Blazing a trail through the subsidy jungle

All told, the EU spent around 58 billion euros on agricultural policy and rural development in 2017. For many German farms, these payments are a vital source of income: around 6.5 billion euros in EU agricultural subsidies will be going to German farmers between 2014 and 2020. Distributing the funds is a daunting bureaucratic task for Germany’s states. Hesse, for its part, aims to tackle the challenge in the future with a special SAP-based cloud solution.

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The sleepy town of Nidda is only one of Hesse’s 524 municipalities. Straddling the Nidda River, this quiet community in rural Wetterau County is home to over 130 farms that received EU agricultural subsidies in 2017. Nationwide, Brussels paid subsidies to around 300,000 farms: from part-time farmers to big agribusinesses to producer associations who raise pigs, milk dairy cows, cultivate grain or grow fruits and vegetables.

Applying for subsidies can be complicated, however. There are 40 different processes, each with its own logic, architecture and system. To make matters worse, the underlying EU regulations are constantly changing. An IT system can only handle this kind of complexity if it is sufficiently powerful and flexible enough to adapt quickly to changes.

To meet this challenge, the Hesse Bank for Economic and Public Infrastructure Development (WIBank) decided to migrate its system for distributing agricultural subsidies to an SAP-based cloud software system. The software integrates a variety of business applications for digitally performing around 20 different funding procedures from the two primary funding programs of the EU’s Common Agricultural Policy (CAP).

CERTAINTY FOR FARMERS

“Farm subsidies aren’t just extremely complicated; they’re also closely watched by the public,” says Gottfried Milde, Chairman of the Executive Board at WIBank. “Hessian farmers need certainty and financial resources to make essential investments. They count on receiving their subsidies on time.” The bank, a member of the Helaba Group, operates subsidy programs for Hessian companies, entrepreneurs and individuals and helps them tap state, federal and EU subsidies.

The subsidy programs can be hard to navigate and, to make matters worse, each of them calculates funding needs differently. The European Agricultural Fund for Rural Development (EAFRD), for example, pays out 1.35 billion euros alone to encourage sustainable, environmentally responsible land management and rural development. During the 2014–2020 funding period, Hesse is slated to receive around 319 million euros out of the EAFRD budget.

Another five billion euros is available from the European Agricultural Guarantee Fund (EAGF). This fund pays every farmer an average of 281 euros in income support for each hectare of land. These payments make up an estimated 40 percent of farm income in Germany on average. In exchange, the EU requires farmers to meet environmental and animal welfare standards.

DIGITAL FUNDING WORKFLOW

The new software manages and controls the entire subsidy application workflow: from application completion to calculation to payment. To accomplish this feat, the software provides 20 business applications for the EAFRD and EAGF funding programs alone – including selection and verification modules, interfaces to electronic applications and geoinformation systems. Security is strict, meeting the rigorous standards applied to banks and public administrations. The SAP-based platform will eventually support all relevant subsidy programs – from simple municipal funding processes to complex systems for the entire state or country.

“SAP has several proven base structures that lend themselves well to managing subsidies and incentives. At the same time, our platform is ready for HANA and supports state- and domain-specific modifications,” says Uwe Ackermann, project manager at IBYKUS AG, the company that developed the solution. The software goes through the subsidy process in a standardized, yet personalized manner, dramatically lowering the administrative costs of subsidy management. All told, nearly 600 bank and government employees use IBYKUS’s new SAP system, which runs in the T-Systems cloud in order to ensure that WIBank has enough scalable, highly available data center resources at its disposal.

REALITY OF E-COHESION IN HESSE

The new, customized cloud solution streamlines the processes even more. “To continue paying out subsidies as promptly as our farmers expect, I need a solution platform that provides maximum flexibility and reliability as well as a clear scaling strategy,” says Milde. “The solution simplifies processes and speeds up processing times,” Milde adds. “At the same time, we greatly reduce employee workloads and provide better service for our farmers. In Hesse, the kind of e-cohesion that leads to balanced, sustainable territorial development is more than a buzzword; it’s our reality.”