entire CAP is implemented under the principle of shared management between the European Commission and the member states. The Commission acts in a supervisory capacity, ensuring that the management and control systems in the member states remain fully compliant. Individual payments are managed at national level by each member state separately. EU countries are responsible for setting up a management and control system that can prevent, detect, and correct irregularities. The legal framework for management and control activities is defined in the relevant regulations - the requirements mainly determine the functionality of the control system, while its detailed shape is a matter for the EU country.

A key element of the CAP management in the member states is the Integrated Administration and Control System (IACS). The IACS allows for automated checks on declared area and livestock claims, and supports manual controls, including administrative penalties. The system requires regular development to tailor its functionalities to specific regulatory novelties and availability of improved technological tools. In 2018, the Commission conducted a detailed analysis of administrative burden arising from the CAP and of the effectiveness and efficiency of IACS that allowed to identify following common IT components of the system:

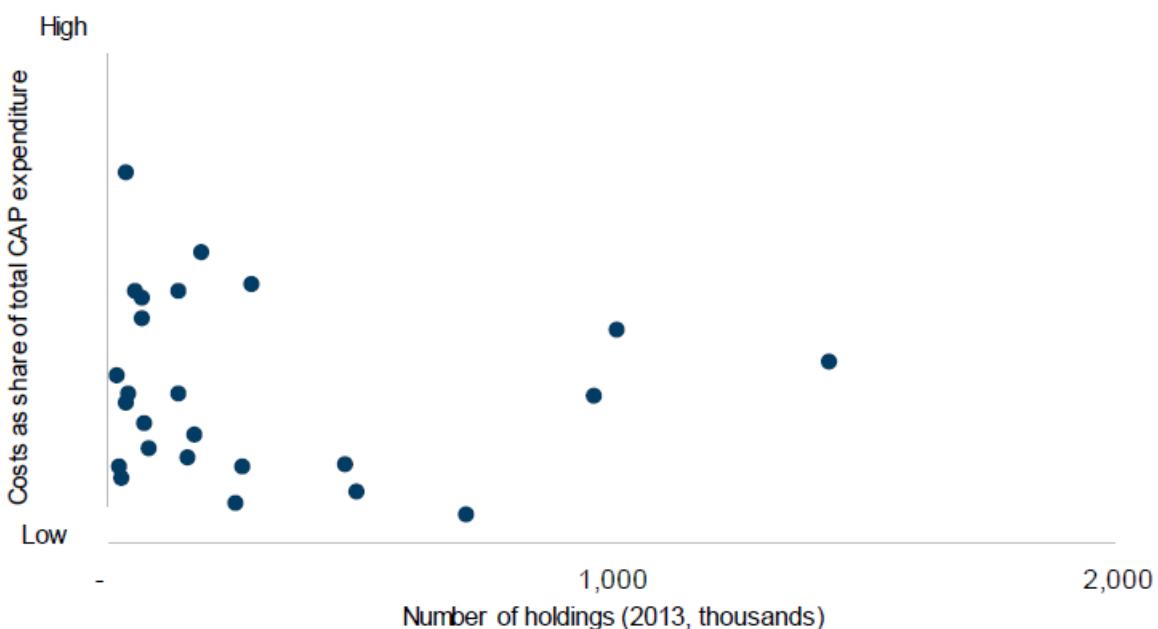
- farmer's register with data on farmer's identities, holdings and changes in them,
- animal register with data on animal births, movements and deaths,
- entitlement register, allowing the determination of the amount of direct payments,
- The Land Parcel Identification System (LPIS) - a reference database of the agriculture parcels used as a basis for area related payments,
- claims databases,
- control processes.

The IACS may be considered as a flagship example of how advanced information technologies and modelling are used in the financing and administration of a public support policy, both for payment control and for broader monitoring and evaluation.

## **COSTS OF MANAGING THE CAP THROUGH THE “IACS” VARY SIGNIFICANTLY BETWEEN EU COUNTRIES**

This article analyses available information on the costs of managing the control system of the CAP through the IACS in two implementation periods: 2014-2022 and 2023-2027. The evolution from period to another reflects a fundamental shift in the CAP: from rule-based compliance enforcement toward results-driven performance management, underpinned by technological innovation. The expected effect of these changes was simplification of administrative procedures and lower control costs

The already mentioned Commission's analysis of IACS estimated the total annual administrative costs for IACS implementation in 2014-2022 period across the EU at 1,7-1,9 billion euros, representing around 3% of the total CAP budget or close to 4% of CAP expenditure managed through IACS. The evaluation found also a considerable variation in the costs between member states. Across the EU, annual IACS costs per agricultural holding range dramatically from 18 to 4 000 euros per holding, with an EU average of 168 euros per holding. The wide dispersion between the EU countries is illustrated on Figure 1.

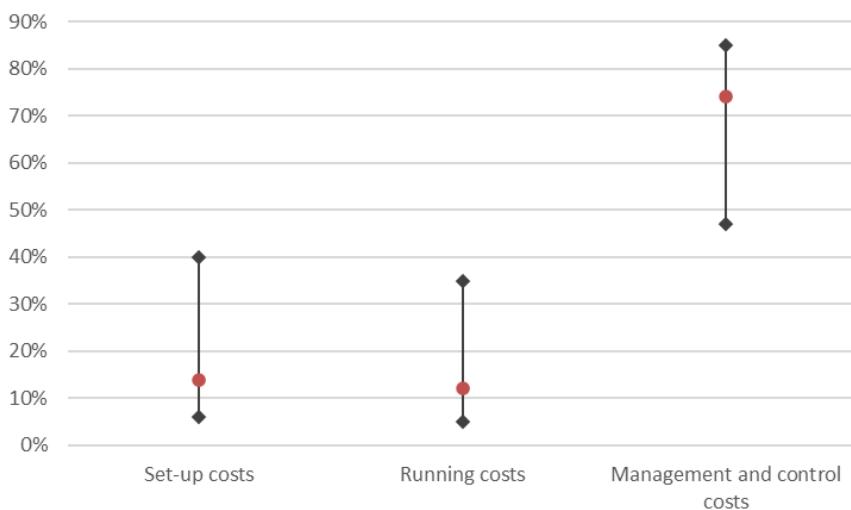


**Figure 1.** IACS costs as share of total CAP expenditure versus number of agricultural holdings (each point represents a different member state)

Source: *Analysis of administrative burden arising from the CAP. Final Report*, Publications Office of the European Union, Luxembourg 2019, p. 61.

A more than 200-fold difference between the lowest and highest, reflects fundamental structural differences in how member states implement IACS and economies of scale benefits. Smaller countries face disproportionately high administrative costs because fixed IT infrastructure do not vary with the number of beneficiaries. This creates an inherent disadvantage for smaller member states that cannot amortize infrastructure investments across larger farm populations. Those differences are even more visible if we analyse the distribution of costs between the

three main phases of IACS use: its set-up, its maintenance and the cost of financial management and control (Figure 2). On average, the total cost of IACS is composed of 14% of set-up costs, 12% of running costs and 74% relate to actual financing and control management.



**Figure 2.** Share of costs of three phases of IACS use in the total IACS costs in the member states (range between minimum and maximum and the average)

Source: own analysis based on *Analysis of administrative burden arising from the CAP. Final Report*, Publications Office of the European Union, Luxembourg 2019.

The new delivery model shifts greater responsibility to member states for designing interventions, theoretically allowing for tailored approaches that reduce unnecessary bureaucracy. But there is currently no published evidence demonstrating that the CAP 2023-2027 has lowered IACS costs in member states. The most recent Commission's study conducted comprehensive analysis across all 27 member states and assessed administrative burden extensively but found no quantified data showing IACS cost reductions compared to the previous 2014-2022 period.

## CONCLUSIONS

The IACS is a system that enables comprehensive controls of a large-scale EU policy, but it also incurs a wide range of costs, which are often disproportionate to its actual usage. The main reason for this situation may be common requirements imposed

on each country, established at EU level, without considering local specificities. There is also no indication of practical cooperation between the member states in the search for synergies. To alleviate the burdens of IACS, future initiatives could concentrate on legislative reforms, enhanced digitalisation, and streamlined administrative processes.

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