

An analysis of the absorption of funds within the framework of the EU Common Agricultural Policy in Poland in the years 2007–2013

Analiza absorpcji środków w ramach Wspólnej Polityki Rolnej UE w Polsce w latach 2007–2013

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Abstract. The implementation of the Common Agricultural Policy in Poland constitutes an opportunity for overcoming many of the problems encountered by Polish agriculture and rural areas. The article analyses the absorption of financial support within the framework of selected Common Agricultural Policy tools as well as assesses their impact on Polish agriculture and rural areas. Supporting agricultural producers with direct payments results in an increase in the level of their income and for many of them creates premises for improving the standard of living, however, this does not constitute a dynamising factor for improving the economic effectiveness of Polish agriculture. The CAP mechanisms produce various impacts on individual sectors of the agricultural market in Poland, with their role being to stabilise the situation on a given market. The Rural Development Programme 2007–2013, which is based on a concept of the country's sustainable and multifunctional development, influences Polish agriculture and rural areas in economic, environmental and social aspects.

Key words: Common Agricultural Policy • direct payments • RDP 2007–2013

Streszczenie. Realizacja Wspólnej Polityki Rolnej w Polsce stanowi szansę na przezwyciężenie wielu problemów polskiego rolnictwa i obszarów wiejskich. Przedmiotem artykułu jest analiza absorpcji środków pomocowych w ramach wybranych instrumentów WPR oraz określenie ich wpływu na polskie rolnictwo i obszary wiejskie. Wsparcie producentów rolnych płatnościami bezpośrednimi przyczynia się do wzrostu poziomu ich dochodów oraz dla dużej ich części tworzy przesłanki do podniesienia standardu życia, nie stanowi jednak czynnika dynamizującego zwiększanie efektywności ekonomicznej polskiego rolnictwa. Wpływ mechanizmów WPR na rynki rolne w Polsce jest zróżnicowany w zależności od branży, a rezultatem ich działania powinna być stabilizacja sytuacji na danym rynku. Program Rozwoju Obszarów Wiejskich na lata 2007–2013, realizujący koncepcję zrównoważonego

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i wielofunkcyjnego rozwoju gospodarczego kraju, wpływa na polskie rolnictwo i obszary wiejskie zarówno w aspekcie ekonomicznym, jak i społecznym oraz środowiskowym.

Słowa kluczowe: Wspólna Polityka Rolna • płatności bezpośrednie • PROW 2007–2013

Introduction

The agricultural policy is a conscious and purposeful action, the aim of which is to adjust the market mechanism, supplement it, and even exclude it in some fields (Wilkin 2002, p. 19). The market, being the best regulator of economic processes, is unreliable in certain situations. The manifestations of this unreliability are e.g. unfavourable external effects; monopolising; and economic instability manifesting itself in crises, inflation, unemployment or an unfair distribution of income, among others (Samuelson 1980). The reaction to the market's unreliability and inefficiency is the state's intervention in the economy. J.E. Stiglitz indicates incompleteness and market imperfections connected with agricultural activities, the occurrence of the phenomenon of costs and external effects, the need and the usefulness of providing public goods to the agricultural sector, the imperfection of the information, or the problems connected with the division of profits as the main reasons for a country's interference in the economy (Stiglitz 1987). Most frequently, the need for interventionism is substantiated by agriculture's dependence on the laws of nature (Kruger et al. 1988).

The specifics of agriculture and rural areas have influenced the course of market transformation in Poland, bringing about many new processes of a social and economic nature, or boosting the previously occurring phenomena. The Polish countryside has felt these changes in an acute manner, as the agricultural holdings have been treated in a manner similar to non-agricultural enterprises. The specific traits of the agricultural sector, such as low land mobility or low pricing flexibility as well as income demand for food (Czyżewski 2010, p. 159), have not been taken into account. The transformation has disclosed an excess workforce involved in agricultural production in Poland, which is not conducive to ensuring an appropriate agrarian structure or an effective management, accompanied by unemployment in rural areas, which is not conducive to reducing employment in agriculture¹. The unemployment in rural areas is a derivative of the unemployment in the entire economy, the low mobility of rural residents as well as the limited possibilities of the labour market in rural areas. The disagrarisation process, manifesting itself as a systematic decrease in the role of agriculture in the productive involvement of human labour as well as the provision of income for maintaining the rural population, is progressing in the Polish countryside².

¹ In keeping with the data from the Central Statistical Office, the number of rural residents registered in the labour offices in Poland at the end of Q1 2010 amounted to 903.3 thousand, of which 80% did not possess the right to receive benefits. The unregistered unemployment in rural areas was estimated at various levels, reaching even up to 1.5 million persons. See: Duczkowska-Małysz (2009, p. 5).

² In 2009, the share of agriculture (together with forestry and fish culture) in the generation of Poland's GDP decreased to 3.2%. The area of agricultural land decreased as well and its share in the total area of the country amounted to 51.6%. See: GUS (2010).

The ever decreasing labour market in agriculture is the basic reason for the deficiency in jobs in rural areas (Kłodziński 2010, pp. 9–10). Moreover, the total analysis of the labour resources as well as the fixed asset resources and the share of agriculture in the creation of the GDP points to a decreased efficiency of capital, at a level of two-thirds of the national economic average and around a four time lower work efficiency, which proves the faulty construction of agriculture and the need for adjustments in relations between production factors (Poczta 2010, p. 9). The unfavourable situation in agriculture and on the rural labour market directly translates into the level of the rural population's standard of living. The poverty risk indicator, expressed as a percentage of persons in households with expenditures below the relative poverty line, amounted to 26.1% in the rural areas in 2009, and 9.2% of the countryside's residents lived below the minimum subsistence level. Other negative phenomena also overlap, such as the low level of education (Frenkel 2010, p. 55) as well as the underinvestment of social infrastructure, the lack of its adjustment to the existing needs, and the poorly developed technical infrastructure.

Poland's accession to the European Union, and thus the inclusion of Polish agriculture and rural areas in the Common Agricultural Policy, constitutes a great opportunity. The European Union funds co-finance measures aimed at, among others, combating the above-indicated negative phenomena, thanks to which Polish agriculture and rural areas should make up for the gap separating Poland from the highly developed states. The European Union prepared special programmes for the states that entered it in 2004, among them Poland, which were aimed at preparing the agricultural sectors of these countries to full integration and their inclusion within the Common Agricultural Policy instruments. The programmes were introduced in the pre-accession period and were also conducted in the first years of membership in the EU. They were to contribute to the implementation of both the European Union's market as well as the structural agricultural policies.

Along with the accession to the European Union, the opportunities for obtaining EU financial support have increased significantly. Funds coming from the European Union budget and relating to the support of agriculture and rural areas constitute an element of the Community's various measures. In Poland, as in other EU member states, the funds allocated for 2004–2006 belonged to three basic categories. Those were:

- Funds stemming from the European Agricultural Guidance and Guarantee Fund (EAGGF), allocated to the first pillar of the Common Agricultural Policy (CAP), covering direct payments and market intervention instruments;
- Funds stemming from the EAGGF Guarantee Section, allocated to the second pillar of the CAP, covering support within the framework of the Rural Development Programme (RDP);
- Funds stemming from the EAGGF Orientation Section, constituting a support element from the structural funds, financing the measures under the Restructuring and Modernisation of the Food Sector and Rural Development Sectoral Operational Programme (SOP Rural Development).

In the present programming period, i.e. the years 2007–2013, the European Union's Common Agricultural Policy carries out its objectives, based on two pillars.

Instruments allocated to the so-called 1st pillar of the CAP, of a market-profit nature, have a direct impact on the sectoral agricultural markets, they influence the fundamental methods of intervention on the European Community's internal market and indicate the mechanisms which stabilise the import and export of agricultural products outside the European Union. Generally speaking, they impact the agricultural products market by indicating the principles of the organisation of agricultural production and those regulating the trading in these products. In this manner, they are to contribute to an improvement in the competitiveness of the agricultural products produced in the European Union area. The market policy instruments which are used for internal interventions within the European Union include:

- Public intervention instruments (a common agricultural price system, the interventionist purchase of agricultural products);
- Direct payments for farmers, as the main mechanism for supporting agricultural income;
- Payments for the private storage of agricultural products;
- Surplus agricultural production control instruments (production limits) ;
- Food consumption supporting instruments;
- Extraordinary intervention funds activated in crisis situations.

Additionally, agricultural import regulation instruments, such as customs duties, import licences, quantitative quotas, and subsidy instruments for agricultural exports, i.e. additional payments in export, export licences, are used in trade relations with third parties (Krzyżanowski 2009, p. 32, Jurcewicz 2010, p. 59).

The second group of CAP instruments is made up of structural instruments (the so-called 2nd pillar of the CAP) which over a long term are to impact the formation of agricultural structures, extensively expressed in the European Union law. Their application is aimed at improving the area structure of the agricultural holdings, ensuring their modernisation and the modernisation of the accompanying technical infrastructure, and supporting agricultural advisory services, among others. The CAP's second pillar, which in a formal manner regulates support for the development of rural areas, was, however, created not long ago, in the Agenda 2000 (Dwyer 2005, pp. 1–2). The European Union is undertaking a series of measures aimed at supporting agriculture and rural areas within the framework of the structural policy, the basic task of which is to increase the socio-economic cohesion of the individual regions of the member states. Up to now, the modulation system is the only system which ensures the flow of funds from the CAP's first to second pillar (Van Huylenbroeck et al. 2004). The European Union regulations, specifically Council Regulation (EC) No 1698/2005, have obligated each European Union member state to elaborate a national strategy plan as well as a rural development programme. The developed Community legal regulation results from the fact that the Common Agricultural Policy historically constituted the first and for many years the only sectoral policy (Usher 1988, pp. 41–43).

The subject of the present study is a synthetic analysis of the EU's agricultural policy instruments implemented in Poland in the current programming period. The fundamental cognitive objective of the study comes as a quantification and analysis of the level of

absorption of the funds within selected EU agricultural policy instruments as well as an indication of their impact on Polish agriculture and rural areas. The paper presents the basic information regarding the most important, according to the author, agricultural policy instruments implemented in Poland, concentrating on direct payments, interventions in the scope of the regulation of agricultural markets as well as the measures regarding the development of rural areas, carried out within the framework of the Rural Development Programme (RDP) 2007–2013. The absorption of funds within the framework of the assistance instruments mentioned was subjected to an analysis while at the same time an attempt was made to indicate the impact on the changes taking place in the agriculture and rural areas of Poland.

Material and methods

The basis of the economic-statistical analysis in the article is constituted by source materials coming from the Ministry of Agriculture and Rural Development, the Agency for Restructuring and Modernisation of Agriculture (ARMA), the Agricultural Market Agency, and the Central Statistical Office as well as by the legal acts of Poland and the European Union. In the course of conducting the research works, studies prepared by these institutions, such as “The mid-term assessment of the Rural Development Programme for the years 2007–2013”, and lists compiled from the ARMA management information system were used. The materials describing the qualitative issues mainly originated from the available literature on the subject.

The analysis was conducted using a descriptive method and an induction-deduction method. The results were presented with the use of graphic, table, and descriptive techniques. The spatial scope of the analysis covered the territory of Poland, and the analysis period covered the years 2007–2011, i.e. from the moment of the start-up of the individual assistance instruments in 2007 until the moment ensuring the greatest topicality of the data.

Results and Discussion

Assistance instruments used in Poland within the framework of the first pillar of the Common Agricultural Policy

Within the framework of the 1st pillar of the Common Agricultural Policy, direct payments are the main mechanism of supporting agricultural income. As a result of the accession negotiations, direct payments in Poland have the form of a so-called simplified payment system to agricultural lands (Single Area Payment Scheme; SAPS), which means that they are granted proportionally to the area of cultivation and do not depend on the size of the agricultural production³. Within the framework of this

³ The European Union uses two models of direct payments, within the framework of which it is possible to obtain support. The first is the Single Payment Scheme (SPS) comprising

model, the single area payment schemes are supplemented by the complementary national direct payments.

From the moment of the first payment, i.e. from 2004, these payments are subject to a gradual increase (in accordance with the phasing-in principle), which means that the amount of the direct payments obtained by Polish agricultural producers increases annually. In 2010 it amounted to 100% of the level of support for the first time (70% constitutes payments from the EU budget, and 30% from the national complementary payments). Hence, in this year, the levelling of differences in the level of support resulting from the application of the transition period took place⁴. The national complementary payments are decreasing from year to year and will be discontinued in 2013. The amount of the funds paid to the Polish agricultural producers within the framework of the direct payments in the years 2004–2010, according to the status as of 20 June 2011, is presented in Figure 1. In the analysed period, the Polish agricultural producers obtained a total amount close to 63 billion PLN within the framework of direct payments, and every year almost 1.4 million agricultural producers received this support.

The application of the SAPS in Poland bears a series of consequences both of a positive and a negative nature. First and foremost, this system is less expensive and less complicated than the Single Payment Scheme (SPS). The fact that the agricultural producers are not obligated to immediately fulfil all the requirements from the scope of mutual compliance is an advantage here. Not connecting payments with (historic) production also allows for the full use of the potential of the Polish agricultural sector as all the farmers may take advantage of this payment, even those who cultivate plants not covered by payments within the framework of the CAP. Making the amount of this support dependent first and foremost on the area of the agricul-

three payment models: regional, historical, and hybrid (mixed). This system is in force in the EU-15 member states and in Malta and Slovenia. The Single Payment Scheme (SPS) has replaced a majority of the hitherto payments which were specific to individual types of agricultural products. This payment has been separated from the structure and size of production, however, farmers must fulfil a series of requirements to qualify for this. First and foremost, they should maintain the lands composing the farm in a good arable culture, in compliance with environmental protection, and should satisfy basic requirements in the scope of management. These requirements comprise one mechanism bearing a common name “cross compliance”. The Single Area Payment Scheme (SAPS), which is a simplified form of the direct payment system, is in force in the new EU member states (apart from Malta and Slovenia). Within its framework, as of 30 June 2003, financial support is paid for 1 hectare of arable land maintained in a good arable culture. Payments within the SAPS system may be supplemented until 2012 with national complimentary payments financed from the state budget. In countries in which SAPS is in force, a single area payment scheme rate, paid for 1 ha on the basis of the quotient of the annual national financial envelope allocated to a given state and the reference area indicating the area of arable land in a given state. The application of payments to sugar, fruit, and vegetables is possible within the SAPS framework; transitional subsidies to soft fruits as well as special support may also be used. See: Żmija (2011).

⁴ Polish agricultural producers, however, do not receive support at the level of farmers from Western Europe. This is caused by the differences in the level of the accepted referential crops.

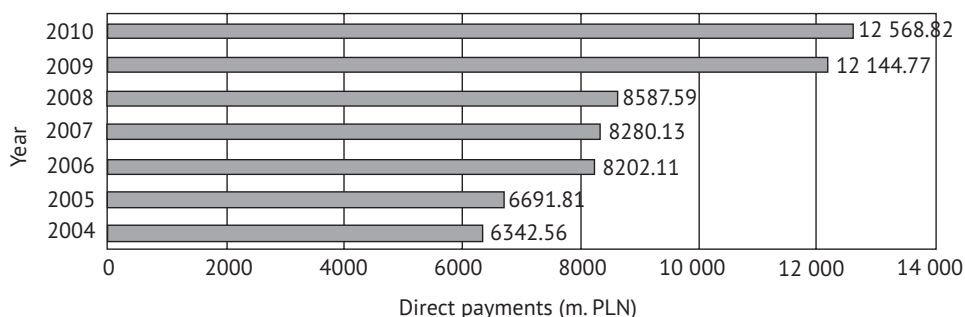


Fig. 1. Amount of funds paid to Polish agricultural producers within the framework of direct payments for 2004–2010 as of 20 June 2011

Source: Author's study based on the data from the Agency for Restructuring and Modernisation of Agriculture (ARMA)

tural holdings causes certain negative consequences for the agricultural sector. Such a solution is not conducive to the changes in the agrarian structure in Poland (many land owners maintain even small farms just for the purpose of obtaining payments). In keeping with the data obtained from the ARMA, the average size of the farmland area declared in the applications for receiving direct payments has increased from 9.57 ha in 2006 to 10.23 ha in 2010, which is a positive tendency, however, these changes are taking place too slowly. The share of the largest agricultural holdings, i.e. with an area of at least 20 ha, still remains small and in 2010 amounted only to 5.4%. Moreover, this solution is conducive to an increase in the price of land (land is becoming more expensive due to the possibility of receiving payments for it), which can, e.g., hamper the entry of young farmers into the agricultural sector. Addressing the direct payments to all the agricultural holdings, also the small ones, possessing at least 1 ha of agricultural land, often leads to a situation in which the obtained funds are allocated for current consumption, constituting a form of social assistance, and not for an investment in modernising the agricultural holding. Moreover, the direct payments may be paid to persons not connected with agriculture, just those holding a legal title to the land.

To sum up, supporting agricultural producers with direct payments undoubtedly contributes to the increase in their incomes and creates premises for improving the standard of living for a large part of them. Direct payments should not, however, be perceived as a dynamising factor in improving the effectiveness of Polish agriculture as the direct payments interfere with, for example, the issues connected with the functioning of the land market in Poland, thus limiting the very needed changes in the area structure of the agricultural holdings, and they do not facilitate the changes in the age structure of the agricultural holding owners. Direct payments support the demand for services not valued by the market and socially desirable, such as, i.e., the protection of water and air, the conservation of the rural landscape, the protection of the quality of the soil, etc.

Within the framework of the 1st pillar of the CAP, mechanisms regulating the agricultural markets (in Poland administered by the Agricultural Market Agency) are also

used⁵. They include, among others, the interventional purchase and sale of agricultural products and their processed preparations⁶, the administration of the turnover of goods abroad through the issuance of permits for exporting and importing as well as the payment of export refunds, the payment for the private storage of products as well as the administration of production quotation systems. Moreover, assistance is offered in the framework of the mechanisms and programmes of the sugar sector restructuring, the support of bee products as well as the promotional and information campaigns on selected agricultural product markets. These measures cover also the provision of food surpluses to the poorest individuals, the collection of payments on the sugar market and the support of internal demand through the application of payments. In Poland, the milk and milk products market and the grains, meat and sugar markets are the basic agricultural markets regulated by EU regulations. The EU support is also provided on other agricultural markets and it takes the form of payments for the production of dry fodder by the national processing plants, payments for tobacco, starches, flax and hemp and seeding material, and financial support on the fresh fruits and vegetables market and the honey market, among others.

The area of the Agricultural Market Agency in the scope of supporting the agricultural-foodstuffs market covers more than 20 product groups and over 50 CAP mechanisms. From the moment of Poland's accession to the EU until July 2010, the AMA disbursed over 8.6 billion PLN in support to beneficiaries. The individual instruments have had a varied impact on the agricultural markets in Poland. For example, the CAP mechanisms have not eliminated price fluctuations on the grains market, which suggests that the implemented instruments possess limited possibilities for stabilising the situation on the market and influencing the income of grains producers. On the other hand, direct payments contribute to an increase in the income of grains producers, and the system of intervention purchases has an impact on the demand for grains covered by the intervention as their share in the market turnover as product grains is increasing. Intervention therefore changes the distribution of demand over time (it decreases the seasonality of the purchase). As regards the pork market, the CAP mechanisms have not eliminated fluctuations in the production of swine in Poland, however, on the milk market, the milk quotas are presently stabilising the production, mainly its upper limit, the exceedance of which by the farmer incurs monetary fines.

⁵ The Agricultural Market Agency, as an accredited agency, pays funds to those using the CAP instruments as well as national instruments, and also monitors the correctness of their use, issues administrative decisions directed to entities participating in the CAP mechanisms, transfers information to the European Commission regarding the CAP instruments employed by the AMA, and informs the mechanism participants about the decisions taken at the Community level, in reference to the CAP mechanisms adopted by the AMA. See: ARR (2010).

⁶ For example, in the years 2004–2010 in Poland 2136.5 thousand tons of grains were purchased on an intervention basis. The largest intervention purchases took place in the 2004/05, 2005/06 and 2009/10 crop years, and were 978.8 thousand tons, 711.2 thousand tons and 366.0 thousand tons, respectively. At the same time, intervention purchases of 6.5 tons of butter and 20.5 tons of powdered skimmed milk were made on the dairy market (powdered skimmed milk was purchased only in 2009). The sale of agricultural products collected within the framework of the intervention stocks was based on the decisions of the European Commission.

Assistance instruments used in Poland within the framework of the second pillar of the Common Agricultural Policy

The scope and form of the support to rural areas within the framework of the structural instruments in the years 2007–2013 in Poland are indicated by the Rural Development Programme (RDP 2007–2013)⁷. The shape of this programme in the present programming period is an expression of the evolution of the European Union's agricultural policy, as a result of which the development of the rural areas started being perceived in wider categories, not only through the agricultural sector. Namely, greater emphasis is being placed on the multi-functional development of these lands, which is connected with, among others, the differentiation of trades and business activities in rural areas, the movement of farmers from working on a farm to small entrepreneurship, handicraft, tourism or services, including services for agriculture. These changes are to be conducive to using the local labour resources and improving the income of the rural population. The main programme objectives include the improvement of the competitiveness of agricultural holdings through their restructuring, the improvement of the condition of the environment and landscape, the enhancement of the standard of living of the rural population, as well as the promotion of the diversification of business activities. This programme is being carried out all over Poland, and all the measures are being co-financed from the European Agricultural Fund for Rural Development (EAFRD) and the national public funds. The financial support for the development of rural areas in Poland, apart from the funds coming from the EAFRD and the state budget, requires also the involvement of private funds (in the case of certain measures). The measures adopted within the framework of the RDP 2007–2013 have been divided into thematic axes referring to the objectives which the programme is to serve.

The largest funding of a total of almost 7.5 billion EUR (EU and state funds) is foreseen for the financing of the measures of Axis 1 of the RDP 2007–2013 “The improvement of the competitiveness of the agriculture and forestry sector”. The amount of over 13 billion EUR may be spent when taking the contribution of private funds for these measures into consideration. Increasing the competitiveness of agriculture requires the concentration of land, the technical modernisation of agricultural holdings, the development of production services, as well as the construction of efficient production–trade chains. In order to speed up the structural transformations, support instruments for young farmers as well as instruments guaranteeing a source of income for persons before retirement age who resign from conducting business activity have been planned.

Measures aimed at supporting farmers in mountain areas and areas with handicaps other than mountain areas (LFAs), afforestation of agricultural and non-agricultural land, Agro-Environmental Programme, and measures aimed at restoring the forestry potential damaged by natural disasters and introducing appropriate prevention

⁷ The characteristics of the individual measures composing the RDP 2007–2013 can be found in the uniform text of the document including the changes approved of by the European Commission on 18 April 2011. The amendment to the Programme was announced on 16 June 2011. See: MP (2011).

actions are implemented within the framework of Axis 2 “Improving the environment and the countryside”⁸. This axis was allocated almost 5.4 billion EUR, with the total of all planned financial outlays within this axis being smaller than within Axis 1 since no private outlay involvement is intended here.

Axis 3 “The quality of life in rural areas and the diversification of the rural economy” includes measures aimed at diversification towards non-agricultural activities by taking up or developing non-agricultural activities or agriculture-related activities by farmers, improving economic competitiveness, developing the businesses and job market, developing certain elements of technical infrastructure as well as meeting the social and cultural needs of the residents of rural areas. The improvement of the quality of life in rural areas constitutes, therefore, the objective which not only assumes the economic and social development of agricultural holdings (strengthening their economic potential, restructuring, and modernisation), but also the creation of a good quality of life understood as a high quality of the environment and landscape as well as the social and technical infrastructure⁹. The Axis 3 budget has been set at 3.5 billion EUR, the largest portion of which – more than 1 billion EUR from public funds (EU and national funds) and more than 1 billion EUR of private outlays – is allocated to measures contributing to the establishment and development of micro-businesses.

Axis 4 “Leader” is the approach that facilitates the realisation and implementation of, first and foremost, Axis 3. The fundamental task of the axis at issue is activation of rural areas residents which requires the inclusion of social partners in the planning and implementation of local initiatives. “Leader” is a grassroots partner approach to the development of rural areas and consists in the formulation by rural communities of local strategies of the development of rural areas as well as the realisation of projects resulting from such strategies. Among the priority axes at issue, Axis 4 has been allocated the least funds, less than 800 million EUR.

In the framework of the Rural Development Programme 2007–2013, most of the funds – above 42% of the funds from the European Agricultural Fund for Rural Development – have been allocated to Axis 1, defined as the economic axis, followed by Axis 2, the so-called environmental axis – more than 32% EAFRD, and to Axis 3, the so-called social axis – nearly 20%. The least funds have been allocated to Axis 4 “Leader” – less than 5%. The remaining funds have been reserved for technical support.

According to the status as of 31 March 2011 (Table 1), the highest level of absorption of the funds from the European Agricultural Fund for Rural Development was recorded within Axis 2 – until that date more than 43% of the budget allocated for this purpose

⁸ According to the modern concept of agriculture, rural areas play a significant role in environmental protection, in particular in the protection of water and land resources and the protection and preservation of habitats and biodiversity, as well as in landscape formation.

⁹ The fundamental socio-economic problem of the population inhabiting rural areas in Poland is the low level of income resulting from the impossibility of making full use of the rural human resources. The agriculture’s demand for these resources is on a constant decrease. To maintain the vitality of rural areas, it is therefore necessary to provide better employment opportunities in the framework of non-agricultural activities. Hence, a comprehensive support of the process of creating non-agricultural job opportunities in rural areas and facilitating the employment of rural residents in local urban centres is of utmost importance.

was used. Such a high use of the limit is, however, related to the specificity of certain measures under this axis, for which the funds are disbursed when certain criteria have been met by beneficiaries and upon the issuance of an applicable decision or a conclusion of an agreement (they do not require co-financing from private resources). Within the framework of this axis, the number of filed applications, signed agreements, or issued decisions as well as the number of disbursements was the highest. The support covered also the largest number of beneficiaries – nearly 860 thousand.

The other axis with the highest use of the limit of the funds from the EAFRD – more than 37% – is Axis 1, aimed at improving the competitiveness of the agriculture and forestry sector. As of the date of the analysis, the measure within the framework of which the most funds were disbursed – more than 4.2 billion PLN – is the one entitled “Structural pensions”. This measure is addressed to a broad group of recipients, it does not require realisation of a specific project or beneficiaries’ own financial participation while the cyclical payments are disbursed on the basis of the decision issued by the Agency for the Restructuring and Modernisation of Agriculture (ARMA). Within this axis, particular attention is paid to the measure “Modernisation of agricultural holdings” which has already disbursed almost 3.7 billion PLN. This measure, unlike the “Structural pensions”, requires that a specific project is carried out and co-financing from private funds is obtained. As of the date of the analysis, however, no funds were disbursed in the framework of the measure related to the vocational training for people employed in agriculture and forestry or to restoring the forestry production potential damaged by natural disasters and introducing appropriate prevention schemes. It is only a matter of time for these funds to be disbursed as the appropriate agreements in the framework of these measures have already been concluded.

In the framework of Axis 3, aimed at improving the quality of life in rural areas, less than 10% of the resources from EADRF have been disbursed so far. From among the measures implemented within this Axis, the most funds in total have been disbursed for the measures addressed first and foremost to the smallest administrative units (districts), i.e. for the projects connected with the renovation and development of villages – more than 600 million PLN, and for those connected with basic services for the rural economy and rural population. The sum exceeding 265 million PLN has been disbursed for the projects connected with the development and establishment of non-agricultural sources of income and the promotion of non-agricultural employment in rural areas, carried out within the measure “Diversification towards non-agricultural activities”. Within the framework of the axis at issue, the new and important measure is the “Establishment and development of micro-businesses” since it creates conditions for the diversification of economic activity and the improvement of employment opportunities which, ipso facto, contributes to the sustainable socio-economic development in rural areas. As of the date of the analysis, less than 150 million PLN, i.e. less than 3.7% of the EAFRD fund limits allocated for this measure, were disbursed within this measure.

In the framework of the last axis, the so-called Leader Axis, most of the funds have been disbursed for the measures related to the operation of local action groups – nearly 95 million PLN, and for the implementation of local development strategies – nearly

Table 1. Use of funds within individual measures of the Rural Development Programme for 2007–2013 in Poland as of 31 March 2011

Measure	Limit - resources allocated for years 2007–2013 (EUR)	Number of applications	Number of agreements or decisions	Number	Disbursements		Use of limit (%)
					Total value (PLN)	EAFRD (PLN)	
Vocational training for persons engaged in agricultural and forestry sectors	30 000 000.00	521	52	0	0.00	0.00	0.00
Setting up of young farmers	315 000 000.00	20 603	16 309	8 855	522 525 000.00	391 893 750.00	31.98
Structural pensions	1 912 200 000.00	28 528	17 489	2 575 068	4 209 096 752.59	3 156 809 405.01	42.09
Use of advisory services by farmers and forest holders	88 500 000.00	19 943	14 587	3 736	8 020 608.05	6 015 456.03	1.71
Modernisation of agricultural and forestry holdings	1 397 171 500.00	77 912	34 461	35 606	3 665 133 722.07	2 748 850 266.05	47.71
Adding value to primary agricultural and forestry production	699 000 000.00	2 614	989	691	670 587 653.37	502 940 739.53	17.95
Improving and developing infrastructure related to the development and adaptation of agriculture and forestry	483 778 000.00	391	275	83	46 204 985.57	34 637 619.25	1.80
Restoring agricultural potential damaged by natural disasters and introducing appropriate prevention actions	75 000 000.00	3 053	597	0,00	0,00	0	0.00

Participation of farmers in Food Quality Schemes	60 000 000.00	16 145	12 730	5 116	3 120 764.18	2 340 554.32	0.98
Information and promotion activities	22 500 000.00	8	3	4	168 964.84	126 723.63	0.14
Obligations from the period 2004–2006 for the “Aid for semi-subsistence farms” task	442 500 000.00	–	–	389 953	1 916 701 408.01	1 437 525 399.90	81.59
Agricultural producer groups	105 000 000.00	536	523	956	166 146 393.22	122 733 587.07	29.22
<i>Axis I (in total)</i>	<i>5 630 649 500.00</i>	<i>170 054</i>	<i>98 015</i>	<i>3 020 068</i>	<i>11 207 706 251.90</i>	<i>8 403 873 500.79</i>	<i>37.30</i>
Support for farmers in mountain areas and areas with handicaps other than mountain areas (ONW)	1 959 000 000.00	3 051 461	2 936 677	3 033 115	5 356 411 787.13	4 285 118 173.32	55.70
Agro-Environmental Programme (agro-environmental payments)	1 853 000 000.00	373 660	353 925	542 409	3 510 409 240.24	2 808 327 307.71	37.97
Afforestation of agricultural and non-agricultural land	410 801 216.00	10 882	6 375	35 859	364 100 945.69	291 281 017.94	18.34
Restoring forestry potential damaged by natural disasters and introducing appropriate prevention actions	80 000 000.00	276	100	1	538 732.00	430 985.60	0.14
<i>Axis II (in total)</i>	<i>4 302 801 216.00</i>	<i>3 436 279</i>	<i>3 297 077</i>	<i>3 611 384</i>	<i>9 231 460 705.06</i>	<i>7 385 157 484.57</i>	<i>43.46</i>
Diversification towards non-agricultural activities	259 185 000.00	16 705	6 527	3 616	265 742 833.59	199 307 122.33	18.82
Establishment and development of micro-businesses	767 687 700.00	15 523	3 116	1 365	147 876 196.47	110 907 145.76	5.62

Table 1. cont.

Measure	Limit - resources allocated for years 2007-2013 (EUR)	Number of applications	Number of agreements or decisions	Disbursements		Use of limit (%)
				Total value (PLN)	EAFRD (PLN)	
Basic services for the economy and rural population	1 166 469 740.00	2 509	2 027	429 950 884.10	281 689 043.82	6.06
Village renewal and development	442 185 000.00	6 392	3 858	603 097 766.88	411 425 046.54	23.35
<i>Axis III (in total)</i>	<i>2 635 527 440.00</i>	<i>41 129</i>	<i>15 528</i>	<i>1 446 667 681.04</i>	<i>1 003 328 358.45</i>	<i>9.51</i>
Implementing local development strategies	496 400 000.00	15 742	4 977	36 180 896.94	25 804 948.28	1.31
Implementing cooperation projects	12 000 000.00	203	73	67 975.02	26 192.25	0.06
Running the local action groups, acquiring skills and animating the territory	121 600 000.00	1 018	828	94 134 389.01	65 183 611.88	13.39
<i>Axis IV (in total)</i>	<i>630 000 000.00</i>	<i>16 963</i>	<i>5 878</i>	<i>130 383 260.97</i>	<i>91 014 752.41</i>	<i>3.62</i>
Technical support	199 950 000.00	711	463	44 986 399.47	33 739 799.11	4.22
In total	13 398 928 156.00	3 665 136	3 416 961	22 061 204 298.44	16 917 113 895.33	31.74

EAFRD – European Agricultural Fund for Rural Development

Axis I – Improving the competitiveness of the agricultural and forestry sector, Axis II – Improving the environment and the countryside, Axis III – The quality of life in rural areas and diversification of the rural economy, Axis IV – Leader

Source: Author's study based on the data from the Ministry of Rural Development

37 million PLN. The realisation of disbursements of funds within this Axis is, however, the lowest and amounts to 3.62% of the limit allocated from the EAFRD only.

The budget of the Rural Development Programme for the years 2007–2013 totalled around 70 billion PLN, and more than 85% of the funds have already been distributed. The distributed sum, next to the already disbursed funds, comprises the means intended for disbursement within the long-term obligations assumed by the ARMA (e.g. payments within the “Structural pensions” measure), the amounts resultant from cyclical measures, such as the LFA subsidies, as well as the payments related to the investments in their final phases carried out by the beneficiaries.

The analysis and assessment of the level of achieved target values for the individual measures of the Rural Development Programme 2007–2013 is rendered more difficult due to the differences in their commencement dates. The level of absorption of the funds within the framework of the Rural Development Programme 2007–2013 as of the date of the analysis is low, less than 32% of the budget in the framework of the EAFRD. Despite such low absorption at the present stage, the full use of planned financial resources does not seem threatened since individual disbursements can be carried out until the end of 2015. However, a general statement can be made that the higher level of the target values pertains also to the measures which had already been implemented during the previous programming period in the years 2004–2006, whereas the lower one pertains to the new measures. This follows from several facts. Firstly, the present programming period sees the continuation of disbursement of the obligations adopted during the previous period, i.e. the years 2004–2006. Moreover, both the implementing institutions as well as the potential beneficiaries have already acquired the experience and know-how related to these measures, which renders the process of absorption of the funds significantly easier.

The impact of the Rural Development Programme 2007–2013 on the transformations taking place in the Polish agriculture and rural areas can be viewed in a number of dimensions. Focusing on the achievement of its main objectives, however, it is to be expected that the programme assumptions within Axis 1, connected to the improvement of the competitiveness of the agriculture and forestry sector, will be met, although the direct impact of the programme will be limited due to the small number of planned target beneficiaries in relation to all the entities operating in the sector. The improvement of the competitiveness is to a large extent influenced by the measure “Modernisation of agricultural holdings” which contributes to the lowering of the costs of production, the reduction in its scale, the adaptation of new techniques or technologies by farmers, or the increase in labour effectiveness, among others. In turn, the measure “Adding value to primary agricultural and forestry products” admittedly has not so far contributed significantly to the introduction of new technologies and innovations in the agriculture and food sector; nevertheless, it impacts the quality of their production. The next measure, addressed to agriculture producer groups, contributes to the increase in the degree of adaptation of the production to market requirements. It also allows group members to supply bigger batches of goods with required parameters, which gives greater opportunities for sales, and to jointly purchase production means, which improves the effectiveness of production. In assessing the impact of Axis 1 of the Rural Development Programme 2007–2013 on the improvement of the human

potential in the agriculture sector, it must be stated that it will be relatively small since the absorption of the funds in the framework of the measures allocated to this target, i.e. the measures “Vocational training for persons engaged in agricultural and forestry sectors” and the “Use of advisory services by farmers and forest holders”, is very low, which for the time being translates into scant effects thereof. Particularly, the second measure does not enjoy huge following among farmers, which results, among others, from the lack of the tradition of the use of paid advisory services by farmers. It is also worth noting that the human potential in the Polish agriculture sector is indirectly influenced by other measures included in the Rural Development Programme 2007–2013, such as for example the “Setting up of young farmers” or “Structural pensions”¹⁰, which facilitate the entry into the agriculture sector of young and better-educated people. However, due to the low numbers of target beneficiaries of these measures it seems that the said measures will not play a significant role in the improvement of the human potential at the scale of the entire sector while their impact will rather be of local nature.

The basic instruments directed to the protection of the natural environment in rural areas, included in Axis 2, constitute a long-term vision of development inscribed in the sustainable development of the entire country, which aims at maintaining the diversified landscape and nature as well as appropriately using and managing the natural resources of the environment. Such measures as the “Agri-environmental programme”, “Afforestation of agricultural lands” or “Restoring forestry potential in forests damaged by natural disasters” have a direct positive impact on the environment. The measures with an indirect impact include “Supporting farmers in mountain areas and in areas with handicaps, other than mountain areas”, “Improving and developing of the infrastructure related to the development and adaptation of agriculture and forestry” or “Implementing local development strategy”. The agri-environmental programme in Poland covers an area of above 1.6 million ha, while the packages carried out within its framework – “Sustainable farming” and “Ecological farming” – contribute to the sustainable use of land, which is expressed in the decreased use of mineral and organic nitrogen fertilisers, among others. The improvement of the environment and the sustainable use of land as well as the preservation of biodiversity is also positively impacted by the multispecies planting of trees, adjusted to the local habitat conditions, which is carried out in Poland within the measure related to the afforestation of agricultural lands and by the requirement for the farmers benefiting from the aid in the framework of the support for holdings in mountain areas and in areas with handicaps, other than mountain areas, to comply with the mutual compliance criteria (MRiRW 2010).

The measures included in Axis 3 “The quality of life in rural areas and diversification of the rural economy”, in particular the “Diversification into non-agricultural activities” and the “Creation and development of micro-enterprises”, have substan-

¹⁰ The full potential of the measure has not been taken advantage of due to the lenient definition of the support criteria. Only in 2010, the said instrument was allocated to farmers who transferred their holdings for the increase of already existing entities or those who transferred them onto young farmers.

tial significance for both the entire rural economy and the non-agricultural sectors. The implementation of these measures contributes to the creation of new job opportunities and impacts the transformations in the rural areas economy, although due to the low absorption of the funds in the framework of these measures the said impact is not big for the time being. According to the estimates of the Ministry of Agriculture and Rural Development, the measure “Creation and development of micro-enterprises” will contribute to the reduction in the unemployment level in rural areas by approximately 5.5% as a result of the creation of about 45 thousand jobs. Due to the realisation of the Rural Development Programme 2007–2013, the improvement in the scope of the technical and public infrastructure in rural areas is also taking place. In addition, thanks to the measures of Axis 4, the management in rural areas and the mobilisation of the endogenous capital possessed by local self-governments are improving as well.

Conclusions

The inclusion of Polish agriculture and rural areas in the Common Agricultural Policy constitutes a huge opportunity for restructuring and modernising Polish agriculture and developing rural areas due to the substantial level of funds allocated for this purpose. In the years 2007–2013, the Common Agricultural Policy of the European Union is financed from the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD). In the framework of the first fund, the aid from the 1st Pillar of the Common Agricultural Policy comes through the application of such instruments as, for example, direct subsidies for farmers, interventions in the scope of agricultural markets regulation, refunds for the export of agricultural products to third countries. In turn, the second fund of the EAFRD finances the activities included in the 2nd Pillar of the Common Agricultural Policy which are aimed at the development of rural areas.

The instruments used within the framework of the 1st Pillar of the CAP contribute to increasing the income of Polish agricultural producers and stabilising the situation on agricultural markets. In the period subject to the present analysis, Polish agricultural producers have received the total of almost 63 billion PLN within the framework of direct subsidies and over 8.6 billion PLN within the framework of the mechanisms administered by the Agricultural Market Agency. The rules for the disbursement of direct subsidies in force in Poland have contributed to the increase in the income of agricultural producers, however, they have influenced the structural transformations in the Polish agricultural sector only to a small degree.

The Rural Development Programme for the years 2007–2013, as an element of the structural policy, is built around a concept of sustainable and multifunctional economic development of the country, which complies with the direction of the evolution of the agricultural policy of the European Union. In the framework of the support for agriculture and rural areas in this programme, as of the date of the analysis more than 22 billion PLN were disbursed. In keeping with the expectations, the predicted impact of the Rural Development Programme 2007–2013 on the economic growth of

Poland should amount to 1.5%, and the effect on the employment increase should be around 1.7%. Due to the multiplier effects, the programme is able to impact the entire economy, not only the sector of agriculture. In economic terms, the Rural Development Programme 2007–2013 should contribute to improving the competitiveness of agricultural holdings and increasing the diversification of the rural economy through, among others, the creation of non-agricultural production functions and functions in the area of consumption (e.g. providing access to the resources of the natural environment, culture, place of residence, etc.). This is of utmost relevance due to the decreasing participation of agriculture in the generation of the GDP and the increasing significance of non-agricultural functions of agriculture. The Rural Development Programme 2007–2013 should, therefore, assist the economic growth of our country and contribute to the creation of new job opportunities in rural areas. In environmental terms, this programme should facilitate the sustainable system of management, the protection of biodiversity and ecosystems, and also the appropriate use of natural resources, while in social terms, it should contribute positively to the development of the social capital, especially on a local scale, as well as stimulate structural transformations taking place in our agriculture.

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