

## **Integrated Administration and Control System (IACS): Role and Best Practice**

### **1. Summary**

This Policy Paper gives a clear view on the establishment of IACS, its role, its content and objectives, as well as the practices of some other countries. IACS is one of the management tools for aid schemes provided by the EU to its Member States. It is a complicated process that requires a range of professionals in its implementation.

### **2. The role of IACS**

A key element of the EU's Common Agricultural Policy (CAP) which is critical for the good management and control of the CAP is the Integrated Administration Control System (IACS). IACS is a technical management and control tool which was introduced in EU Member States after the reform of the CAP in 1992, following adjustments due to the GATT Uruguay Round. This reform introduced direct aid to farmers funded by the European Agricultural Guidance and Guarantee Fund (EAGGF) "Guarantee Section". The new scheme considerably increased the number of recipients, as well as the risk of irregularity and fraud. IACS was introduced to avoid those risks, as well as to increase and improve the efficiency with which direct payments were made to farmers under the CAP. Each new Member State is obliged to set up this system.

Between 2003 and 2005, the system was further developed to meet the requirements of single-area payments. The objective of IACS is to ensure that correct payments are made to farmers and that there is traceability of payments. This requires the creation of a database that identifies each parcel or block of agricultural land in a unique manner, its size and who can claim the payments to be made on it. Each Member State must have a cadastre for agricultural land that forms part of the utilized agricultural area showing who farms it.

The system must be able to identify that: a claim is made by an individual or a legal person who is permitted to make such a claim; multiple claims are not being made for any piece of land; and the land is part of utilized agricultural area. As the land can be transferred between farmers, and agricultural land parcels may be joined together or divided, the system must contain means by which the registers are updated without compromising the integrity of the data. It is important because the system must also record when land is removed from the utilized agricultural area.

In Member States, electronic registers contain all information about each parcel required for cross-checking claims, including the identity of the holder, the date of establishment, the date of last activation, the origin (such as whether acquired by purchase, lease or inheritance), and the kind of entitlement, as well as the location's accurate measurement. (There is a measurement tolerance of 5% of the parcel area, or 1.5 meters to the perimeter, up to a maximum tolerance for each parcel of 1 hectare.)

Accession to the EU has important implications for rural land tenure. The adoption of the *acquis communautaire* requires new Member States to collect statistics on land tenure as part of the Farm Accountancy Data Network (FADN) and surveys of agriculture holdings. They must create an IACS administration for the payment of aid under CAP, which requires a database of farm land parcels together with their locations and sizes. These data provide powerful tools for the monitoring of land tenure changes, and are invaluable for the development of land tenure and rural development policies.

### **3. Function of IACS**





As over 60% of the *acquis* regulates agriculture, and more than half of the budget of EU is spent on agriculture, the CAP includes a large number of management tools, including IACS. The technical realisation of IACS requires the development of an integrated database system and a connecting monitoring and report system, in harmony with the European Council Regulation No. 3508/92 modified by Regulation No. 1593/00<sup>1</sup>.

#### **4. Main objectives of IACS**

The main objectives of IACS are to:

- Create a single, integrated procedure for submission, administration and checking of farmer's applications for subsidies;
- Increase the effectiveness of the administrative and control mechanisms concerning direct support to farmers;
- Use technical resources in administration and control with the aim to simplify them; and
- Avoid the duplication of applications and excluding not eligible payments.

All New Member States before joining the EU have had to adopt the IACS. Without it, it is not possible to apply the single payment, and particularly without putting in place a Land Parcel Identification System (LPIS), in order to identify the parcels on which aid applications are made, and their areas.

As a result of the reforms of CAP of 2003-5, the Member States of the EU15 improved their systems. For example, the UK created a Rural Land Register (RLR) that contains digital maps of all IACS land parcels. When IACS started, the age of maps used to compute field areas varied considerably, and some did not achieve the current required standards of accuracy. The RLR involves use of up-to-date mapping, with farmers being sent maps for comment, and payments for areas adjusted to reflect improved accuracy in measurement.

IACS is essentially a database of agricultural land parcels with their size and geo-references, which is linked to records of farmers and their aid applications. It does not contain information about land tenure. This is because it does not record ownership. IACS does not need to be concerned with tenure or the ownership of the land because it is a management device for the payment of aid to farmers. IACS records could be linked to ownership records from cadastres, or with returns made under agricultural surveys, in order to create land tenure data bases. Its importance is that it covers the whole utilized agriculture area and includes precise locations and sizes of parcels. This makes it of potential importance in spatial planning because it locates the units for which there are data from other sources. The IACS system provides data on the sizes and locations of agricultural land parcels as well as the identity of their occupiers.

#### **5. Legal Regulation of IACS**

The administrative structure of IACS is determined by the *acquis*. European Council Regulations No 1765/92, 3508/92 and 3887/92 form the legal basis, or rather determine the administrative structure, on which basis the institution of IACS can be established<sup>2</sup>. IACS requires financial resources which poses a challenge to government. This regulation has been implemented to reform CAP and move from price subsidy towards product subsidy.<sup>3</sup>

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<sup>1</sup> “The questions of the Integrated Administration and Control Systems’ introduction in Hungary”, [http://www.geometria.eu/wgdb\\_files/publikaciok\\_en\\_file\\_7.pdf](http://www.geometria.eu/wgdb_files/publikaciok_en_file_7.pdf), pg 1, last visited on 31.07.2008.

<sup>2</sup> Ibid, pg.1

<sup>3</sup> Ibid, pg.1





Due to the varying administrative structure of Member States in administering and controlling various aid schemes under different rules, the EC opted to realign different existing market measures of the CAP, in order to unify rules and structures as much as possible. This required establishing IACS.

Council Regulation (EEC) No 3508/92 of 27 November 1992 that established an IACS for certain Community aid schemes. Article 1 (1) sets out that each Member State shall set up an IACS, applying:

- in the **crop sector** - the support system for producers of certain arable crops established by Regulation (EEC) No 1765/92 (7);
- in **the livestock sector**:
  - to the premium arrangements for beef and veal producers established by Articles 4 (a) to (h) of Regulation (EEC) No 805/68 (8);
  - to the premium arrangements for sheep meat producers introduced by Regulation (EEC) No 3013/89 (9); and
  - to the specific measures for farming in mountain, hill and certain less-favoured areas introduced by Regulation (EEC) No 2328/91 (10) concerning compensatory allowances for cattle, sheep, goats and equines.

Paragraph 2 of this Article enables the Council to act by a qualified majority on a Commission proposal in order to extend the scope of the integrated system to other Community aid schemes. For the purposes of applying Community aid schemes not covered by this Regulation and notwithstanding the specific provisions laid down under such schemes, in particular those concerning the terms under which aid may be granted, the Member States may incorporate into their administration and control mechanisms one or more of the administrative, technical or data-processing components of the integrated system (Article 1 (3)).

The scope of this Regulation was limited to certain sectors, but provided the possibility for a Member State to extend its scope by acting by a qualified majority.

## **6. Content of the Integrated System**

IACS has its own structure that is determined by legal provisions. Article 2 of Council Regulation (EEC) No 3508/92 provides that the integrated system includes the following elements:

- (a) a computerized data base;
- (b) an alphanumeric identification system for agricultural parcels;
- (c) an alphanumeric system for the identification and registration of animals;
- (d) aid applications; and
- (e) an integrated control system.

Member States have the right of discretion to set up data bases as regards their national administration. Article 3 (2) of the above mentioned Regulation enables a Member State to set up decentralized data bases on condition that these, and the administrative procedures for recording and accessing data, are designed homogeneously throughout the territory of the Member State and are compatible with one another.

The integrated control system covers all aid applications submitted, in particular as regards administrative checks, on-the-spot checks and, if appropriate, verification by aerial or satellite remote sensing. This obligation occurs from Article 7 of Council Regulation (EEC) No 3508/92.





The IACS requires to store, compare, import and export very large quantities of data and aid applications. As a system that contains all information about agriculture and rural development, IACS usually includes:

- An identification system for agriculture parcels;
- An animal identification and registration system;
- A computerized database;
- The farmers' farm register;
- The market information system;
- The agriculture and rural business register;
- A computerized database; and
- A system for the identification and registration of payment entitlements.

The computerized system allows cross-checking between the components of the scheme. The computerized data base records for each agricultural holding the data obtained from the aid applications. This data base allows direct and immediate consultation of the data relating at least to the previous three consecutive calendar and/or marketing years. Member States are required to establish an alphanumeric identification system for agricultural parcels that is established on the basis of land registry maps and documents, other cartographic references, aerial photographs or satellite pictures, or other equivalent supporting references, or on the basis of more than one of these elements.

#### **7. Role of Member State regarding administrative checks on aid applications**

Member States conduct the following tasks regarding aid applications:

1. Member States shall carry out administrative checks on aid applications;
2. Administrative checks shall be supplemented by on-the-spot checks covering a sample of agricultural holdings. For all these checks, Member States shall draw up a sampling plan;
3. Each Member State shall designate an authority responsible for coordinating the checks provided for in this Regulation;
4. National authorities may, under conditions to be laid down, use remote sensing to determine the area of agricultural parcels, identify crops and verify their status; and
5. Where the competent authorities of the Member State delegate to specialized agencies or firms some aspects of the work to be carried under this Regulation, they must retain control over and responsibility for that work.

These obligations are set out in Article 8 of the respective Regulation. The Member States shall take the measures necessary to ensure protection of the data collected (Article 9).

#### **8. Development of IACS in new Member States**

EU accession should improve the quality of land tenure data in all new Member States because of the requirement to collect tenure for the FADN and the agriculture census. Even though the IACS system provides data on the size and position of agricultural land parcels, a weakness is that it fails fully to reflect changing circumstances in agriculture and the rural population and areas.

The process of creation and implementation of IACS in new Member States varies from one country to another. For example, in Slovenia, due to accurate cadastre records and a strong institutional commitment, IACS was created some years before joining EU. In Bulgaria, there were different programmes supporting the establishment of necessary institutions for EU integration. The support for the National Paying Agency and IACS went in parallel, because of very close links between these two bodies in implementation of agricultural and rural development policies. As a detailed example, consider the Lithuanian experience.





## **8.1 Lithuania**

During its pre-accession phase, the Lithuanian Government in 2002 decided to establish a special body with a clear mandate to collect and process all data and information regarding agriculture and rural development. This body was called the “Agriculture Information and Rural Business Centre”. Its role is to contribute to the constituent parts of IACS which cover the following functions:

### **8.1.1 Land parcels register**

The information system for production, supply, processing and control of agricultural products in Lithuania was introduced in 1999. Accounting for agricultural land and crop area is a composite part of this system. Information about land users and agricultural land used by them, as well as cultivated grain and crop area, is accumulated in the database of the crop area. The crop area for cultivation of commercial crop products is particularly precise and comprehensive. Input information is used in determining production quotas, subsidies and payments. It allows also disposing miscellaneous information on the situation in agriculture, and helps forecasting trends in crop production development. The database stores agricultural land and crop area declaration data which are used not only for administering state support, but also generating statistics.

### **8.1.2 Agriculture and Rural Business Register**

The Agriculture and Rural Business Register was established by Government resolution in 2002. The register is administered by the Ministry of Agriculture. This register provides more effective administration and usage control of the structural funds of the EU and structured rural development, environment protection and other EU general agricultural policy formation, according to EU legal requirements. In 2003, the Request to Register Agricultural Holdings in the Agriculture and Rural Business Register was confirmed. In April 2004, all agricultural and rural holdings were registered in the Agriculture and Rural Business Register.

### **8.1.3 Farmers Farm Register**

The farmers’ farm register includes all active farms. This is achieved through development of a Farmers’ Farm Register Information System.

### **8.1.4 Animal Register**

The goal of the Agricultural Information and Rural Business Centre’s animal identification and registration is the creation of a uniform system of identification and registration of bred animals, keeping exact account of animals held, imported animals and animal farms, as a control of animal infectious diseases according to international requirements. Such databases permit forecasting trends in animal production development and production of animal products, the establishment of production quotas and subsidies.

### **8.1.5 Animal Business Information System**

Improvements in animal breeds are impossible without systematic account and individual animal productivity control. Productivity control, animal identification and pedigree accounting, assessment of genetic and performance values, and selection of pairs is a basis for improving separate herds and the whole breed. The Agricultural Information and Rural Business Centre continues to improve the Animal Business Information System (ABIS) that was introduced in Lithuania in 1979. ABIS is improved by enlarging the number of counted and analyzed indices, and implementing new information system technologies.

### **8.1.6 Market Information System**





In most countries, the Market Information Systems (MIS) is oriented to information gathering required for EU reports on different production markets. In Lithuania, the MIS is also concerned with the internal needs of agriculture and the food products' markets.

### **8.1.7 Milk quotas**

To implement the EU system of milk quotas, it was decided to collect data on milk production, as well as the sale and usage in own farms when producers sell milk or milk products to direct users without using wholesalers.

## **9. Situation on Candidate countries**

The situation in Croatia, Macedonia and Turkey is summarized below.

### **9.1 Croatia**

As a candidate country, Croatia established Farm Register in 2003 as an administrative tool (based on the Act on Agriculture). According to this, all farms are obliged to be registered on the Farm Register regardless of whether they are::

- Receiving state support (direct payments, income support, capital investment, rural development);
- Selling their products directly on the market (applicable to family farms); or
- Already registered in different registers run by Ministry of Agriculture and related institutions.

In this way, the Farm Register is used as a source of data, in which the data on agricultural land use is registered for those farms that either have received any kind of support from the Ministry financial support schemes, or are registered as farms which produce for the market. With this, the preconditions were created for introducing various measures for different beneficiaries. The other step is the further development and harmonization of the Farm Register with the IACS. However, according to the EC's 2007 Progress Report, Croatia's "preparations have continued for the establishment of IACS and Land Parcel Identification System (LPIS). The work is however still at an early stage and needs to be intensified".

### **9.2 Macedonia**

In Macedonia, IACS is still in the very early stage of development. Pilot projects were established in 2007 to establish an IACS. The administrative responsibility for collecting and sharing the necessary data among different institutions is unclear. No action has been taken to establish a Land Parcel Identification System (LPIS). A large proportion of agricultural land has not yet been registered in the real estate cadastre.

### **9.3 Turkey**

In Turkey, preparations for the introduction of the IACS are ongoing on a pilot basis within the frame of EU pre-accession assistance. In this regard, steps were taken to set up FADN, and the National Farmers Registration System is in line with EU legislation. However, about 10% of farms remain unregistered. Efforts are being made for further development of the system of land identification to prepare for controls on agricultural land.

## **10. Conclusion**



## Institutional Support to Ministry of Agriculture, Forestry & Rural Development

EU funded project managed by the European Agency for Reconstruction

Executed by AGRIFOR and GOPA



AGRIFOR Consult SA



The establishment and functioning of IACS is a *sine qua non*<sup>4</sup>. Kosovo will need to establish it based on best practice in order to maximize benefit from EU assistance. The detailed legal framework should ensure proper use of funds and sound financial management. IACS requires adequate human and financial resources to comply fully with the *acquis*. Having said that, major obstacles that will impede the establishment of IACS include an inefficient cadastre, as well as lack of an agricultural census, other agricultural data and basic laws (on land inheritance and current land policy administration). The introduction of IACS can be started before the Paying Agency is in place.

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<sup>4</sup> *Sine qua non* or *conditio sine qua non* (plural *sine quibus non*) was originally a [Latin legal](#) term for "(a condition) without which it could not be" or "but for..." or "without which (there is) nothing." It refers to an indispensable and essential action, condition, or ingredient.

