

**MINISTRY OF AGRICULTURE AND
RURAL DEVELOPMENT**

**RURAL DEVELOPMENT PLAN
FOR POLAND
2004 – 2006**

WARSAW, DECEMBER 2005

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1. TITLE

Rural Development Plan for Poland for the years 2004-2006

2. MEMBER STATE

Poland

2.1. GEOGRAPHICAL AREA

The Rural Development Plan (“Plan”) is an operational paper setting out the objectives, priorities and rules for supporting the sustainable development of rural areas. The Plan focuses on social, economic and environmental (ecological) aspects and is consistent with other structural plans such as, in particular, the Sectoral Operational Plan “*The Restructuring and Modernisation of the Food Sector and the Development of Rural Areas*”, comprising objectives of the National Development Plan in respect of rural development policy. The Plan was prepared by the Ministry of Agriculture and Rural Development and is based primarily on Council Regulation (EC) No 1257/99 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and Council Regulation (EC) No 1783/2003, amending Council Regulation (EC) No 1257/99 and Commission Regulation (EC) No 817/2004, which lays down detailed rules for the application of Council Regulation (EC) No 1257/99 and Commission Regulation (EC) No 963/2003, amending Commission Regulation (EC) No 445/2002 and Commission Regulation (EC) No 27/2004 laying down transitional detailed rules for application of Council Regulation (EC) No 1257/1999 as regards the financing by the EAGGF Guarantee Section of rural development measures in the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia and other legal acts mentioned throughout the text.

The Plan will be implemented throughout the entire country. Strategic assumptions of the Plan shall be implemented on the basis of nine activities: early retirement, support for semi-subsistence agricultural holdings, compensatory allowance for less-favoured areas (LFAs); support for agri-environment and animal welfare; the afforestation of agricultural land; meeting the EU standards by agricultural holdings; agricultural producer groups; technical assistance and complements to direct payments. All of these activities will be financed by the Guarantee Section of the European Agricultural Guidance and Guarantee Fund (EAGGF) and the national funds allocated for this purpose in the State Budget Law.

2.2. REGIONS CLASSIFIED UNDER OBJECTIVE 1 AND OBJECTIVE 2

The entire territory of Poland has been classified as the area under Objective 1.

3. PLANNING AT THE APPROPRIATE GEOGRAPHICAL LEVEL

The Rural Development Plan was developed at the national level; the cooperation of regional and local organisations was enlisted during the stage of preparing the basis for individual measures. The centralised planning process can be justified as follows: most of the measures within the Plan are horizontal and innovative; due to the complex nature of these instruments, this limits the feasibility of transferring planning to the regional level. However, some measures are based on analyses of needs and potential conducted at both regional (NUTS II – support for agri-

environmental undertakings)¹ and local levels (NUTS V *and the surveying districts* – support for less-favoured areas).

4. THE DIAGNOSIS OF THE PRESENT CONDITION AND STRATEGY FOR THE DEVELOPMENT OF RURAL AREAS

4.1. TERRITORY, GEOGRAPHY AND CLIMATE

The territory of Poland covers 312,685 square kilometres and the population is 38.23 M inhabitants², which constitutes 10.4% of the current population of the European Union. In Poland, areas situated outside town administrative boundaries are considered rural areas³.

Rural areas, which shape the landscape of contemporary Poland, account for 93.4% of the territory. Agricultural land constitutes 54 % of the territory and forests 28.5%. Permanent grasslands constitute 11.4 % of the area of the country (meadows – 8.1%, pastures – 3.3 %), which amounts to 21.1 % of the area occupied by agricultural lands.

Poland is a country dominated by lowlands. Over 96% of the territory is situated below 350 m a. s. l. and only 2.9% lies above 500 m a. s. l.

Poland lies in a zone where the influences of the continental European (relatively dry summers and cold winters) and temperate climates compete with the influence of the Atlantic climate, which causes unstable conditions for agricultural production. The average annual temperature oscillates between 6.0°C and 8.8°C; the average annual rainfall is 500-600 mm in the lowlands and 1200-1500 mm in the uplands and the mountains.

4.2 INFORMATION ON AGRICULTURE AND RURAL AREAS IN POLAND

4.2.1 Place and role of the agricultural sector in the Polish economy

The relative social and economic importance of the agricultural sector is greater in Poland than in the countries of Western Europe. There are still regions where agriculture has a major influence in the economy and as such has a crucial impact on the development of these regions and the standard of living of their inhabitants.

In 2002 agriculture (including the hunting and forestry sectors) accounted under 2.7% of the Gross Domestic Product, having decreased from 12.9% in 1989, 8.3% in 1990 and 6.6% in 1995, in 2001 – 3.3%.

Generally, Polish agriculture has preserved its traditional character. The majority of holdings have a mixed production pattern and apply extensive methods of cultivation. In 1998 productivity in the agricultural sector was as low as 25% of the average productivity in the national economy. The use of mineral fertilisers in 2002 amounted to 93.2 kg of NPK/ha (from 138 kg of NPK/ha of farmland to 55.1 kg/ha). The use of

¹ The following NUTS levels are distinguished in Poland:

NUTS I – the entire territory of Poland, NUTS II – 16 provinces (voivodeships), NUTS III – 45 regions, NUTS IV – 380 counties (poviats), NUTS III – 45 sub-regions and NUTS V – 2,489 communities and municipalities (gminas).

² Source: the Concise Statistical Yearbook of Poland, the Central Statistical Office, Warsaw 2002.

³ According to the Central Statistical Office, a rural area is an area outside town administrative boundaries, differently than in the EU and OECD, where population density is the distinguishing factor.

pesticides in Poland is several times lower than the EU average – i.e. 0.78 kg/ha of farmland. Extensive systems of animal production are used, based mainly on the farm’s own supply of feedstuffs. Due to the low productivity, the impact of agriculture on the environment and landscape is limited. The natural qualities of rural areas and abundant labour resources will provide opportunities for the development of labour consuming farm production, particularly in organic farming.

4.2.2. Characteristic of the rural population in Poland

Demographic structure of the rural population

In 2002, the population of Poland was 38,230,000. The rural areas were inhabited by 38.24% of the total population, i.e. 14,619,700 people, out of which 7,282,200 were male and 7,337,500 were females. The distribution of the rural population is extremely varied:

- 15% of localities have less than 100 inhabitants;
- 66% of localities are inhabited by 100 - 500 people;
- 13% of localities are inhabited by 500 - 1000 people;
- only 6% of localities are inhabited by more than 1000 people.

Share of the rural population also varies according to region: from 20.9 % in Śląsk Province to 59.5% in Podkarpacie Province (see Table 1). Traditionally, the structure of a rural family comprises several generations. Households with five or more family members constitute 24.5% of all rural agricultural holdings, whilst in towns the figure is only 9.0%.

The percentage of children and youth is larger in rural areas than in urban ones. Therefore, it is particularly important to ensure the existence of appropriate educational structures and the new job generation opportunities in rural areas. It should also be emphasised that 40% of the rural population is over 40 years of age with limited mobility (in terms of travel) and therefore unlikely to leave the rural areas.

Table 1. Population of Poland in 2002.

Voivodeship	Population		
	Total	Per sq. km	In rural areas as % of the total population
Dolny Śląsk	2 907 212	146	28.6
Kujawy-Pomorze	2 069 321	115	37.7
Lublin	2 199 054	87	53.4
Lubuskie	1 008 954	72	35.5
Łódź	2 612 890	143	35.0
Małopolska	3 232 408	214	49.7
Mazowsze	5 124 018	144	35.4
Opole	1 065 043	113	47.4

Voivodeship	Population		
	Total	Per sq. km	In rural areas as % of the total population
Podkarpace	2 103 837	117	59.5
Podlasie	1 208 606	60	41.1
Pomorze	2 179 900	119	31.9
Śląsk	4 742 874	384	20.9
Świętokrzyskie	1 297 477	111	54.1
Warmia-Mazury	1 428 357	59	39.8
Wielkopolska	3 351 915	112	42.3
Zachodnie Pomorze	1 698 214	74	30.5
Poland	38 230 080	122	38.2

Source: the CSO, the 2002 National Census.

The level of education of the rural population

A considerable improvement in the level of education has been observed over the last ten years; however, both the general and vocational education levels of population working in the agricultural sector are still very low (see Table 2). A positive trend is a permanent increase in the percentage of the population with more than the primary education (i.e. from 39% in 1988 to 56% in 2002, including those with the higher education, nearly 2% to above 4%). In the same time a share of the population without any school education has decreased more than twice (from over 11% in 1988 to 5% in 2002).

However, in relation to the education level of inhabitants of urban areas, the level of the education of the rural population is still not satisfactory. Inhabitants of urban areas are characterized by a visibly higher percentage with more than the primary education and almost three times lower percentage of the population without any education.

The low education level of the rural population has not only an adverse impact on the modernisation of agriculture, but also diminishes the chance of developing off-farm business activities in rural areas. Such activities could generate alternative employment for excess labour.

Table 2. Educational structure of the population over 15 years of age for 1988 and 2002.

Education level	1988			2002		
	Total	Town	Rural areas	Total	Town	Rural areas
	%			%		
University	6.5	9.4	1.8	10.2	13.7	4.3
Post-secondary education	24.7	31.8	13.1	32.6	38.6	22.4

Education level	1988			2002		
	Total	Town	Rural areas	Total	Town	Rural areas
	%			%		
Secondary education	23.6	23.2	24.1	24.1	21.1	29.2
Primary completed	38.8	32.3	49.2	28.2	22.2	38.3
without any education	6.1	2.9	11.2	2.8	1.5	5.0
non-established	0.4	0.3	0.5	2.1	2.9	0.7

Source: the CSO, the 2002 National Census.

Professional activities of the rural population

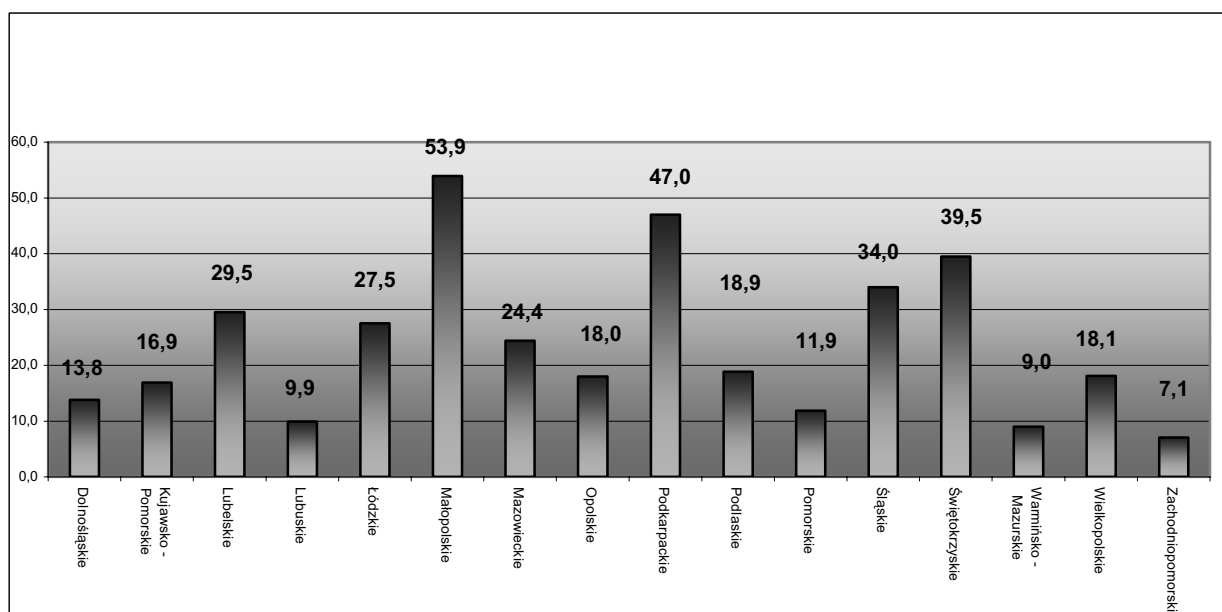
In Poland the population employed in the agricultural sector is much larger than that in the EU Member States. This is partly due to the differences in the methodology of counting the number of people working on agricultural holdings. In Poland people employed on subsistence agricultural holdings as well as on agricultural holdings of the size of 0.1 ha -1.0 ha are included in the figures. According to the economic activity survey of the population undertaken in 2002, in the agricultural, hunting and forestry sectors, were employed 18% of the total number employed.

As far as a particular province is concerned, the highest level of employment in the agricultural sector is found in Podlasie Province (31.9%), and the lowest in Śląsk Province (9.3%). The EU average for employment in agriculture is around 4.5% (the highest is in Greece – 17%, and the lowest is in Great Britain – 1.6%).

The level of employment in agriculture, expressed by the number of people employed per 100 ha of farmland, is the highest in the southern provinces. In Małopolska Province there are 53.9 persons employed in agriculture per 100 ha of farmland, in Podkarpacie there are 47.0 persons employed per 100 ha, in Świętokrzyskie there are 39.5 and in Śląsk – 34.0. Although the share of the population employed in agriculture is the lowest in the Śląsk Province, the small area of agricultural land in this province (638,617 ha) yields the highest number of persons employed per 100 ha of farmland.

The lowest number of persons employed per 100 ha of agricultural land has been recorded in the Zachodnie Pomorze (7.1), Warmia-Mazury (9.0), Lubuskie (9.9) and Pomorze (11.9) provinces (see Chart 1). These provinces employ a low number of people in agriculture in relation to the area of agricultural land.

Chart 1. The number of persons employed in agriculture (per 100 ha of farmland, by province)



Source: the Central Statistical Office 2001

Employment in agriculture is decreasing slowly, mainly due to the lack of new jobs in non-agricultural sectors. Bearing in mind that there are generally high levels of employment in agriculture, it should be noted that in some regions (mainly in Eastern Poland) there is a problem of a lack of successors on agricultural holdings, which results in the depopulation of rural areas.

From the point of view of structural transformations in agriculture, the prospects for an increase in the number of labour force are more important than the unemployment rate. Demographic forecasts based on the number of children already born indicate that the number of rural area residents in the productive age group will rise by about 0.7 M by 2010 (in comparison to 2002) and will amount to 9.75 M.

Unemployment in the rural areas

At the end of 2002 the unemployment rate in Poland was over 3,2 mln (18% of the total number of the professionally active people) and it was almost 2.5 times higher than in the OECD countries. The transformation process in Poland has resulted in high unemployment in rural areas. According to the Central Statistical Office (CSO), in June 2002 there were 1,279,000 registered unemployed in rural areas (41.4% of the total number of the unemployed in Poland). This figure corresponds to the national unemployment rate of 17.4%. In Poland, the owners of agricultural holdings with over 2 ha of land cannot be registered as unemployed – according to the estimates, about 1 M individual farmers cannot find a job and are referred to as ‘the hidden unemployed’, while almost 70% of people only have part-time employment.

From the beginning of the transformation period, agriculture has absorbed the surplus labour force from the rest of the economy. Together with the fragmented farmland structure, this has caused overpopulation and an increase in hidden unemployment in rural areas. The level of unemployment in rural areas differs regionally. The unemployment rate is highest in the Warmia-Mazury Province (33.1%) and Zachodnie Pomorze Province (28.9%) and lowest in the Małopolska Province (10.4%). One of the reasons for such regional variation is the fact that collective farming (state owned and co-operative holdings disappeared in the 1990s) was

developed to a greater extent in the northern and western territories of Poland. The specific features of rural unemployment include a long period without work and a slow adjustment process to the new market requirements. The growing number of unemployed without rights to unemployment benefit is another problem.

Income among the rural populations

Income among the rural populations is lower than among other social groups. In 2002 disposable income of representative rural family was, similar as a year ago, about 30% lower than the income of town family. In described year, the average monthly income per capita in a household, according to a CSO's representative survey, was EUR 140.02⁴ (PLN 658,5); however, in urban areas it was EUR 159.39 (PLN 749,59) and in rural areas only EUR 110.78 (PLN 520,98).

Table 3. Population dependent on individual holdings over 1 ha of agricultural land. Breakdown by sources of income (excluding population for whom data on income source were not collected).

The only or main source of income	Total (thousands)	%
Total population	7498.7	100.0
Work on own farm	1385.1	18.6
Work outside own farm – wage-work in agriculture	1216.6	16.3
Work outside own farm – self-employment	189.3	2.5
Retirement pension	917.3	12.3
Disability pension	512.4	6.9
Other non-profit sources	316.4	4.2
Dependants,	2893.8	38.8
including: children 0-14 years old.	1565.8	21.0

Source: the 2002 National Agricultural Census (NAC).

Regional variation in rural areas development

The course of economic transformation processes in Poland exhibits significant regional variation. The situations of urban and rural areas are also becoming increasingly different. The regions with heterogeneous economic structures have proven to be more amenable to transformation. Historical differences in development levels between various regions have been covered by the differing capabilities of the regions to adapt to the market economy. Powerful new factors have appeared that promote regional differentiation in the economic situation. The marginalisation of the north-eastern and eastern regions, which is becoming permanent, now also affects the areas of former state-owned holdings and the areas around bankrupt raw materials and armaments industry plants. The regional differences in the economic situation find their most general expression in the different unemployment rates. In some large urban areas the unemployment rate is 5-8%, while it exceeds 40% of the

⁴ Exchange rate PLN/EUR based on average European Central Bank (ECB) rate on 02.01.2004, 1 EUR = 4,7029 PLN

professionally active population in the regions that are experiencing deep economic depression. The differences in unemployment rate persist because the housing deficit and the inefficient retraining system limit the mobility of the labour force.

4.2.3. Threats and opportunities of rural population development

The surplus of labour force

The surplus of labour committed to farm production is a major barrier to the development of the Polish agricultural sector. This phenomenon is regionally differentiated, with a high regional intensity in the southern and south-eastern regions of Poland. Excessive employment slows down the rate of improvement of the agrarian structure, impedes farming efficiency, and hampers technological progress, and this in turn leads to low income in the agricultural sector and incomplete use of the competitive potential. The gradually worsening price relations make the situation more serious.

Though the limitation of employment in agriculture is one of the basic challenges to be confronted in the immediate future, the opportunities for labour to leave agriculture are and may remain few due to the general unemployment level and low mobility among farmers and the rural population on the labour market⁵. It is obvious that the social function of the absorption of domestic labour by the agricultural sector (at the expense of the economic effectiveness of the sector) should be limited in the interest of competitiveness.

Limited the labour market in rural areas

Rural unemployment and limited employment opportunities in rural areas appear to be the most important and difficult problems to overcome. Fighting unemployment in rural areas, e.g. by facilitating access to the labour market and the creation of jobs outside agriculture in rural areas, is a crucial challenge.

The labour market outside the rural areas is currently unable to rapidly absorb rural labour force surpluses because the rural unemployed lose out in the competition for attractive jobs on local (predominantly urban) labour markets against the urban unemployed; investors are also quicker to create new workplaces in urban areas. Another problem is the low mobility rate of the rural population with regard to the labour market; there is no appropriate residential infrastructure in place, which makes unemployment permanent not only in rural areas but all over the country.

Migration of the population from agriculture is considerably hampered by less access to education and therefore a lower level of education among farmers and the rural population. Hence, there is difficulty in competing with the urban population for attractive jobs. The growing costs of secondary and university education also play an important role (costs of commuting, board and accommodation) for the relatively impoverished rural population.

Low education level of the rural population

A low level of human resources (rather low education level) may be a barrier to the structural transformation process, technological progress and to the opportunities arising from participation in the EU Single Market. The search for off-farm jobs that require appropriate qualifications is hindered by a low level of general education.

⁵ Unemployment in Poland has exceeded the level of 3.2 million persons, i.e. about 18% of the economically active population, and is almost 2.5 times higher than in the OECD states.

Therefore, we should be prepared for the fact that a large proportion of the population employed in the agricultural sector will remain on holdings until retirement age, even at the expense of a lower income. Opportunities for a quick and substantial reduction of the employment level in the agricultural sector are mainly associated with the possibilities for general economic development.

Insufficient level of the rural infrastructure development

The underdeveloped technological infrastructure in rural areas is one of the most important obstacles to the multifunctional development of rural areas. The insufficient level of rural infrastructure lowers the standard of living and economic activity while reducing the attractiveness of rural areas for investors. Capital barriers and the limited financial capabilities of local government authorities hamper the development of infrastructure.

Despite the fact that rural infrastructure has developed quite rapidly in the recent years, the needs in this respect are still very large and the existing regional differences in infrastructure development levels are related to the agrarian structure of rural areas and the abilities of a given region to adapt to current economic conditions. The dynamics of the infrastructural and economic development of rural areas is also dependent upon the activities of the local community and the efficient utilisation of obtained funds.

Advantageous age structure of the rural population

The relatively advantageous age structure of the farming population represents a chance for Polish agriculture. In Poland, over 21% of managers of agricultural holdings are under 39, whereas in the EU the figure is only 8%. Rejuvenation of the farming population is largely due to a sharp reduction in migration, limited possibilities of finding work, and a faster replacement of generations encouraged by the possibility of obtaining retirement pensions in the agricultural sector. However, several regions of the eastern Poland prove an unfavourable age structure of the farming population.

In the period of adaptation to the new conditions of operation following accession, young farmers are more inclined to take risks and to cope with the challenges imposed by the new circumstances.

Possibilities development of the non-production functions in the rural areas

In 2001 there were 13,500 establishments registered for rural tourism purposes; however, the rural accommodation base is estimated to be considerably larger since many such holdings have not submitted for registration. The overwhelming majority of the rural tourism-oriented agricultural holdings are located in four provinces: Małopolska, Warmia-Mazury, Pomorze and Podlasie. Development of tourism in rural areas may generate an additional source of income and new jobs for the local population.

Polish rural areas present favourable conditions for the development of rural tourism. This is particularly true in the case of industrially underdeveloped regions with low employment in the non-agricultural sector, and which possess attractive natural, landscape and cultural assets. The number of agricultural holdings that offer farm tourism oriented services is continually growing. However, agricultural holdings with farm tourism constitute less than 1% of all agricultural holdings in Poland. The preserved natural and cultural values present an opportunity to encourage the development of cultural tourism through the organisation of integrated tourist and

educational trails and adaptation of historical buildings to serve as hotels, information centres, museums, galleries, education facilities, etc.

The economic benefits of rural areas may only be ensured by small businesses in which private individuals can invest their capital. A growing number of inhabitants of rural areas have responded to the market economy by engaging in trade, services and crafts based on the use of the resources of their own agricultural holdings. However, given the limited access to support system, and relatively low level of social activation, off-farm economic activities in rural areas are still poorly developed.

4.3. STRUCTURE OF AGRICULTURAL HOLDINGS

4.3.1. Characteristic of the farm size structure

In Poland there was 1956.1 thousands of agricultural holdings with the size above 1 ha of agricultural land, out of which 1954.9 thousands of agricultural holdings being owned by the private sector, and 1.2 thousands – to the public sector, according to the data of National Agricultural Census of 2002. In 1996-2002 the number of agricultural holdings was decreased by 90.7 thousands. An average size of the farm above 1 ha of agricultural land in 2002 was 9.6 ha, of which 8.4 ha of utilized agricultural land.

Table 4. Number of individual holdings over 1 ha and area of agricultural land broken down by farmed land groups in 1996 and 2002.

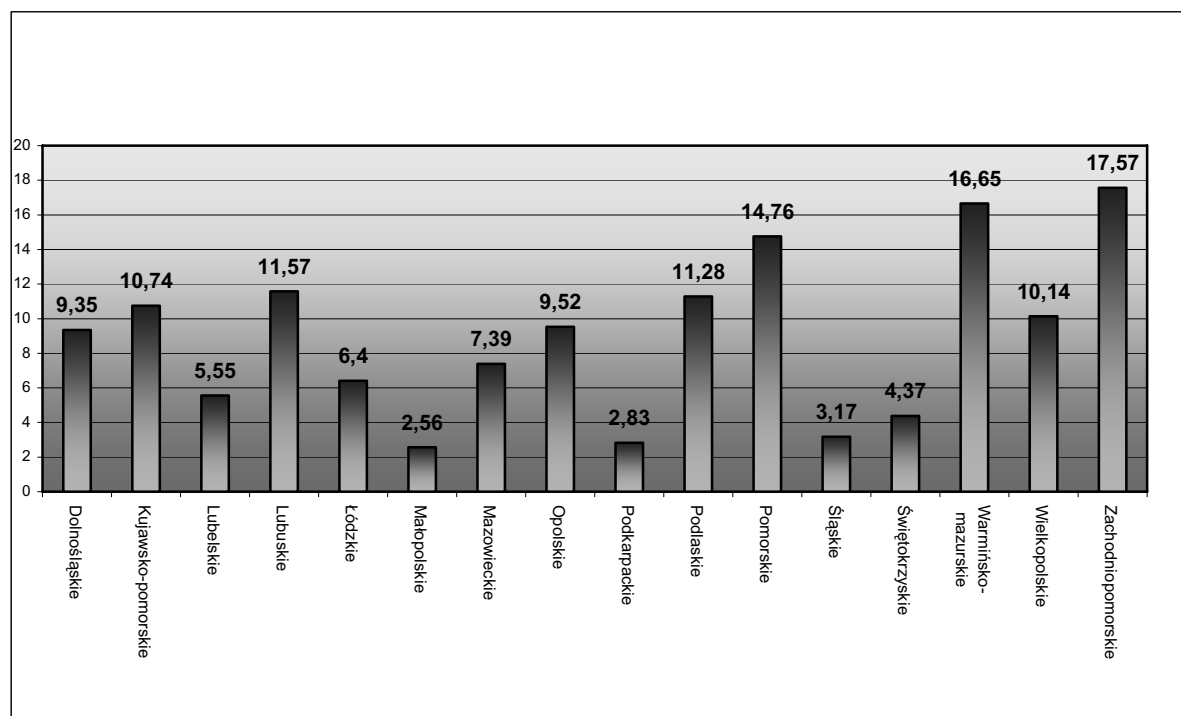
Farmed land groups (ha)	Total number of holdings (in thousands)		Agricultural land ('000 ha)		Changes in agricultural land area 1996 = 100
	1996	2002	1996	2002	
Total	2041	1952	14260	14462	101.4
1-2	462	517	651	725	111.4
2-3	282	281	690	685	99.3
3-5	386	349	1509	1353	89.7
5-10	521	427	3713	3029	81.6
10-15	217	182	2632	2214	84.1
15-20	89	84	1530	1438	94.0
20-30	56	64	1323	1536	116.2
30-50	19	31	719	1172	162.9
50 and more	9	17	1493	2310	154.7

Source: the 2002 NAC, the CSO, Warsaw 2003

While Poland enjoys extensive land resources, the farmland structure of Polish holdings is rather varied and fragmented. In 2002 in the structure of Polish holdings

the small holdings with between 1 – 5 ha, are a dominating form; they constitute more than a half (58.7% - increase by 3.4%% in relation to 1996) of the total number of holdings and they utilise around 19.1% of utilised agricultural land. The largest holdings (above 20 ha of agricultural land) amount only to 5.8% (4.1% in 1996), but they utilize 34.7% of the total area of utilized agricultural land. A share of medium holdings (with from 5 to 20 ha of agricultural land) has dropped in relation to 1996 (by 5.0%) and counted for 35.5%. Those holdings utilize 46.2% of utilised agricultural land.

Chart 2. The average area of agricultural holdings by province (ha) in 2002



Source: the CSO, the 2002 NAC

The average area of the agricultural holdings in Poland varies widely depending on the region concerned. The highest fragmentation level of holdings is observed in respect of the southern provinces, where the average area of agricultural land per farm is 2.56 ha in Małopolska Province and 2.83 ha in Podkarpackie province. The agricultural holdings with the largest average size are found in the northern provinces: 16.65 ha in Warmia-Mazury, 17.57 ha in Zachodnie Pomorze and 12.9 ha in the Pomorze province.

The majority of individual holdings have a very fragmented, “chess-board” structure, which is illustrated by the fact that 18,1% of them have six or more dispersed plots of land. In some cases the distance between the plots and the agricultural holdings exceeds 10 km (in 4.6% of holdings). The highest degree of fragmentation of agricultural plots occurs in agricultural holdings in the south-eastern voivodeships of Poland.

Table 5. Fragmentation of Polish agricultural holdings over 1 ha of agricultural land in 2002.

No. of plots constituting a farm	Percentage	
	of holdings	of farmland
1	24.9	14.0
2-3	38.5	29.9
4-5	18.5	21.4
6-9	12.2	19.7
10 and more	5.9	15.0

Source: the 2002 NAC, the CSO, Warsaw 2003.

4.3.2. Description of holdings with different potential of development

According to the data of National Agricultural Census of 1996 and 2002 amongst 1,956.1 M (1996 year – 2,041.1 M) of individual holdings of the size above 1 ha of agricultural land:

- 334,000 i.e. 17% (2.4% in year 1996) holdings operating on a non-permanent or temporary basis
- 206,200 i.e. 10.6% (12,7% in year 1996) - subsistence farms;
- 496,800 i.e. 25,5% (37.4% in year 1996) – semi-subsistence farms;
- 914,700 i.e. 46,8% (47.4% in year 1996) – commercial farms.

Despite the slow pace of changes in the agrarian structure of agriculture, an increase in the number of smallest and largest farms has been observed in recent years, which points on the one hand to a trend to reallocate land resources to larger and more efficient farms and on the other hand to an increase in the number of subsistence farms. During the 1996-2002 period, the groups of farms mentioned above evidently shifted towards a bipolar model, within which two separate groups of farms became distinct:

- group I includes subsistence farms, holdings that do not engage in agricultural activities and those that produce exclusively or mainly to meet their own needs;
- group II includes holdings that produce mainly for the market.

The income structure of farms producing mainly for the market, i.e. generating more than 50% of their income from farming, evolved gradually. In 2002, the share of these farms was 55% and decreased by 17 percentage points in comparison with 1996, which indicates that agricultural producers limited their business activities.

Table 6. Characteristics of individual farms over 1 ha of agricultural land by type of market involvement in 2002.

Criteria	Total/ average	Farms:			
		not engag ing in prod uctio n	Producing:		
			exclusivel y to meet their own needs	mainly to meet their own needs	mainly for the market
Share in the total number of farms (%)	100.0	17.1	10.6	25.5	46.8
Share in the total arable land area (%)	100.0	8.1	4.0	11.5	76.4
Share of farmers under 45 years of age (%)	44.6	37.5	34.5	39.7	52.1
Share of farmers with secondary, post-secondary or university education (%)	65.1	68.7	58.7	60.2	68.0
Area of arable land per farm (ha)	7.4	3.2	2.8	3.3	12.1.9
Share of non-cultivated land in farmland area (%)	15.01	100.0	41.9	21.8	3.8
Share of farms by income sources that account for more than 50% of their total income (%):					
From agricultural production	30.0	-	8.2	10.2	56.5
From retirement pensions or disability pensions drawn by persons sharing a single household	24.9	32.3	39.9	37.3	12.0.1
From hired labour	23.6	35.0	30.6	31.5	13.6
From off-farm business activities	5.6	12.2	5.6	5.7	3.2
From other sources	15.9	20.5	15.7	15.3	14.7

Source: Institute of Agriculture and Food Economy on the basis of the NAC 2002, the CSO, Warsaw 2003.

Farms not engaging in agricultural production

The size of this group of farms has been on the increase recently. As a result, almost every sixth farm fulfilled the criteria for this group in 2002. Farms which do not engage in agricultural production own small areas of low quality arable land. The share of persons with secondary, post-secondary or university education is largest among the users of these farms (around 18%), which can be explained by the fact that farmers in this group are especially active in their search for off-farm income sources. The primary sources of income for 47% of the holders of this group of farms were gainful employment and engaging in off-farm business activities.

Farms producing exclusively to meet their own needs

The national share of farms engaging in agricultural production exclusively to meet their own needs is around 11 % and is falling. In the years 1996-2002 the number of farms in this category decreased by around 36,000. The holdings that belong to this group farm small areas of arable land (2.8 ha on average) and engage in plant and animal production sufficient to meet the consumption needs of the families who own them. Income from agricultural production covering the farmer's family needs was the primary source of income for only 8% of agricultural producers' families.

Retirement or disability pensions drawn by persons living in one household with the agricultural producer were the primary livelihood for 40% of households. It should be assumed that the living standards and economic activity of 50% of farmers belonging to this group are very low. In the long-term this group of farms represents the largest farmland potential that will support the process of land reparation and the restructuring of farms producing for the market.

Farms producing mainly to meet their own needs

The group of agricultural holdings producing to meet their own needs and selling agricultural production surpluses constituted 26% of the total number of farms in 2002. These are usually non-specialised and inefficient farms. The number of such farms is falling by 33,500 per year, at the same time contributing to an increase in the number of farms that do not engage in agricultural production. On average, a single farm had 0.8 head of cattle, 1 head of pigs, 0.1 head of sheep or goats and 16.5 head of poultry in 2002. This points to very limited livestock or animal product surpluses that could be sold on local markets or to neighbours. With regard to the characteristics of holders and the production potential, this group does not differ from the group of farms producing exclusively to meet their own needs described above. Only a small percentage of farms made investments in order to adjust to market requirements after EU accession, which points to a lack of capability to accumulate the capital necessary for investment.

Farms producing mainly for the market

Farms producing mainly for the market and sometimes partly for their own needs are the largest and most stable group of Polish agricultural holdings. This is not a homogeneous group but most of its features point to a large development potential exhibited by around 50% of these farms. In the years 1996-2002 the number of farms with an area of 20-200 ha rose rapidly within this group, which testifies to an effort to improve the economic viability of farms and adjust them to the more difficult conditions of competition in the Community agricultural market. This is facilitated by the fact that a large percentage of holders are young and well educated. Around 51% of these farms made investments in 2002.

4.3.3. Threads and opportunities of holdings development

Farm fragmentation

Farm fragmentation constitutes a major weakness of Polish agriculture. It has many social and economic effects, such as low income for farmers and their families, and limits investment capital for efficiency improvements. It is also difficult to maintain product quality and 'to market' efficiency (especially in milk production) on agricultural holdings that produce only small quantities of different products. A small scale of production also obstructs the achievement of technological progress, both for financial and technical reasons.

Limitations with regard to changes in agrarian structure

The presented demographic forecasts indicate that the current decade (especially until 2005) will be a period of large increase of population in the productive age group. Thus labour market conditions will limit the transformation of the agrarian structure and the increase in labour efficiency in agriculture. The need to absorb the increased number of people in the productive age group and the limited opportunities for reducing existing unemployment will hamper the transformations of the agrarian structure in two ways. On the one hand, there will be no place for those wanting to

leave the agricultural sector, while on the other hand, employing such a huge number of people will generate strong competition for financial resources.

Considering that the transformations in agrarian structure take place on the two opposite poles of subsistence farms and farms producing for the market, agricultural policy should take into account both the development of modern capital and science-intensive areas and the support of labour intensive tasks that may be implemented even on small agricultural holdings. Support for a differentiated production structure in small agricultural holdings and the creation of jobs in rural areas will contribute to an increase in their profitability. This process is contingent upon the simultaneous development of market institutions, marketing, and rural infrastructure.

Low level of farm specialisation

Another serious structural problem lies in the low level of farm specialisation. This undermines farming efficiency, technological progress and the competitiveness of farmers on the market. However, we can assume that the stabilisation of markets under the CAP on the one hand, and the access to investment support Plans on the other, are very likely to be conducive to the establishment of specialised agricultural holdings. The multifunctional character of agricultural holdings engaging in mixed production forms sound foundations for the development of Polish agriculture in a sustainable, environment-friendly way .

The fact that the development of organic farming in Poland is less advanced than in Western Europe countries is also unfavourable. Polish organic farming production is developing gradually – there are about 2000 holdings that have been granted organic farming conformity certificates. However, many of the conditions in which Polish agriculture operates are conducive to organic farming, such as abundant labour resources and the extensive character of agricultural production. Moreover, there is a considerable potential for the development of various off-farm activities. The development of management skills and the habit of using advisory services are requirements here.

4.4. CHARACTERISTIC OF AGRICULTURAL PRODUCTION AND FOOD PROCESSING

4.4.1. Plant production

Cereal production takes place primarily in the northern, north-eastern and north-western regions of Poland. Provinces from the central and south-eastern belt are engaged in potato growing. Oil plants are cultivated mainly in north-eastern Poland, while industrial crops such as tobacco are found in the southern belt. Due to its favourable soil, climate and economic conditions, Poland is currently the largest producer of potatoes and one of the four largest rape producers on the European market. At the same time, the sugar beet accounts for a significant share of traditional Polish agricultural crops. The south-eastern and north-eastern regions of Poland are the main areas where this plant is cultivated. Due to soil and climate conditions, fruit and vegetable production is located primarily in the central and south-eastern belts.

Fruit and vegetables

In 2002 over 3.0 M tons of fruit and about 3.9 M tons of vegetables were harvested. In 2002, fruit production was carried out by over 300,000 holdings and vegetables were

grown by over 600,000 holdings and covered vegetables – about 40,000 of holdings . However, only between 15 and 20% of farmers (between 350,000 and 400,000) produced for the market. The remaining farmers grew fruit and vegetables for their own consumption. Fruit and vegetable processing is extremely dispersed. This sector currently includes between 1400 and 1500 processing plants. About 90% of the processing plants are small and employ between 1 and 50 people. The proportion of large processing companies is about 5% of the total number of processing plants. The share of newly established small companies is estimated between 80 and 90%. In 2000 about 60% (2 M tones) of fruit and about 11% (830,000 tones) of total vegetable production was processed. The majority of processing plants face problems, such as the lack of a stable raw materials base, crop dispersion, and the heterogeneity of raw materials.

The wide distribution of production is accompanied by poor technical equipment on holdings; many lack the cold rooms needed to preserve product quality and to ensure continuity of supplies.

Currently about 200 producer groups registered in this sector are able to comply with the producer groups requirements of the Council Regulation (EC) No 2200/99. However, an increase in the number of producer groups and their commodity production has been noted. Recently, supply has exceeded demand on the domestic market for processed fruit (mainly juice and traditional processed products) and continues to grow. Competition among the producers leads to concentration in the sector. As far as the production of drinking juices and soft drinks is concerned, nine companies supply over 80% of the market, and four companies supply 60% of the market with solid products.

Cereal products

There has been a reduction in the rate of decline in the consumption of processed cereal products. Over the period 2001/2002 consumption amounted to 21.8% of domestic cereal utilisation and 3.7% of cereals were used by industry. For some years industrial processing has been rising. In 2001, as compared with the previous year, large and medium companies have increased the production of wheat flour (by 0.7%), rye flour (by 1.3%), and pasta (by 6.4%), and have decreased production of groats (by 13%) and fresh bakery products (by 4.7%).

The industrialisation process of cereal milling is slowly developing. The restructuring of businesses has led towards an increase in labour productivity, which in early 2001 exceeded that of the previous year by at least 5-10%. Investment in the milling industry is rising and, simultaneously, there is a drop in the investment rate in the secondary cereal processing sector, which has already modernised its production potential.

4.4.2. Animal production

Milk production and processing in Poland

In 2003, milk production in Poland amounted to 11,450 billion litres, of which 8,589 billion litres were produced for the market (of which the share of the Extra class amounted to 80%). Over 874,000 farms keep dairy cows, of which almost 50% produce milk exclusively for their own needs, only selling seasonal surpluses to neighbours or on local markets.

Over 93% of farms engaging in milk production have herds numbering up to 9 cows. Such farms account for over 64% of the milk cow stock in Poland. Only less than 6.4% of farms have herds numbering 10 or more milk cows, of which 0.1% of farms have large herds, numbering more than 50 milk cows. About 35% of the cow stock in Poland belong to herds of 10 or more cows. An average cow herd in Poland numbers around three cows and is almost ten times smaller than in the EU-15.

A downward trend has been observed with regard to the dairy cow stock. This is caused, inter alia, by changes in farm structure, the fact that small farms owning from one to three cows cease to engage in the production of milk as well as the introduction of stricter quality requirements that must be met by milk producers. It should be noted, however, that the decrease in livestock is accompanied by an improvement in the genetic quality of dairy cattle and an increase in average milk yield. Despite the decrease in the numbers of livestock, the volume of milk production in Poland remains steady and ensures that the country is self-sufficient with regard to milk and dairy products while the foreign trade balance remains positive. According to the data published by the Central Statistical Office, the average milk yield in 2002 was 3902 kg per cow (2003 – 3940 kg per cow) and the data yielded by the assessment of cow performance conducted indicate higher an average milk yield of 5712 kg milk per cow. This is a level approaching the average milk yield in EU-15 countries.

It is estimated that the total milk production in Poland in 2003 was around 11,460 million litres (in 2004 will be around 11,840 million litres), out of which around 7,295 million litres was processed further (in 2004 about 7,660 million litres will be processed further).

There are currently 358 dairy processing plants active in the Polish milk processing sector. More than a half of them (204) meet EU sanitary and veterinary requirements 154 have been granted transition periods in order to adjust to EU sanitary and veterinary standards until the end of 2006.

The products of the Polish dairy industry are sold both domestically and worldwide. The export of dairy products (in milk equivalent) in 2002 amounted to 1296 million litres. In 2002 year, the domestic dairy industry employed around 50,000 persons.

Meat production and processing in Poland

In 200 pig and cattle production amounted to 2,601,000 tons and 523,000 tons, respectively. Almost 900,000 farms in Poland keep cattle however, only 67% of them produce for the market. In the case of pigs, over 75% of farms produce for the market.

Almost 800,000 of farms keep pigs and 75% produce for market.

The production and processing of red meat is one of the largest sectors of the national economy. The purchase of meat accounts for about 10% of the total expenses of the entire population (around 30% of food expenses). The production of pork and beef accounts for 33% of the marketable agricultural production and the sector provides jobs for over 100 thousand persons in industry and crafts and for around 1 million persons in agriculture. Annually, the meat industry slaughters around 52% of the total number of slaughter animals (1,020,000 tons). This means that as many as 48% of those animals (960,000 tons) are slaughtered outside industrial establishments. At the

present time, the meat sector is very varied and dispersed due to private investments and the privatisation of state plants; the levels of production concentration and specialisation are low. A typical feature of the Polish meat industry is the low degree of utilisation of production capacities, which usually does not exceed 62%. The technological level of establishments varies widely. Some processing industry leaders represent high standards in this respect. The standards of slaughterhouses and meat cutting plants with regard to their technological infrastructure are lower – this applies particularly to local slaughterhouses.

According to the data of the General Veterinary Inspectorate, there are currently 3157 plants in Poland that engage in the slaughter, processing and cutting of red meat, of which 1647 establishments are slaughterhouses. 377 establishments represent the highest standard, confirmed by European Union export authorisation. The group of plants that have been granted transition periods until the end of December 2007 numbers 413 firms.

The production sold by plants employing over 9 persons in 2002 was around PLN 18.8 million and the average total employment in those plants was 84,267 persons.

In 2002, a large increase in investment expenditure (to USD 170 million) was observed and the financial results improved significantly. However, the financial standing of most firms is still difficult, mainly because of the lack of working capital. In 2003 a large increase in industrial slaughter and investment expenditure was done as well as the stabilisation of meat product manufacturing and the deterioration of the financial results and financial standing of firms.

4.4.3. Organic farming

Organic farms, for which environmental protection is one of the principles of farming, had been a marginal phenomenon for a long period of time (0.03% of the area of agricultural land). The introduction of financial support for organic farms in 1999 and of additional legal regulations in 2002 created the conditions for their rapid growth. There was a threefold growth in the number of organic farms in the years 1999-2001. In 1998 there were 410 organic farms in Poland belonging to the audit system, in 1999 there were 555 with the total area of about 11,000 ha, and in 2002 the number of farms exceeded 2000 and their land area reached 44,000 ha. The average size of the organic farm in 2002 was higher than 20 ha. A share of organic farms, specializing in the fruit and vegetables production, is rather small. Organic farming is an important factor in increasing employment in rural areas because it creates new jobs and constitutes an additional source of income for farmers. The largest numbers of organic farms have been registered in Świętokrzyskie, Lublin and Mazowsze provinces.

The reasons for the uneven growth of organic farming in Poland and the hitherto low number of farmers interested in such activities can be attributed to late introduction of legal regulations or financial incentives, as well as lack of appropriate market creation for organic products, which are the primary factors conditioning the growth of this farming sector in EU countries.

The Act on Organic Farming was passed in 2001; this act regulates the conditions of engaging in agricultural production and food processing utilising organic methods and establishes a system of audit and certification of such production and processed products, the trade in organic products and the rules for labelling them. A control and certification system is based on private certifying bodies, accredited in Polish Centre

of Accreditation, according to the Polish Standard PN/EN 45011, and supervised by the Inspection of Commercial Quality of Agri-Food Products.

In this way, Poland has joined the countries in which organic farming is regulated by law and farmers are encouraged to undertake such activities. After two years it can be said that the Act on Organic Farming has had a favourable influence on the sector.

Organic farming shall be supported under Measure 4 of the RDP: *Support for agri-environment and animal welfare* and support for farmers will be available from the first year after the farm has been reoriented to organic farming.

4.4.4. Processing of agricultural products in Poland

The food industry is one of the most important sectors of the Polish economy in terms of the volume of production sold (over 20% of the total sales value of the Polish industry), the number of plants (about 30,000) and employment (411,000 people, i.e. 8.4% of the total employment in the national economy, and about 16% of the total employment in industry). Its share in the total industrial production is almost 24% and exceeds that of the EU-15 food industry, where it accounts for about 15% on average, by about 9 percentage points. Outside Poland the share of the food industry is higher only in Denmark (28%) and in Greece (27%). The gross value added generated by the Polish food industry (including the soft drink and tobacco industries) amounts to about USD 6 billion, i.e. over 4% of the gross value added generated by the entire national economy, and about 6% of GDP.

The Polish food market still has a large growth potential. Systematic growth in the Polish food processing sector as well as improvements in technology and production quality are, however, hampered by serious problems, the most important of which are:

- the shortage of domestic capital;
- an unstable raw material base in the case of many industrial establishments (weak contract links with raw material suppliers);
- lack of strong processors' groups.

Because of Poland's accession to the European Union it is necessary to modernise the agri-food processing industry in respect of veterinary, health and environmental protection standards. This is particularly true in the case of the milk, meat and waste utilisation sectors, and, to a lesser extent, in the case of the poultry sector. As far as the currently required standards are concerned, they are met only by 51 dairies, 94 meat processing plants and 31 poultry processing plants (all of them are classified as A category). A further 1,659 plants are likely to comply with EU requirements by January 1, 2004 (B1 category), and another 404 plants may adjust themselves to these requirements during the transition period (B2 category).

Those plants that have been recognised by the EU as exporters represent a small percentage of the total number of industrial establishments (particularly of meat processing plants and dairies), though they have an important share of the total production potential in the respective sectors. As for the meat processing industry, their share amounts to about 30% of slaughters and 25% of processed food articles, in the dairy sector to about 40% and in the poultry sector to over 70%.

Due to the shortages of investment capital in the food processing sector the measures aimed at achieving compliance with EU standards must be supported with public funds. It should be recognised that a number of plants will not complete their investments by the accession date and will be forced to operate only on the local market, which will make them less competitive. The adjustment of animal product processing plants to EU standards may change the structure of this sector of the food industry, as it must result in the concentration of production, particularly in respect of slaughterhouses. This will contribute to enhancing production efficiency.

4.5. THREATS AND OPPORTUNITIES WITH REGARD TO THE DEVELOPMENT OF AGRICULTURAL PRODUCTION AND PROCESSING

4.5.1. Domestic capital shortage

The Polish food market still has large growth potential. Growth in the Polish food processing sector, through improved technology and production quality, is hampered by serious problems such as:

- a shortage of domestic capital;
- an unstable raw materials base in the case of many industrial establishments (loss of contract links with raw materials suppliers);
- the lack of strong processors' associations.

One of the major barriers impeding the development of Polish agriculture is the shortage of capital, resulting from declining trends in agriculture (declining price relations) and the high costs of credit facilities (high real interest rates). Between 1996 and 2000 only 4 % of farmers invested in cow-sheds and pigsties, whereas 6 % of farmers intend to invest in these production sectors by 2004⁶. The agricultural machines owned by farmers are obsolete and depreciated. The main reason for the technical stagnation of agricultural holdings is the lack of own capital and external resources.

In the past years only 9 - 10% of holdings demonstrated a capacity for accumulation. This is due to price relations disadvantageous to farmers (squeezing price scissors) and low levels of agricultural support, expressed in PSE⁷ value. A comparison of the agricultural protectionism level in Poland and in the European Union show that an average support of agricultural producers in the EU is twice as high as in Poland. In years 1999 – 2002 in the EU the PSE indicator was approximately 40%, 34%, 34%, 36%. In the same time in Poland it counted approximately 24%, 15%, 15%, 14%. The appreciation of the Polish currency expressed in real values has intensified the difficulties in agriculture, particularly for exports, though it helped to reduce inflation. These macroeconomic conditions have led to the reduction of farmers' income for the past several years. Between 1995 and 2000, the reduction in available gross income in real terms amounted to as much as 50%⁸. In 2000, the real available gross income on individual agricultural holdings fell by 12.6% as compared to the previous year (1999).

⁶ In the group of 20 - 50 ha holdings, only 8% of farmers invested between 1996 and 2000, whereas in the group of 50 ha and larger holdings, 12.5% of farmers invested.

⁷ The PSE - Producer Subsidy Estimate

⁸ During the same period of time the increase in household income in the whole sector amounted to 21%.

Lack of capital accumulation has deprived many agricultural holdings of the possibility of development. Investment requires funds, and farmers who have no capital of their own (low incomes) cannot apply for credit facilities, given that banks require collateral and guarantees that hardly can be provided by the farmers.

4.5.2. Need of vertical and horizontal integration

The dispersed structure of agricultural production justifies and implies the necessity for developing all forms of cooperation among producers, both in the form of horizontal integration (producers' groups, machinery partnerships, etc.) and vertical integration (links between producers and recipients, agricultural product processing plants). The need for horizontal and vertical integration will increase sharply in view of the approaching accession to the Single European Market and the necessity to reduce transaction costs. As Polish agriculture is facing the problem of the lack of such relations, the risks and costs of operations are increased at each level of the food production chain. Moreover, the international competitiveness of individual agricultural holdings and companies (both in the processing and trade sectors) and of the whole sector, is reduced. Despite their unquestionable advantages, the integration processes develop very slowly, both due to errors and encumbrances inherited from the past and to the currently reduced financial and organizational support.

The reduction of nominal and real interest rates resulting from further macroeconomic stabilisation and the inclusion of Polish agriculture to the CAP will certainly enable the approximation of the economic conditions in which the Polish agricultural sector is operating to those of EU-15, and will reverse the unfavourable trends in the reconstruction of fixed assets.

4.5.3. Adjustment to environmental protection standards

Another urgent and difficult issue is the adjustment of Polish agricultural holdings to the European Union binding standards in terms of environmental protection, hygiene and animal welfare is a very difficult and urgent task. The urgency of that issue results from the fact, that the opportunity of rural development funds, Structural Funds utilization by Polish farmers, or even the possibility of a continuation of farming activity may depend on meeting those standards by agricultural holdings. The high number of holdings, their weak financial condition and rather low level of education and professional preparation of farmers are serious barriers in realisation of necessary tasks in those terms. Rural communities exhibit a relatively low level of environmental awareness. Only 30% of the farmers are aware of the potential detrimental impact of agricultural activity on the natural environment⁹.

In order to adjust Polish farming to these higher requirements, it is necessary to modernise the production base of agricultural holdings, to provide agricultural holdings with new equipment, and to ensure higher expenditure aimed at obtaining proper standards in agricultural production. The majority of these investment requirements refer to animal production (compliance with sanitary requirements in milk production and the conditions in which animals are kept). Given the difficult financial situation of agricultural holdings, these measures are expensive. The needs in this respect may be illustrated by the situation on dairy farms. Currently, in the mid-2003, there are only approximately 16,000 holdings (of about 400,000 holdings) delivering milk to the dairies, that comply with EU production conditions and milk

⁹ The data have been obtained from sociological research conducted as part of the project "Environmental Protection in Rural Areas."

quality standards (i.e. have obtained a Veterinary Inspection decision). Presently, the needs of dairy farms are related to a necessity of farm adjustment to sanitary, environmental and animal welfare requirements. Therefore, various investments are necessary, as modernisation of existing buildings or construction of new ones, including facilities for the milk storage, modern ventilation and lighting system, as well as modern milking systems.

Environmental standards in agricultural holdings are relate mainly to investments that are necessary to an appropriate agricultural utilisation of animal excrements – manure plates, slurry tanks, together with an integral facilities (pumps, mixers, installations). In the *Act on fertilisers and fertilisation* of 26th July 2000 (J. L. No 89/2000 it. 991) in art. 30 p. 2, the 8-years transitional period for farm adjustment to the requirements of having leaching-proof facilities for animal excrements storage has been introduced. Presently, there are not longer than 5 years till entering into force of that requirement. Presently, the issue of veterinary certificate (decision of Veterinary Inspection) for dairy farms is conditional in terms of necessity of possessing adequate facilities to manure storage. It is connected always with investment costs to be created for that purpose.

Taking into account a financial condition of Polish farmers, it shall be stated that those investments could not be realised within the time frames given, without the significant financial support from public funds.

Agricultural production must comply with quality requirements, taking into account consumer safety and the impact on the natural environment. In many aspects such requirements are now much more stringent in the EU than in Poland.

Lack of adjustment to the EU standards is shown also by industrial holdings, producing eggs for consumption, breeding lying hens in battery cages. In the frame of the accession negotiation the European Commission granted to 44 holdings the transitional period (till 31 December of 2009) for the utilisation of non-adjusted cages. The adjustment of such holdings will be based on a exchange or modernisation of existing cages.

4.6. QUALITY OF LAND AND NATURAL RESOURCES AND CONDITIONS IN POLAND

4.6.1. Soil conditions

Natural and soil conditions in Poland are worse than average the EU soil conditions. This is the result of the major influence of subsequent glaciations on the soil forming process, which led to the major part of the country being covered with light soils on sandy, permeable ground. Despite expensive agri-technical procedures, such soils do not enable the cultivation of a set of plants similar to the one cultivated by the EU farmers and do not produce comparable yields. This situation is also the outcome of climate conditions (lower temperatures, a shorter vegetation period and less rainfall).

In order to compare land quality in Poland with the European average the Soil Geographical Database of Europe in a scale of 1:100 000 was used. The development of which was co-ordinated by the EU Joint Research Centre in Ispra. Scoring European soils classified according to textural groups based on indicators adopted in Poland would produce an average soil quality indicator for Western Europe which would be 25% higher as compared to Poland.

The percentage share of coarse soils to the total area is twice as high as the European average (Table 7). Texture characteristics of soil cover in Poland and neighbouring countries is a derivative of glacial deposits formed in a quaternary period. As can be seen on a map the spatial distribution of coarse texture soils in north-central European regions forms a clear and continual pattern (Figure 1). Coarse texture implies a poor water holding capacity which coincides with low rainfall strongly negative water balance in a vegetation period in lowland regions. It is remarkable that the spatial trend of coarse texture distribution in neighbouring countries, particularly in Eastern Germany and Lithuania is very similar and logical consequence of the last three glaciation's periods. In this light it is evident and not questionable by any science based criteria that quality of soils in Poland does not reach the level of 80% of the EU average.

Contrasting differences between Poland and other countries are better reflected by data shown in Table 8 – it is important to stress that coarse soils in Poland are represented by sands mainly whereas in countries such as Denmark sandy loams dominate in this group.

Table 7. Percentage share of coarse texture soils in Europe

Country	% of land
Austria	16.75
Belgium	22.78
Denmark	60.05
Greece	13.35
Finland	66.42
France	13.92
Germany	27.78
Italy	20.53
Luxemburg	17.23
Netherlands	44.27
Ireland	0.37
Portugal	34.71
Spain	10.00
Sweden	3.39
UK	11.83
EU – 15 average	31.8
Poland	60.8

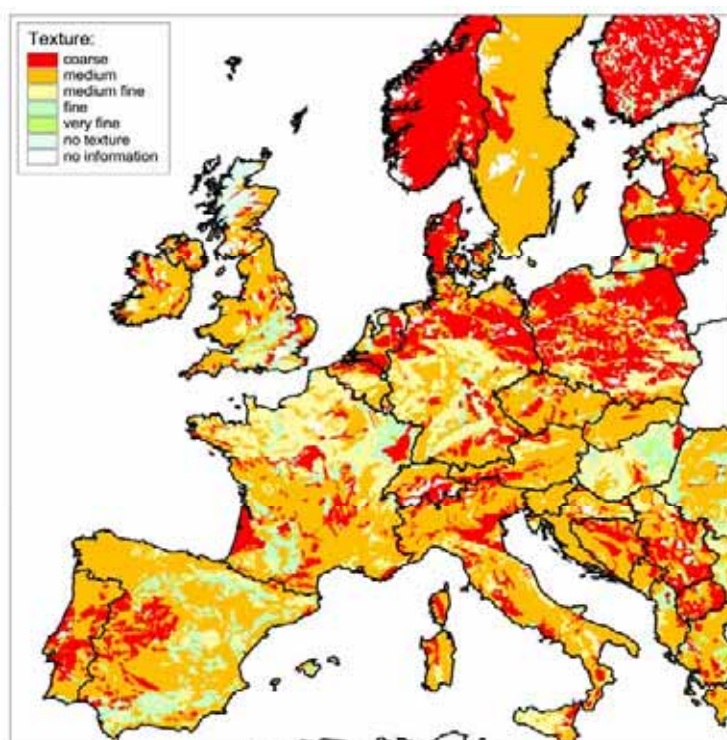
Table 8. Comparison of soil texture between European and Polish soils.

Texture classes standardized acc. to FAO	Percentage share of soils in texture classes	
	EU	PL
Coarse (clay <18% and sand >65%)	31.8	60.8
Medium (18%<clay<35% and 15%<sand<65%)	40.2	38.1

Texture classes standardized acc. to FAO	Percentage share of soils in texture classes	
	EU	PL
Medium fine (clay <35% and sand >15%)	13.0	1.1
Fine (35%<clay<60%)	13.5	-
Very fine 60%<clay	1.3	-

Source: (Wösten, 1999, Pondel et al., 1979)

Figure 1. Distribution of coarse soils across Europe



Source: European Soil Database

4.6.2. Agriculture production conditions

Similarly to soil texture, climate conditions in Poland as characterised by annual precipitation and the length of vegetation season are significantly worse than in most western European countries which is evident from the attached maps (see Table 9, Figure 3 in Annex D).

The IPCC (Intergovernmental Panel on Climate Change) climate data for Europe at the grid of 0.5 x 0.5 degree was used to calculate net primary production (NPP) according to commonly accepted Chikugo and Miami models (see Table 10). The output spatial data layer of net primary production across Europe is presented on Figure 5 in Annex D and it clearly shows a dramatic difference between Poland and countries such as western part of Germany, France, United Kingdom, Ireland, Portugal and even Italy – the productivity potential as constrained by climate is 25% to over 35% lower in Poland than in these regions. Considering that 45% and 80% of agricultural land in France and Ireland respectively is categorized as LFA, assumingly as justified by relating land quality within LFA to 80% of country's average, one may notice that based on the above comparisons soil and climate conditions in Poland are

dramatically less favourable. Comparing climate dependent net productivity in Poland with the European average, regardless to methodology used, clearly indicates that climate conditions in Poland are nearly 20% less favourable than that of the EU15. The net productivity calculated for Poland is the similar to that of Spain which has area designated as LFA on 74% of the territory.

Table 9. Distributions of annual rainfall across Europe

Country	Average Rainfall (mm)	% of area with precipitation in ranges				
		< 550	551-700	701-850	851-1000	> 1000
Austria	1148	2.8	14	12.9	9.6	60.7
Belgium	873	0	0	57.4	25.3	17.4
Czech Republic	667	12.1	56.1	24.8	6.4	0.6
Denmark	711	0.6	49.4	45	5	0
Estonia	627	0	100	0	0	0
France	839	0	17.5	45.4	22.6	14.6
Germany	706	11.7	39.1	38.6	6.7	4
Greece	658	22.4	47	21.9	5.4	3.2
Hungary	577	41.4	52.6	6	0	0
Ireland	1101	0	0	9.6	23.3	67.1
Italy	931	5.5	18.4	35.2	11.6	29.3
Latvia	639	0	91.3	8.7	0	0
Lithuania	651	0	80,7	19.3	0	0
Netherlands	770	0	0.4	98.7	0.9	0
Poland	603	31.3	58.4	7.9	1.8	0.5
Portugal	839	0	31	29.6	20.2	19.1
Slovakia	756	2.9	37	35.9	13.4	10.9
Slovenia	1351	0	0	5.5	9.2	85.3
Spain	630	52.4	24	6.3	7	10.3
United Kingdom	1162	0.2	18.3	18.5	11.7	51.3

Source: interpolation of IUNG Pulawy based on IPCC data.

Table 10. Assessment of potential crop productivity (t/ha/year) calculated for European Countries by Miami Model (Lieth 1975) and Chikugo Model (Uchijima, Seino 1985) in relation to Poland (EU15=100%).

Country	Miami model	REL to EU =100%	Chikugo model	REL to EU=100%
Austria	10.1	89	7.7	82
Belgium	12.6	110	10.1	108
Czech Republic	10.3	91	8.2	87
Denmark	10.9	97	8.6	91
France	12	108	10.3	109
Germany	10.8	95	8.8	94

Country	Miami model	REL to EU =100%	Chikugo model	REL to EU=100%
Greece	10.4	92	9.6	102
Ireland	13.1	115	10.3	110
Italy	11.5	101	9.9	106
Latvia	10.1	89	7.2	76
Lithuania	10.2	90	7.6	80
Netherlands	11.9	104	9.7	103
Poland	9.6	85	8.0	85
Portugal	12.4	109	11.5	122
Slovakia	10.4	92	8.2	88
Spain	9.7	86	8.3	88
United Kingdom	11.7	103	9.4	100
EU-15 average	11.21	100	9.4	100

Agricultural production conditions are reflected by the yields achieved, as evident by comparing reference yields in different countries. Only in the case of Finland (2.82 tons/ha), Portugal (2.9 tons/ha) and Spain (2.69 tons/ha) reference yields are close to the Polish level (3.0 tons/ha). In other countries, reference yields, which reflect average yields in a given area, are significantly higher (from 3.9 tons/ha in Italy to 6.6 tons/ha in the Netherlands or 6.88 tons/ha in the German region of Schleswig-Holstein).

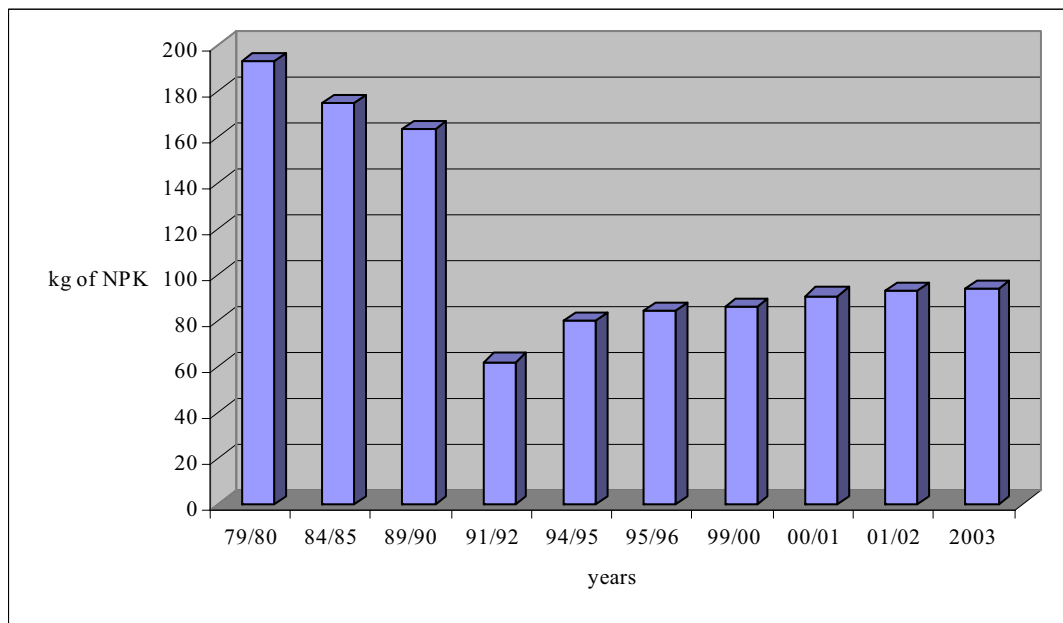
Another criterion is the height above sea level in meters used to determine mountain areas. Poland has proposed 500 meters a. s. l. as a boundary value for distinguishing mountain zones of less-favoured areas. It should be stressed that due to the location of the Polish mountains (in the northern part of Central Europe) and the significant prevalence of northern slopes, climate conditions in the Polish mountains are worse than those prevailing at comparable altitudes in the Alps. The mountain valleys of the Western Carpathians are usually very narrow (as opposed to those found in the southern part of the Slovak Carpathians) and frost, which has a negative impact on the crops, usually lingers there for a long time. It should also be mentioned that the Polish side of the mountain ranges (Tatra Mountains, Sudetes) exhibits considerable undulation, which contributes to the difficulty in farming and also facilitates the washing down of soil in the areas situated on slopes.

4.6.3. Production level and environmental condition

The intensive exploitation of natural resources taking place in many European countries is not taking place in Poland because the critical environmental equilibrium point in agriculture has not been reached here. The model utilised here is still one of labour-intensive production intensification, which results from the current labour force balance in agriculture. The Polish model of agricultural development combines a moderate increase in the capital intensity of production with relatively high labour intensity. It is an optimum structure of factors ensuring agricultural production growth without degrading the natural environment and with a relatively environmentally-friendly production potential.

One example here may be mineral fertilisation, which has significantly decreased after the year 1989/90. The lowest level (62.1 kg of NPK) was reached in the year 1991/92. Later, a moderate increase was observed (to 93.2 kg in the year 2001/2002).

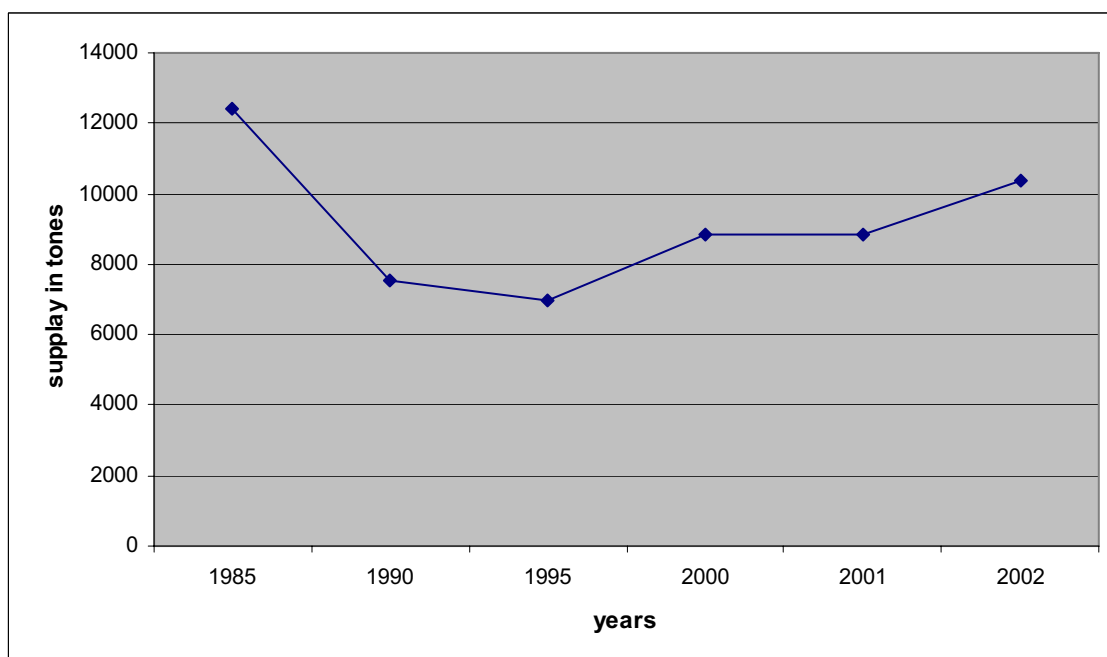
Chart 3. Utilisation of organic and mineral fertilisers in pure ingredient of NPK per 1 ha of agricultural land.



Source: the CSO

The situation with regard to the utilisation of chemical plant protection substances is similar. In the years 1990-2000, it amounted on average to 0.54 kg of biologically active ingredient per 1 ha of agricultural land and orchards, annually.

Chart 4. The utilisation of pesticides (active agent).



Source: the CSO

If we take European standards into account, the current level of mineral fertilisation and the utilisation of chemical plant protection substances in Poland must be assessed as moderate. It will not have a detrimental impact on the quality of agricultural land and agricultural products. From this point of view, production is environmentally safe.

Efficiency of inputs in crop production as related to land quality

There is a clear linear response to NPK inputs in central and northern European region as shown by data on Chart 5 and in Table 11. Using trend shown on Chart 5 for calculation of expected wheat yields in Poland under assumed fertilizer application rate, which is 85 kg of NPK per hectare, indicates that this level of input should give 54.15 dt/ha whereas the actual yield is 33.3 tons per hectare only. This means that the level of input used in Poland is not the primary factor which diminishes the crop production relative to the EU, but there is a strong contribution of natural climate and soil constrains controlling this dramatic difference. Taking the Land Quality Index (LQI)¹⁰ as an indicator of natural land productivity based on existing correlation between LQI and yields in order to achieve EU productivity the average land quality in Poland would need to be well above 100 points. In this context the estimated difference in land quality between Poland and other countries in European lowlands may be as high as 40%.

Table 11. Mineral fertilizer application rates and crop yields in European countries

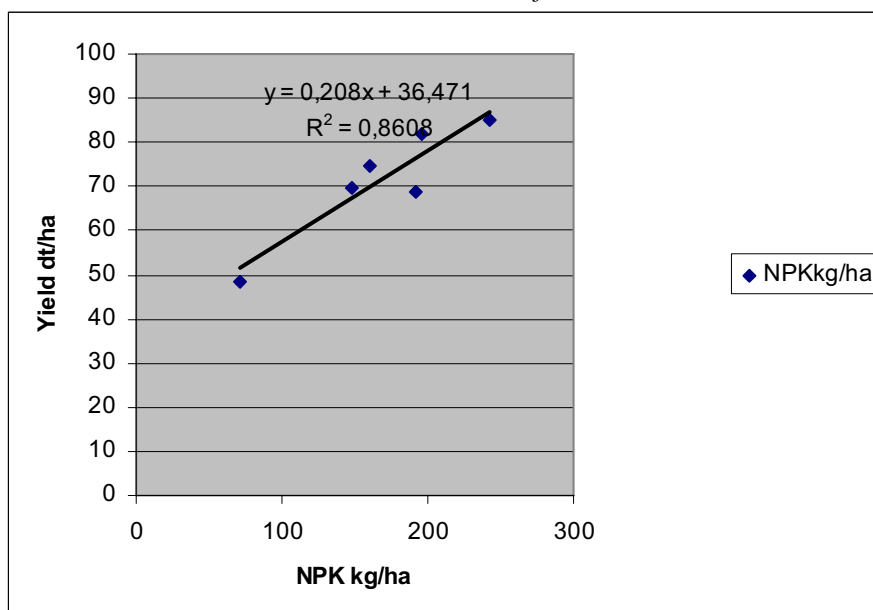
Country	NPK rate (kg/ha)	Yields dt/ha			
		Wheat	Rape	Potato	Sugar beet
EU-15	-	57.7	30,1	361	547
Austria	71.7	48.5	22.4	325	620
Belgium	196.5	82.0	35.0	446	563
Denmark	147.7	69.9	27.1	405	541
Finland	140.6	32.7	13.4	243	344
France	160.0	74.5	31.9	392	624
Greece	55.0	25.0	-	200	669
Germany	191.4	69.0	29.7	386	551
Ireland	159.0	94.5	35.0	315	482
Italy	116.0	28.7	11.8	259	445
Luxemburg	196.5	28.0	35.0	446	563
Netherlands	242.8	85.0	20.0	440	566
Poland	85.6	33.3	24.0	162	358
Portugal	62.1	10.6	-	146	559
Spain	78.0	28.8	16.7	273	643

¹⁰ The Land Quality Index describes the quality and suitability of agricultural land for agricultural production, based on the score for soil quality, agri-climate, water conditions and surface features.

Country	NPK rate (kg/ha)	Yields dt/ha			
		Wheat	Rape	Potato	Sugar beet
Sweden	87.8	61.8	22.1	303	485
UK	120.6	79.9	33.3	424	560

Source: CSO 2002, Warsaw. *Agramärkte in Zahälen. Europäische Union 2002. Tier- und Pflanzenproduktion. Bonn 2003.*

Chart 5. Wheat yield response to NPK inputs in central and northern European countries (Austria, Belgium, Denmark, France, Germany, Netherlands) – based on this linear trend wheat yields in Poland at the current 85kg of NPK/ha of mineral fertilizers should be 54,15 dt/ha instead of actual 33 dt/ha.



Source: : CSO 2002, Warsaw. *Agramärkte in Zahälen. Europäische Union 2002. Tier- und Pflanzenproduktion. Bonn 2003.*

4.6.4. Agricultural landscape and biological diversity in agriculture and agricultural area

As regards biodiversity, Poland is one of the best-endowed countries in Europe. Both favourable natural conditions and the unique (in comparison to other European countries) character of anthropogenic influence (uneven industrialisation and urbanisation, traditional extensive farming still preserved in large areas, and the existence of large forests with a long history) have contributed to this phenomenon. The situation with respect to biodiversity varies among the regions as well. Eastern and south-eastern regions of Poland boast well-preserved natural resources alongside fragmented agrarian structures. The continued existence of the traditional agricultural economy in these areas has made it possible to preserve valuable agricultural landscapes together with a great deal of biodiversity and genetic resources in the form of primitive varieties of crop plants and livestock breeds.

In the year 2003 agricultural land occupies 58.8% of Poland's territory and is decreasing (by 0.10 -0.18 %) mainly as a results of afforestation. Forest land occupy

28.5% of Poland's area. In the structure of agricultural land, meadows and pastures, most valuable habitats for biodiversity, occupy almost 21.9% of farmland.

Diversified relief, mosaic structure of landscape rich in elements which are important for wildlife (like ponds, woodlots, strip fields, wetlands), diverse soil and climate conditions contribute to the large diversity of habitats and natural landscapes in Poland. There are about 365 different types of plant assemblages in Poland, half of which are associated with agricultural areas.

According to Report on biological diversity in Poland (2003) there are some 45 types of plant communities in Poland that are utilised as meadows and pastures. 48.4% of meadows are of semi-natural character (10.5% of farmland). Approximately 90% of grassland is located in lowlands, and large proportion in river valleys. Bog and peat habitats, as well as extensively utilised meadows and pastures located in natural river valleys, bushes planted in agricultural fields, and mountain and xerothermic grasses with many endemic plant species have retained their natural and semi-natural character. Environmental value of these habitats is threatened with growing intensification of agricultural production, persisting burning-out of grass, abandoned grasslands because of livestock reduction and lower demand for fodder. Of 2415 vascular plant species occurring in Poland 54 are endangered or threatened with extinction as a result of giving up of grazing and mowing practices, ploughing grassland, using of fertilisers and means of plant protection.

The diversity of agricultural area habitats creates favourable conditions for the stable presence of around 702 vertebrates including 100 bird species. Population of white stork (*Ciconia ciconia*) and corncrake (*Crex crex*) are good indicator of farming biodiversity. Population of stork is estimated at 40,000 couples (22 couples per/100 km² of UAA) and of corncrakes at 37,900 singing males. 130 species are threatened with extinction on the European and global scales (e.g. the aquatic warbler and the corncrake). Main threat to these species is growing production intensification and concentration, abandonment land, drainage of wetlands.

Poland has established 138 bird sites of national and European importance; they will form the basis for the implementation of Council Directive No. 79/409/EEC of 2 April 1979 on the conservation of wild birds.

The preservation of traditional forms of the extensive agricultural economy has also conserved local varieties of crop plants and local livestock breeds. In the year 2000 there were 917 varieties of crop plants registered in Poland. Old plant varieties are extant predominantly in the southern part of the country, in mountain areas. However, the fact that they are rarely utilised in practice constitutes a threat for the genetic resources of crop plants. Sales of certified seeds have recently decreased (by about 30%) and crop rotation has been simplified.

Poland possesses significant genetic resources with regard to livestock. The genetic pool includes 215 local breeds of livestock. Local breeds are particularly useful for rearing in the extensive production system and environmentally friendly grazing, which allows the semi-natural areas with poor feedstuff resources to be efficiently utilised.

The environmental awareness of the Polish public is growing and environmental protection needs are being taken into account to an increasingly greater extent. The cultural and natural diversity of Polish rural areas can be considered a special asset worth preserving and maintaining

4.6.5. Cultural values of rural areas

Due to the abovementioned traditional production methods and spatial development patterns, the rural cultural landscape abounds in monuments (single ones or entire islands) of preserved original rural architecture – complexes of traditional wooden architecture with local or regional features, churches, chapels and cemeteries, structures utilised for food processing such as breweries, water-mills and windmills, granaries, granges, palaces and gardens, as well as archaeological monuments, some of which contribute to landscape features. Their preservation and utilisation is an excellent way to shape the image of rural and agricultural areas at the local and regional levels. Together with the renewal of traditional handicraft, folk culture, rituals, music and the preservation of local dialects and languages, the preservation of cultural heritage contributes to the unique and exceptional character of each region.

4.7. THREATS TO ENVIRONMENT

4.7.1. The impact of agriculture on the environment

Agricultural areas in Poland are not entirely free from threats, however. Many unfavourable phenomena have been observed, most of which are the results of mistakes from the past. These include:

- the agricultural utilisation of poor soils and soils susceptible to erosion;
- imprudent water management within agricultural catchments;
- insufficient education with regard to rational agricultural practices;
- neglect with respect to equipping agricultural holdings with environmental protection infrastructure;
- point-source heavy metal pollution of the soil.

New threats have recently appeared related to the resting of lowest-quality agricultural land and the failure to adhere to good agricultural production practices (e.g. simplified crop rotation, not using stable manure to fertilise the soil).

Thus wildlife refuges on agricultural lands may be threatened by:

- changes in the traditional system of plant cultivation and animal breeding, resulting from intensified agricultural production;
- failure to cultivate grasslands, leading to the resting and overgrowth of land, which in turn causes rare populations of birds and plants to disappear;
- delay in the utilisation of environmentally friendly agricultural production technologies.

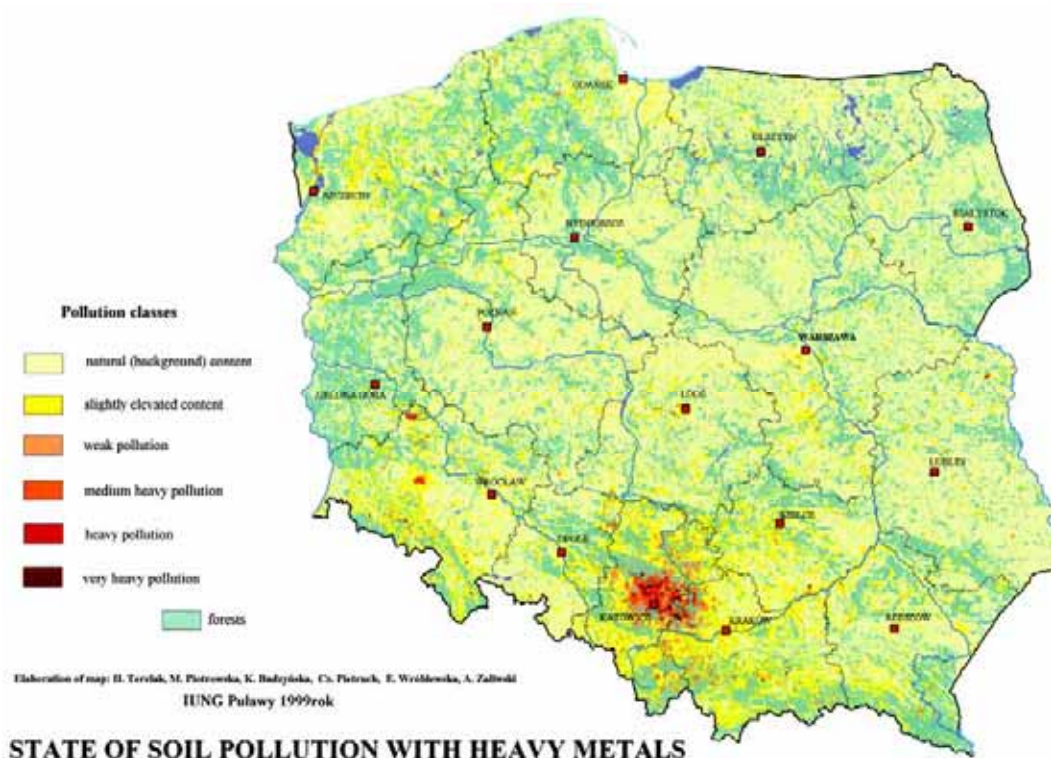
4.7.2. The intensity of soil-degrading factors

Heavy metals contamination

Average residue of heavy metals in surface soil (0-20 cm) is low. Soil contamination occurs only locally. Main source of soil contamination with heavy metals and other

toxic components is the industry and urbanised areas. Soil is contaminated main by zinc, lead and cadmic. In the year 1999 natural (0) and elevated (I) level, which do not exclude land from full agricultural use, are characteristic of 97% of farmland. High (IV) and very high (V) contamination levels, which exclude land from agricultural production, were registered in 0,3% of farmland concentrated in large industrial areas in Śląsk region and around Legnica.

Figure 2. State of soil pollution with heavy metals content in soil



Source: IUNG Pulawy 1999.

Soil acidification

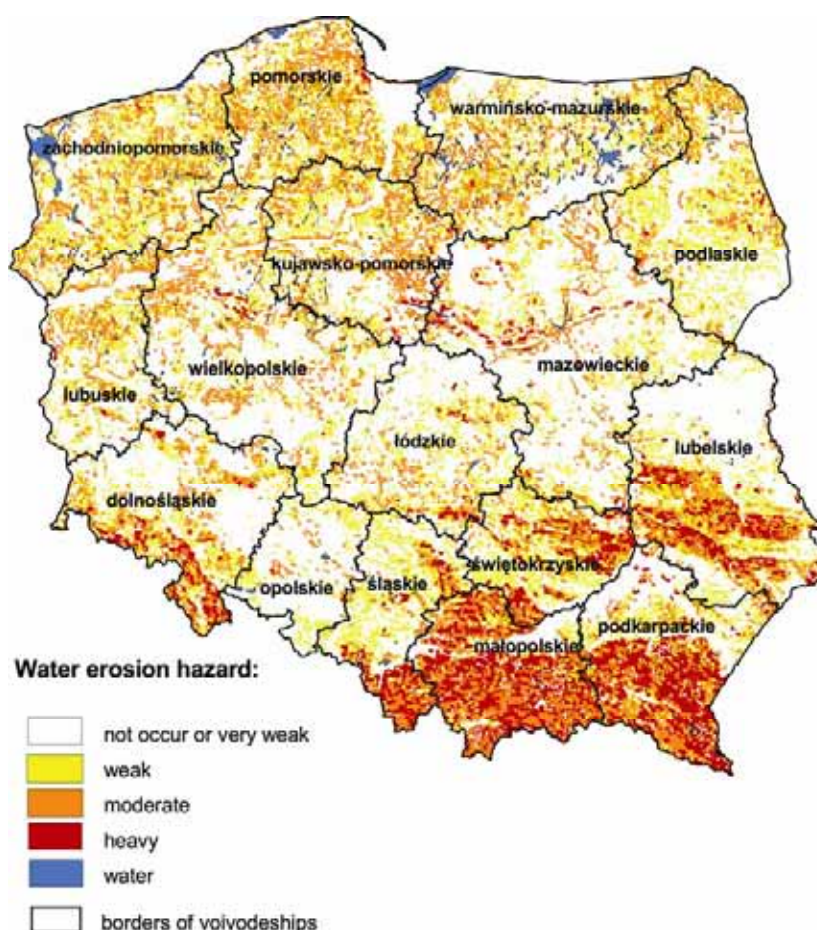
The most important factor contributing to the degradation of soil in Poland is excessive acidification, which is primarily of natural origin (caused by climate and soil conditions). Improper fertilisation is also conducive to the excessive acidification of soil utilised for agricultural purposes. Acidic and highly acidic soils constitute about 45% of agricultural lands. Excessive soil acidification has a detrimental impact on the crops and reduces the effectiveness of fertilisation, causing some nutrients to be washed out deeper into the soil profile. Excessive acidification blocks the plants' access to some nutrients and increases the absorption of some substances, such as certain heavy metals. Liming the soil is the usual way of coping with this problem, because besides reducing acidification, this procedure also improves the physical properties of the soil. The annual demand for calcium fertilisers amounts to around 2.8 M tons of CaO. In recent years the average utilisation of calcium fertilisers (expressed as pure calcium) has significantly decreased (from 182.4 kg/ha in 1989 to

94.1 kg/ha in 2001/2002), which has reduced the effectiveness of counteraction against soil acidification in Poland.

Soil erosion

Soil erosion is a result of excessive deforestation in the past and consequently of simplified landscape structure, as well as of soil misuse in areas liable to erosion, such as slopes. Erosion leads to deterioration of farming conditions, makes land barren and cut with ravines. Water erosion is a serious threat in Poland. According to estimates 28.5% of the territory of Poland is threatened by water erosion (11% to an average degree, 3.7% to a high degree). Mountain and upland areas, composed of rocks that exhibit low cohesion, are the most exposed to water erosion (80% are in high degree). Average-degree water erosion usually affects lake district areas.

Figure 3. Potential threat from water and ravine erosion.



Source: IUNG Pulawy

Wind erosion is a threat to 27.6% of the territory (for 1% the risk is high). The largest areas seriously threatened with wind erosion are situated in the provinces where the share of forests is low, with domination of light and dusty soil, e.g. in Łódź and Mazowsze provinces.

According to guidelines of Code of Good Agricultural Practice lands situated on the slopes above 20% should be permanently covered by the vegetation or afforested.

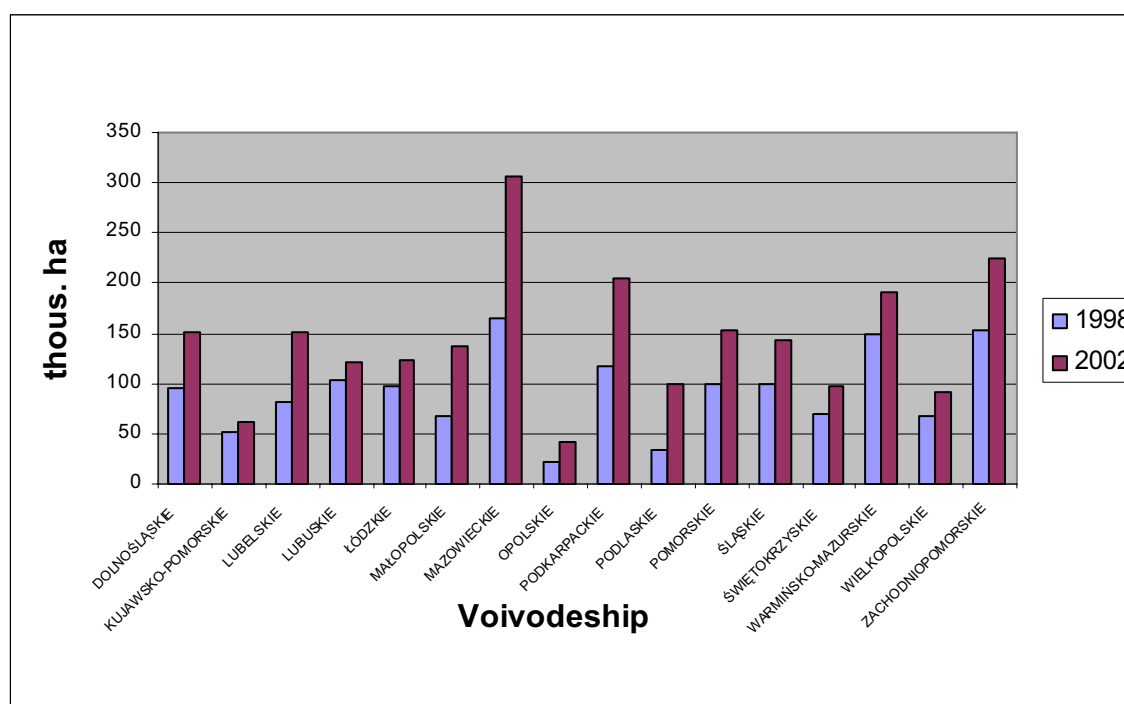
Decreasing of field size on slopes and contour field arrangement, terracing or setting up of buffer zones (shrubs, trees, sod) effectively protect against erosion. On the land endeavour by erosion anti-erosion cultivation regime should be applied, including: anti-erosion crop rotation (e.g. intercrops) or so called soil-maintaining cultivation (e.g. slope across ploughing, no-ploughing cultivation).

Counteracting erosion is not widely practiced, because agro-technical procedures aimed at preventing erosion and the creation of shields (consisting of trees and bushes) on deforested areas are costly.

4.7.3. The occurrence of abandoned lands¹¹

Failure to utilise agricultural land is a phenomenon that does not occur on a large scale in EU countries. In 2002 the area of rested and idle land in Poland was 2.3 M hectares, i.e. 17.6% of the total area of agricultural land. It is estimated that the actual area of uncultivated land is larger – especially with respect to grasslands – due to a decrease in the number of livestock and the lower demand for feeding stuffs. The appearance of high-growing vegetation on idle meadows or pastures is the primary cause of biodiversity degradation. The largest areas of rested and abandoned lands have been recorded in Podkarpacie (35.8 %), Śląsk (34.3 %), Lubuskie (32.8 %), and Zachodnie Pomorze (27.1 %) provinces.

Chart 6. Changes of abandoned land in years 1998 – 2002 in different regions.



Source: the 2002 CSO

4.7.4. Conditions and water management

Poland is considered to be a water-poor country. One of the indicators of this is the multi-annual average flow, which is just 63 billion m³/year. This amounts

¹¹ Rested lands are agricultural lands that have not been utilised for agricultural purposes for a period longer than two years.

to 1660 m³/year per capita on average, while the average surface water resources per capita in European countries amount to 4,560 m³/year per capita. The amount of surface water resources varies both according to annual and multi-annual timescales. Water resources are not evenly distributed; the central part of the country is affected by a water deficit, while the mountain regions in the south often receive intensive rainfall.

Most rivers have low concentrations of nitrates. River quality in year 2001, according to the obligatory parameters criterion (e.g. dissolved oxygen concentration, BOD₅, COD_{Mn}, phenols, chlorides, sulphates) is as follows: 40.8% of length of monitored water courses - I water quality class; 40.5% - II class; 8.8% - III class; 9.9% - non-class. The quality of Poland's river waters is affected chiefly by discharges of inadequately treated municipal wastewater and of saline mine waters, particularly from hard coal mines. Nutrients, which come mainly from municipal wastewater and surface runoff, are a serious problem leading to water deterioration of quality. Nevertheless analysis of the condition of river waters in years 1996-2001 shows a steady improvement of water quality, reflected by a decrease in the length of excessively polluted rivers and an increase in the length of rivers falling into Class II and III. Excessive eutrophication of river waters was determined in 12% of 362 tested measuring points, with a decreasing tendency of chlorophyll and phosphorus since 1992.

In years 1994-2001, 792 lakes representing almost 60% of Poland's lake water resources, were monitored. There are only 30 lakes with waters of the highest quality, representing 3.8% of all monitored lakes and 290 lakes (37%) within Class II. Lakes with Class III water quality constitute the largest group (308), which represents almost 40% of the total number of lakes monitored. Eutrophication is the most serious threat to Poland's lakes which characterized high level of susceptibility to this natural and anthropogenic process. Eutrophication in freshwater lakes is limited primarily by the availability of phosphorus and seldom to the availability of nitrogen. In recent years, a considerable decrease in the concentrations of phosphorus and nitrogen in lake waters has been recorded. This is a result of a decrease in the volume of wastewater discharged to waters and of an increase in the share of wastewater treated biologically and chemically.

The assessment of pollution of ground waters (both unconfined and confined) on the basis 7 965 test results from the period between 1991 and 2000 indicated that each year from 7.4% to 12.5% of results were between 25-50 mg NO₃/dm³, and from 9.8% to 16.9% of results indicated nitrate content exceeding 50 mg NO₃/dm³, with most pollution in unconfined ground waters. The quality of confined ground waters in active outlets, however, was significantly improved during analysed decade.

While the problem of nitrate pollution in agricultural areas is not as acute in Poland as in the EU countries, it will be aggravated by a failure to store animal manure properly. In Poland 75% of animals are reared with the use of bedding (i.e. stable manure and liquid manure are produced) and 25% are reared without bedding (i.e. slurry is produced). The most crucial problems are connected with:

- the common practices, as a storage of a stable manure directly on the ground, what influences in a negative way for pollution of drinking water wells,

subsequently, according to the Ministry of Health's data, in 2000 approximately 44.8% of farmstead wells containing poor quality water, which was unsafe for drinking (over 10 mg of nitrates/litre),

- the percentage of agricultural holdings with manure slabs and liquid manure tanks is insufficient; only about 47% of agricultural holdings have manure slabs and 3.8% have liquid manure tanks with an average capacity sufficient for 4 months' production.

One of the significant factor influencing on water quality is stocking density. Total concentration of livestock, according to results of National Agriculture Census in 2002, cattle was 5,532,7 thousand head, pigs - 18,628,9 thousand head and poultry — 198,783,5 thousand. Average stocking density is 0.45 LU/ha which is much below environmentally friendly upper limit of 1.5 LU/ha . Highest livestock density (60% of all livestock in Poland) kept on 44.8% of all farmland in Poland, is in 6 regions: Wielkopolskie, Podlasie, Kujawsko-Pomorskie, Małopolskie, Łódzkie, Mazowieckie, where the average figure is between 0.44-0.72 LU/ ha or 0.56 LU/ha.

Despite the decrease in agricultural production, the water pollution issue will be a crucial one until the rules concerning the storage of organic fertilisers and the limitation of the surface runoff of biogenic substances from fields are observed.

Water may become a limiting factor with regard to the size of agricultural production. Disturbing the water balance of agricultural areas leads to a permanent reduction in the productive potential of agricultural lands. This is why increasing the water resources in soil and in bog habitats and reducing the surface runoff of water are very important measures from the point of view of prospects for the development of agriculture in the areas already threatened by a water deficit. The insufficient water resources within the entire Polish lowland as well as the uneven distribution of rainfall can be partially balanced by an increase in available water resources.

Until 1999, the area of drained agricultural land was 36.2% of the total area. The strategy with regard to drainage measures should take the following elements into account:

- limiting new drainage projects aimed at reducing soil moisture;
- the necessity for modernisation of the existing drainage systems, aimed at the reconstruction of irrigation installations;
- the verification of drainage network functioning in areas with habitat-forming functions and in the areas where agricultural activity has ceased.

4.7.5. Air protection and climate changes

In Poland, in 1988 – 2001 the emission of greenhouse gases decreased by 30%. Estimated data in 1990-2001 shows the reduction of ammonia emission by 40%.

Table 12. Total emission of main air pollution.

Gases	1995	1996	1997	1998	1999	2000	2001
	in '000 tonnes						
S0 ₂	2376	2368	2181	1897	1719	1511	1564
N0 ₂	1120	1154	1114	991	951	838	805
C0 ₂	348926	373202	362300	338095	329739	314812	317844

Gases	1995	1996	1997	1998	1999	2000	2001
	in '000 tonnes						
CO	4547	4837	4700	4301	4364	3463	3528
Methane	2457	2252	2279	2335	2250	2183	1846
Ammonia	380	364	350	371	341	322	328

Source: the 2002 CSO

Our country has ratified “Convention on climate changes” (1994) and Kyoto Protocol (2002) which makes possible to take part in mechanisms included in these agreements.

Estimated increase of emission of greenhouse gases in our country will depend on the direction of development of Poland. Proposed solutions show that, independently of accepted variant, reduction of gases exceed considerably threshold (6%) of reduction commitments accepted in Kyoto Protocol and can reach further 30% of emission amount in base year – 1998.

Mentioned commitments concern also agriculture in following scope:

- improvement of energy effectiveness of economy;
- protection of absorption and retention of greenhouse gases through promotion of sustainable forest management;
- promotion of sustainable agriculture;
- promotion and implementation of technology which use renewable sources of energy, absorb CO₂, etc.

Realization of activities connected with air protection is discussed in document: “Climate policy in Poland – strategies of emission reduction of greenhouse gases in Poland to 2020”, accepted by Government in October 2003. Established in this document solutions give advises for different sectors designated for emission reduction of greenhouse gases and further improvement of air condition in Poland.

In agriculture the following aims was established:

- rational management of land;
- promotion of organic farming;
- afforestation.

Goals, which were mentioned above, relate to the RDP – Measure 4 and 5.

Additionally, Code of Good Agriculture Practice was elaborated, with rules of environmentally friendly farming management especially in relation to organic fertilizer management, including air protection. This Code was basis to prepare requirements of usual good farming practice which apply to Measure 3 and 4 of the RDP.

4.8. THE SYSTEM OF ENVIRONMENTAL, CULTURAL HERITAGE AND LANDSCAPE PROTECTION

The National system of nature protection

The National system of nature protection encompasses seven different categories of protected areas including mainly: nature reserve, national park, landscape park and area of protected landscape. In total, nature protected areas constitute 32.9% of the Polish territory. Only 1.5% of Polish territory is subject to the highest form of protection (nature reserves and national parks), which involves limitations with regard to agricultural activities. The function of landscape parks is to protect environmental, historical and cultural values in the areas where economic activity is conducted. The establishment of such parks does not introduce changes to the utilisation of land or the form of ownership/management. Currently, there are 120 landscape parks in Poland, with the creation of 30 more envisaged. The function of protected landscape areas is the protection of areas with varied ecosystems and valuable landscape features; there are no limitations with regard to agricultural activities, connected with a threat of environmental pollution, in such areas.

In Małopolska and Podkarpacie provinces and in Warmia- Mazury (the so-called Green Lungs of Poland), more than half of the territory is under protection. The ratio of agricultural lands to forests is lower within the protected areas. Agricultural land constitutes slightly above 44% of protected landscape areas.

Table 13. Size of environmental protection system and the percentage share of agricultural land within particular nature protection form.

Protection category	Number of areas	Total size (in '000 ha)	% of total country territory	% of arable land	% pastures and meadows
National park	23	314.5	1.0	5.3	11.5
Nature reserve	1354	149.0	0.5	4.5	7.3
Landscape park	120	2486.1	7.9	30.4	8.0
Protected landscape area	412	7271.4	23.2	42.9	10.3
Total	1909	32595.9	32.6		

Source: the 2002 CSO

NATURA 2000 network

Over 500 sites meeting international environmental protection criteria, resulting from Directive 79/409/EEC on wild birds protection and Directive 92/43/EEC on wild habitats protection and on wild fauna and flora protection have been primarily identified in Poland. In the framework of NATURA 2000 there are 420 Sites of European Importance proposed by Poland, that occupy around 21 % of the territory of the country (65,600 km²).

As a result of regional consultations, the following types of areas have been proposed:

- 69 the Special Areas of Conservation (SAC) with the area 24,335 km² (7.7 % of the country area) and 3 marine areas SAC with the area 8,794 km²;
- list of 184 proposed the Special Protection Areas with the area 11,716 km² (3.7 % of the country area).

See also maps and lists of areas in Annex T.

Monuments and cultural landscape protection

The system of protecting monuments and cultural landscape in agricultural and forest areas includes the entry into the register of immovable cultural property and the establishment of conservation and protection zones as well as reserves and cultural parks included in local development plans. The issue of cultural heritage protection in developed areas applies to preserved rural architecture complexes, single residential and sacral architecture monuments, and monuments related to agricultural production and food processing. Outside the developed areas, the monument protection system includes primarily various types of archaeological, immovable cultural property, especially when it shapes terrain features (e.g. ramparts, grave-mounds, embankments, dykes). Entry into the monument register places the owner or land user under the obligation to exercise care in order to preserve the monument, which may entail limitations with regard to utilisation of the area included in the entry. Such limitations may also result from local development plans with regard to the above mentioned protection zones, reserves and cultural parks.

4.9. FORESTS AND THE FOREST ECONOMY IN POLAND

4.9.1. Forest structure in Poland

The share of forests in Poland's territory is 28.5% (9,113 M ha), lower than the European average of 32%. Over the past 11 years the share of forests has risen by 0.7%. From the point of view of optimal land utilisation and environmental protection, the share of forests should be about 33-34%.

Forests in Poland are not distributed evenly; they are best preserved in the areas where the potential for biological production is lowest. The share of forests within provinces varies from 20.6% to 48.2%. The central, agricultural regions of Poland have the lowest share of forests while in the south-eastern and western regions the share is highest.

With regard to the type of forest, coniferous forests dominate; in 2002 they occupied an area of 6,777.7 M ha (ca. 76% of total forest area). The area occupied by deciduous forests was 2,140.3 M ha (ca. 24% of total forest area). Pine has the largest share among forest-forming trees and is usually found in artificial pine monocultures. The area of deciduous tree stands has been growing gradually in recent years. The constant increase in the average age of tree stands – currently 50 years – also attests to their improving structure.

With regard to ownership structure, State Treasury-owned forests dominate, occupying 7,283 M ha (81.7% of total forest area). A major part of these forests (6,987 M ha) is managed by the State Forests (Państwowe Gospodarstwo Leśne – Lasy Państwowe). Private forests and forests owned by communes (municipalities)

account for 1.555 M ha (17.4% of the total forest area) and 80,000 ha (0.9% of the total forest area), respectively.

Afforestation needs in Poland have been stated in the National Afforestation Plan (Krajowy Program Zwiększania Lesistości, KPZL), which was passed by the Council of Ministers in 1995 and updated in 2003. According to this document the share of forests in the territory of Poland should increase from 28% to 30% by 2020.

Table 14. Areas afforested during the years 1995 – 2002 by province.

Lp.	Province	The area of agricultural land (ha '000) afforested during the years 1995-2002		
		State -owned	Not owned by state	total
1	Dolny Śląsk	8.8	1.2	10.0
2	Kujawy-Pomorze	6.0	3.1	9.1
3	Lublin	2.3	7.6	9.9
4	Lubuskie	5.7	0.3	6.0
5	Łódź	2.3	8.4	10.7
6	Małopolska	0.7	3.2	3.9
7	Mazowsze	2.5	12.4	14.9
8	Opole	1.7	0.3	2.0
9	Podkarpacie	3.5	4.6	8.1
10	Podlasie	6.6	4.6	11.2
11	Pomorze	7.5	2.4	9.8
12	Śląsk	1.0	1.1	2.1
13	Świętokrzyskie	0.8	4.2	5.0
14	Warmia-Mazury	17.2	3.6	20.8
15	Wielkopolska	8.4	5.7	14.1
16	Zachodnie Pomorze	16.5	0.6	17.1
POLAND		91.5	63.3	154.8

Source: CSO "Forestry – Statistical Yearbook"

4.9.2. Private forest resources

Private forests occupy an area of 1,545 M ha, of which 1,447 M ha are the property of natural persons and 68,000 ha belong to joint land properties.

The structure of forests not owned by the state is similar to the overall forest structure – coniferous forests (primarily pine and larch – 1,170 M ha) prevail, constituting about 73% of the total forest area.

In general, forests not owned by the state are fragmented and dispersed into small areas and forest estates. The average area of a private forest estate is around 1.28 ha. Only 0.2% of agricultural holdings include forest complexes larger than 20 ha. These forests grow in poorer habitats than state-owned forests and the quality of their tree stands is lower. The density of tree stands in private forests is lower (124 m³/ha) than that of state forests (212 m³/ha); the average ages of tree stands also differs (40 years for private forests, 57 for state forests).

Apart from a very small number of joint forest properties include only 4.6% of the forest area there are 4 private forest owners' associations in Poland. Agricultural chambers still do not concern themselves with issues related to private forests. Currently, no organisation represents the group interests of private forest owners; they have no influence on forest laws and forestry policy. There is virtually no incentive for private forest owners to organise into associations in order to represent and promote common interest.

4.9.3. National afforestation needs

The National Woodland Extension Programme (Ministry of the Environment 2003) includes afforestation needs both on state-owned and private lands. The afforestation of around 70,000 ha of private land has been planned for the years 2001-2005; this measure will be mainly implemented in areas particularly suitable for afforestation (919 communes have been classified as such), but also in other areas of the country. The largest number of communes with significant afforestation needs are located within the following provinces: Wielkopolska (147), Mazowsze (122) and Kujawy-Pomorze (98). On the basis of the assessment of commune-level afforestation plans, it has been estimated that in the years 2004-2006 the afforestation will cover 46,000 ha of the private agricultural land, on average 15,000 ha annually. There is a map with different afforestation preferences in Annex A.

4.10. STRENGTHS AND WEAKNESSES OF RURAL AREAS AND AGRICULTURE

The table below demonstrates the current state of rural development. It presents the findings of the SWOT analysis, which was conducted for the purpose of defining the objectives and priorities of the Plan.

Table 15. Set of SWOT analysis results.

Strengths	Weaknesses
Ample land resources	High percentage of poor and acidified soils
Multifunctional properties of agricultural holdings of mixed production	High registered and hidden unemployment
Large settlement network and rich human resources that may be conducive to the development of non-agricultural activities	Low income of the rural population
Favourable age structure of farmers	Fragmentation of agricultural holdings
Low unit costs of labour and land	Low managerial skills of farmers and limited application of good agricultural practices
Good state of the environment	Poor technical, social, transport and environmental protection infrastructure
High natural and tourist value of agricultural	Poor education among the rural population
	Low level of self-organisation

<p>landscapes</p> <p>High tourism potential</p> <p>Low use of chemical inputs in agriculture</p> <p>Well-preserved biodiversity, including agricultural genetic resources</p> <p>Well-developed network of protected areas</p> <p>Extensive agricultural consultancy system and forest services</p> <p>Increasing social activity</p>	<p>Relatively poor natural conditions for agricultural production</p> <p>High diversification in the development of counties</p> <p>Low and declining profitability of agricultural holdings suffering from cash deficits</p> <p>Poorly developed services network in rural areas</p> <p>Lack of own capital and low interest in (lack of trust) acquisition of external capital and lack of credit capacity</p>
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Opportunities	Threats
<p>Adoption of EU legal solutions regarding support for the development of agriculture and rural areas</p> <p>Opening of the EU markets to Polish agricultural products</p> <p>Application of the Common Agricultural Policy and multifunctional rural development policy (second pillar) to Polish agriculture</p> <p>Potential use of structural funds to accelerate the modernisation and restructuring of agricultural holdings</p> <p>Development of new forms of non-agricultural activity, including consultancy services, private forestry and the market for forestry services</p> <p>Diversified market for traditional and regional products</p> <p>Attractiveness of rural areas for farm tourism, including cultural one.</p> <p>Growing market for organically-produced foodstuffs</p> <p>Multifunctional development of rural areas</p> <p>Planned development of NATURA 2000 network.</p>	<p>Competition from EU agricultural producers may force Polish producers out of the market</p> <p>High costs of adaptation to EU standards will force weaker operators out of the market</p> <p>Growing economic disparity in the regions, lack of social and economic cohesion</p> <p>Temporary growth in unemployment</p> <p>Excessive specialisation, concentration, chemicalisation and intensification of agriculture may give rise to environmental threats</p> <p>Degradation of the environment and agricultural landscapes, as well as cultural landscapes</p> <p>Weak preparation of advisory service (theoretical and organisational)</p> <p>Aggravated conflict between agriculture and environmental protection</p>

4.11. THE LINKS BETWEEN THE RURAL DEVELOPMENT PLAN AND OTHER PROGRAMMES IMPLEMENTED DURING THE PRE-ACCESSION PERIOD

4.11.1. Measures with respect to the restructuring of the food sector and the development of rural areas

So far, the measures related to rural development and the restructuring of the agri-food sector were mainly aimed at:

- improving the organisation of the agri-food market and developing modern institutions within this market;
- investing in agricultural holdings;
- projects generating new jobs in the off-farm production, services and trade sectors in rural areas;
- vocational training;
- developing technical and production infrastructure in rural areas;
- investments in the agricultural and food processing sector;
- support for organic farms;
- early retirement;
- afforestation of agricultural land.

The abovementioned measures have been implemented both under the programmes implemented by the Agency for the Restructuring and Modernisation of Agriculture and the Agricultural Property Agency, and under pre-accession EU Programmes such as SAPARD, Phare and the Rural Development Programme.

4.11.2. Investment in agricultural holdings

Support for investments on agricultural holdings was provided by the Agency for the Restructuring and Modernisation of Agriculture, mainly in the form of investment credit interest subsidies and grants under Measures 2 of SAPARD programme.

The following investments in agricultural holdings are financed by the Agency for the Restructuring and Modernisation of Agriculture in the form of credits:

- the purchase of farmland;
- the establishment or equipping of holdings by persons less than 40 years old;
- the establishment or equipping of holdings under the Program of farm settlement on State Treasury land approved by the Minister of Agriculture and Rural Development and by the Minister of Finance;
- the implementation of projects in agriculture and special sectors (use of the existing farm and/or special sector production base for initiating or increasing production);
- the restoration of production on holdings and in the special sectors of farm production in regions struck by drought, hailstorm, excessive precipitation, frost, flood, fire or rodent attack.

Credits subsidised by ARMA are granted by commercial banks with which the Agency (ARMA) has concluded relevant agreements. The subsidy granted by the

Agency (ARMA) differs and depends upon the type of credit. Credit is contingent upon the preparation of a business plan, approval from the competent Agricultural Advisory Centre (ODR), and the submission of an application to the bank that is cooperating with the agency.

Guarantees and securities represent other forms of assistance offered by the Agency with respect to credits intended for investments, including support for young farmers.

The following investments have been selected for pre-accession SAPARD support:

- restructuring of milk production;
- modernisation of specialized livestock farms;
- construction, development and modernization of farm buildings;
- purchase of machinery and equipment for agricultural production and animal foundation stock;
- preparation of the production base for special areas of agriculture production.

The 15 582 applications was applied under Measure 2 of the SAPARD programme till 30th of April 2004, including almost 11,000 in February and March. At 30th of April 2004 ARMA signed 10 674 agreements with beneficiaries for global amount of 501229 859.89 PLN. The measures of the Sectoral Operational Programme *The Restructuring and Modernisation of the Food Sector and the Development of Rural Areas* aimed at investments on agricultural holdings under so-called Priority I – *Support for changes and adjustments in agriculture*, are a consequent continuation of the Plans implemented before accession.

4.11.3. Creation of new jobs in off-farm production, services and trade in rural areas

Activities related to the generation of new jobs in the off-farm production, services and trade sectors in rural areas were mainly undertaken by the Agricultural Property Agency¹², the Agency for the Restructuring and Modernisation of Agriculture also as the Paying Agency for SAPARD programme and by the World Bank loan in the frame of the Rural Development Programme.

The relevant programmes of the Agricultural Property Agency (APA) are aimed at alleviating unemployment in the areas of the former State Holdings (PGRs). In addition, APA cooperates with institutions and organisations that are engaged in regulating unemployment, and provides assistance to local and regional initiatives aimed at job creation.

APA in particular:

- 1) Assigns its own funds for preferential credit facilities subsidised by the National Labour Office. These are intended for the generation of new jobs in the off-farm production sector for unemployed former State Farm workers and their family members.
- 2) Provides securities against credits granted by the Labour Fund to unemployed former State Farm workers for undertaking business activities and to employers who run businesses on the former territories of State Holdings. It also enters into guarantees against bank credit facilities (loans) for legal and natural persons

¹² Former name: Agricultural Property Agency of the State Treasury.

running businesses associated with the development or cultivation of the former State Farm assets.

- 3) Implements a Programme of "micro-loans" intended for self-employment in co-operation with the Rural Support Fund.
- 4) Partially refunds the salary and wage costs of employers, or provides other financial support for employers who create new jobs in off-farm businesses. This decreases the costs incurred in the employment of new workers.
- 5) Supports local unemployment control Programmes (including participation in establishing local guarantee funds) – the is addressed to the local government authorities.
- 6) Participates in the unemployment control Programmes coordinated and implemented by the relevant ministries and government bodies.

Between 1996 and 1999 the Agricultural Property Agency distributed considerable funds obtained under EU grants for creating new jobs. The *Unemployed Animation Fund* (over 3.8 M EUR) allowed the creation of almost 3,600 new jobs and 165 independent businesses. The *Supplementary Fund* of 0,37 M EUR (PLN 1.7M), which allowed 420 new jobs to be created, was an extension of the UAF.

The Agency for the Restructuring and Modernisation of Agriculture also supports the creation of new jobs. For this purpose the Agency grants – through the intermediary of commercial banks – low-interest loans from the Agency's fund intended for natural and legal persons operating or undertaking off-farm business activities in rural and rural/urban communities (small business plan). Between 1998 and 1999 the Agency granted loans to employers from the Labour Fund to generate new jobs for the unemployed living in rural and rural/urban communities. Between 1995 and 2001, 5,786 loan agreements were concluded for the creation of new jobs. This amounted to 44,507.865 EUR (PLN 209,943,600), originating from the small business Plan and Labour Fund. These measures allowed for the creation of 19,710 jobs in rural areas. Moreover, ARMA subsidises credit interest related to investment intended for creating new off-farm jobs in the rural and urban-rural gminas and in cities with less than 20,000 inhabitants. Between 1996 and 2001 the Agency granted 94,072.079 EUR (PLN 443,738 M) in credits to 3,491 investors, which enabled the creation of 17,750 new jobs.

National support measures was enhanced by Measure 4 of the SAPARD programme *Diversification of economic activities in rural areas providing for multiple activities and alternatives income* which was implemented in 2003. The 7 500 applications under Measure 4 of the SAPARD programme was applied till 30th of April 2004. 1105 agreements was concluded for the amount of 90 934 861.85 PLN.

The Rural Development Programme will last until July 2004 and is financed with a significant amount of domestic funds and loans given by the World Bank. It is meant to support rural development. The Programme's key element – referred to as Component A – "micro-loans" – is mainly aimed at the creation of off-farm employment opportunities. Subcomponent B1 of the Rural Development Project deals with the Programme of Reorientation/Retraining designed to revitalize the rural population and to create new job opportunities, primarily through a system of advisory assistance, information and intermediation.

These activities are complementary to the Sectoral Operational Programme *Human Resources Development*, which will be implemented by the Ministry of Economy,

Labour and Social Policy using the funds of the European Social Fund, the Sectoral Operational Programme *Improvement of the Economic Competitiveness* funded by the European Regional Development Fund, and the *Integrated Operational Programme of Regional Development*.

4.11.4. Vocational training

The activities related to vocational training are mainly implemented by the Agency for Restructuring and Modernisation of Agriculture. They include:

- subsidising projects associated with improving the qualifications and skills of the rural population, and
- subsidising projects associated with advisory services, information on agriculture and hands-on vocational training;

The Agricultural Property Agency participated in similar projects in order to implement:

- an educational grant programme for school children from former State Farm (PGR) areas– a Programme called *Improvement of the Educational Opportunities for Children From Former PGR Housing Estates* and so-called *bridging educational grants*, which allow particularly talented young people originating from poor families to continue education at State colleges.
- the organisation of training courses for the unemployed and workers threatened with job loss.

Apart from Component B1, the Rural Development Programme (RDP) also includes Component B2 – Education, which deals with the improvement of conditions and the level of teaching in primary schools and junior secondary schools in rural areas. Enhancing the skills of rural school graduates will improve their professional prospects and make them more competitive on the labour market.

Agricultural advisory centres supervised by a governor of a province as well as regional advisory centres dealing with the issues of agriculture and rural areas, supervised by the Minister of Agriculture and Rural Development, organise training courses for farmers and rural area residents. The courses cover the management and organisation of agricultural holdings, new technologies, requirements resulting from EU legislation, running rural tourism farms, business activities outside agriculture, retraining, etc. Apart from training and advisory services financed from province budgets and from the budget of the Ministry of Agriculture and Rural Development as part of their statutory responsibilities, advanced vocational training for farmers is also supported; such training is subcontracted to research institutions, associations, foundations, and other non-public entities dealing with problems that are essential from the point of view of national agricultural policy.

The Minister of Agriculture and Rural Development contributes to the financing of various educational initiatives aimed at young people from rural environments, the translation of scientific research results into agricultural practice, and the creation of relevant databases. The best research projects implemented are awarded annual MARD prizes.

Actions aimed at the generation of new jobs in the off-farm sector in rural areas will be implemented under the Sectoral Operational Programme *Improvement of Economic Competitiveness* and *Integrated Operational Programme of Regional Development* and will be complementary to the Programme *Human Resources Development*.

4.11.5. Development of the technical and production structure in rural areas

The Agency for the Restructuring and Modernisation of Agriculture will be the key organization for implementing Programmes related to the development of the technical and production infrastructure. ARMA is subsidising the construction of water supply and sewage networks as well as the modernisation and construction of roads in rural areas.

The Agency's tasks, together with Voivodeship Board of Land Reclamation and Water Facilities, include also implementing European Investment Bank (EIB) and European Council Development Bank (ECDB) loans that were taken by the Polish government for the repair of the damage inflicted by 1997 flood to basic land improvement facilities. The investments included repair and modernisation of the existing dykes and the construction of new ones, the repair of roads, and the construction of storage reservoirs. Between 1997 and 2001 investments in basic land improvement facilities amounted to over 215.984 EUR (PLN 1,018.8 M).

These undertakings were partly continued by the Agency under Measure 3 of the SAPARD programme ('development of rural infrastructure') in form of grants to improve supply of energy and water, development of road transport and telecommunication networks in rural areas. The 6 230 applications of the measure 3 of the SAPARD programme were applied. Till 30th of April 2004, 43 % of the amount committed to this measure had been allocated for 1853 projects (global amount: 838 075 382.75 PLN).

In 2002 the Agency was appointed as the institution that will implement the EBI's loans, drawn by the Polish government for repairing the 2001 flood damage to basic land improvement facilities in the Vistula basin.

The Agency also implements Component C – *Rural Infrastructure* of the Rural Development Programme, implemented in 2002-2004, funded by the World Bank loan. These investments are implemented across the country and provide support for construction and modernisation projects on municipal and county roads, water supply, sewage disposal, waste water treatment plants, as well as solid waste management.

The Phare *Social and Economic Cohesion Programme*, which is mainly aimed at the creation and development of infrastructure that improves the investment climate in a given area, also covers the implementation of investments related to infrastructure development in rural areas. Grants are provided for the co-financing of infrastructure projects in municipalities covering investments in waste water treatment and solid waste management, sewage and gas networks, local transport, and the adaptation of areas for business needs.

The above-mentioned measures will be complementary to projects co-financed from the European Regional Development Fund (ERDF) under the *Integrated Operational Programme for Regional Development*.

4.11.6. Investments in the agricultural and food processing sector

Investment related measures in the agricultural and food processing sector are mainly implemented by the Agency for the Restructuring and Modernisation of Agriculture. The Agency subsidises credit interest in relation to basic investment credit intended for, but not limited to, the financing of investments in the agricultural and food processing sector, and supports the following sector programmes:

- the restructuring of potato starch processing;

- the restructuring and modernisation of the meat processing industry;
- the dairy programme.

Furthermore, the Agency also grants guarantees and securities against credits intended for investments in the agricultural and food processing sector.

Since year 2002 modernisation of the agri-food sector is supported by Measure 1 *Improvement in processing and marketing of food and fishery products* of the SAPARD programme. 79.54 % of amount for this measure was committed by 30th of April 2004 within 899 contracts for a global amount of 1084, 304 921.79 PLN.

The Phare is focused on supporting the modernisation of the Polish agricultural and food processing sector, particularly with respect to compliance with EU standards. The project *Common Dairy Fund*, aimed at the restructuring of Polish dairies and their adaptation to EU standards (implemented under Phare 1999) as well as measure 1 of the SAPARD programme, precede the measures planned in the Sectoral Operational Programme *The Restructuring and Modernisation of the Food Sector and Rural Development* of Priority III – *Development and Adjustment of the Agricultural and Food Processing Sector to EU Standards*. Because of their extent and the amount of funds the scope of measures included in this priority is larger than the Phare project. Furthermore, projects implemented earlier under Phare 2000 (to be completed by the end of 2003) and Phare 2001 (to be completed by the end of 2004) will be of considerable importance for the efficient implementation of this priority. These cover the area of veterinary, phytosanitary and food control organisation, as well as arrangements for the mechanisms of the Common Agricultural Policy.

4.11.7. The protection of agricultural and forest land

Measures related to the protection of agricultural and forest land are based on the Act on the Protection of Agricultural and Forest Land of 3 February 1995 (J.L. of 22 February 1995).

The protection of agricultural land consists of: limiting the conversion of such land to non-agricultural and non-forestry uses; the prevention of degradation and devastation of agricultural land and damage to agricultural production caused by non-agricultural activities; and land reclamation and developing land for agricultural use as well as the preservation of peat bogs and small natural water reservoirs. It should be pointed out that the Act on the Protection of Agricultural and Forest Land allows the conversion of agricultural land when the present mode of utilisation causes damage to archaeological sites situated on this land.

The protection of forest land consists of: limiting the conversion of such land to non-forestry and non-agricultural uses; the prevention of degradation and devastation of forest land and damage to tree stands and forestry production caused by non-forestry activities; the restoration of value to lands that have lost the features of forest land as a result of non-forestry activities; and enhancing the value of forest lands and preventing decreases in their productivity.

Limiting the conversion of land to non-agricultural or non-forestry uses means that in order to convert the land, the owner must obtain a permit from the appropriate authority allowing for the function of the land to be altered, and must also pay a fee.

The owners of agricultural lands are obliged to prevent soil erosion and the appropriate authority may issue a decision ordering the owner to afforest the land or establish tree or shrub plantings or permanent grassland in order to protect the soil

from erosion. The owner of the land is eligible for reimbursement by the Agricultural Land Protection Fund of the cost of purchasing the necessary seeds and seedlings.

The funds for implementing the principles of the protection of agricultural land derive from the Agricultural Land Protection Fund; in the case of the protection of forest land through proper forestry practices, the funds come from the Forest Fund (the Act on Forests, J. L. No 91.101.444 of 8 November 1991).

In 2001, a major part of the funds from the Agricultural Land Protection Fund was allocated to the construction of access roads (12.5 M EUR, PLN 59 M), land reclamation and the development of agricultural land (1.04 M EUR, PLN 4.9 M), soil fertilisation and improvement (0.72 M EUR, PLN 3.4 M), and measures aimed at increasing water retention storage in small reservoirs (0,66 M EUR, PLN 3,1 M). The lowest amounts of funds were allocated to erosion prevention.

In 2001, the Forest Fund allocated 4.79 M EUR (PLN 22.6 M) for investments implemented by the State Forests; the total expenditure of the fund was 136,63 M EUR (PLN 644.5 M). The income from fines and fees related to the exclusion of forest land from production, as well as amounts due from damages, amounted to 12.42 M EUR (PLN 58.6 M).

The Measure 5 – *Agri-environmental measures and afforestation (pilot projects)*, scheme 5.2. – Afforestation, under SAPARD programme was planned to implement, but taking into account launching this time a new support for afforestation agricultural land as well as short time left to the accession it was removed (approved by the Resolution no 11/2002 of the Team – SAPARD Monitoring Committee of 7th February 2002).

4.11.8. The afforestation of agricultural land

The support related to the afforestation of agricultural land is based on the Act on Forests (J.L. of 2000, No 56, it. 673 with later amendments), and to the end of 2003 was based on the Act on Agricultural Land Intended for Afforestation (J.L. of 2001, No 73, it.764 and of 2003, No 46, it. 392)¹³, which stated the principles of earmarking agricultural land for afforestation, of cultivating forest crops, and the amount of reimbursement for the exclusion of land from agricultural use.

Under National Woodland Extension Programme, in years 1995-2000 the total afforested area was 111,300 ha, i.e. 111.3 % of the area projected. However, Programme implementation results on State Treasury owned lands differed from those of private lands. 82.4 % of the afforestation projected on private land was implemented. This resulted, among other things, from insufficient funds for supporting afforestation measures, which are expensive, require substantial labour input, and are beyond the financial capabilities of Polish farmers.

In 2001 – 2002, on the beginning stage of the implementation of the second part of the Programme, proportions between state and private afforested land was improved, mainly because of expenditures from Forest Fund, and from 2002 also thanks to the financial incentives based on the act on agricultural land intended for afforestation. In 2001 jointly was afforested 23,000 ha, 11,500 ha of the state land and the same area of the private land, in 2002 jointly was afforested 20,300 ha of land, 9,700 of the state land and 10,600 of the private land. In 2001 – 2002 the total afforested area was

¹³ This act of law was removed by the act on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) from 28 November 2003.

90.2% of the planned area, but estimated annual afforestation in the first stage of the Programme was 16,000 ha, and in the second stage 24,000 ha.

The funds for already-implemented afforestation projects came from the state budget, from the Forest Fund of the State Forests (primarily the financing of seedlings), and from Regional Environmental Protection and Water Management Funds. The preparation of plans for new afforestation and the supervision of afforestation projects are the capacities of a relevant county's governor, who usually delegates these functions to forest inspectorates or establishes his/her own specialist services. The increase in the area of afforested private agricultural lands in the years 1996-1997 resulted from the implementation of the Phare Forestry Development Programme (EC/EPP/94/203).

Table 16. The implementation of the National Woodland Extension Programme in years 1995-2002.

Stage 1

Year	Area planned for the afforestation		Afforested area			
	State-owned land	Private land	State-owned land		Private land	
	'000 ha	'000 ha	'000 ha	%	'000 ha	%
1995	8.3	8.3	11.9	143.4	3.7	44.6
1996	8.3	8.3	12.2	147.0	5.3	63.9
1997	8.3	8.3	9.7	116.7	8.6	103.6
1998	8.3	8.3	10.7	128.9	6.2	74.7
1999	8.3	8.3	12.5	150.1	7.1	85.2
2000	8.3	8.3	13.1	157.3	10.3	123.6
Total	50	50	70.1	140.2	41.2	82.4

Stage 2

Year	Area planned for the afforestation		Afforested area			
	State-owned land	Private land	State-owned land		Private land	
	'000 ha	'000 ha	'000 ha	%	'000 ha	%
2001	10.0	14.0	11.5	115.0	11.5	82.1
2002	10.0	14.0	9.7	97.0	10.6	75.7
Total	20.0	28.0	21.2	106.0	22.1	78.9

Source: Ministry of Environment

The support for the afforestation of agricultural land based on the Act on Agricultural Land Intended for Afforestation (J.L of 2001 r. No 73, it.764 and of 2003. No 46, it. 392) started in 2002. The lands earmarked for afforestation were usually class VI or V soils, susceptible to erosion or degraded.

The total area of land earmarked for afforestation cannot be less than 0.4 ha and cannot exceed 30 ha, while a minimum separate area must be at least 0.1 ha. The total area of land earmarked for afforestation may include land belonging to up to three agricultural holdings, on the condition that there is a common boundary between at least two plots forming the area earmarked for afforestation that belong to different agricultural holdings.

After obtaining the administrative decision concerning the cultivation of forest crops, the owner becomes eligible for a monthly reimbursement for the exclusion of land from agricultural use and the cultivation of forest crops. Reimbursement payouts are financed from the budget state funds by means of the Agency for the Restructuring and Modernisation of Agriculture. Around 4900 hectares of land were afforested in the first year after the Act had been passed.

4.11.9. The development of organic farming

The number of organic farms has grown dynamically in the recent years, primarily in south-eastern and central Poland. This growth is linked to the introduction of subsidies towards the cost of the audit system in 1998 and – crucially – the introduction of subsidies per hectare of organic crop in 1999. This caused the number of organic farms to rise threefold within just three years. In 2001 there were 1787 such farms comprising a total area of around 38,000 ha, and in 2002 – almost 2000 farms of total area about 44,000 ha.

Table 17. The number and area of organic farms in years 2000-2002.

Certification system stage	2000		2001		2002	
	Number of farms	Area in ha	Number of farms	Area in ha	Number of farms	Area in ha
Total number of farms, of which:	1,279	22,371	1,778	38,731	1,977	43,898
With a certificate	405	8,445	669	12,862	882	24,412
2nd transformation year	41	757	223	7,454	505	13,522
1st transformation year	405	13,269	886	18,415	590	1,590

Source: MARD

4.11.10. The protection of genetic resources in agriculture

Coordinated measures aimed at protecting genetic resources of livestock have been implemented in Poland since 1996. The Minister of Agriculture delegated this task initially to the Central Livestock Breeding Station, then to the National Livestock Breeding Centre, and finally, from 1 January 2002, to the National Research Institute of Animal Production. The National Animal Genetic Resources Coordination Centre has been created within the Institute; the Centre cooperates with the Advisory Team as well as with nine working groups (dealing with cattle, horses, pigs, sheep, goats, poultry, fish, bees, and biotechnology).

In May 2002, 32 population genetic resource protection programmes were approved for implementation; these programmes include a total of 75 livestock breeds, varieties, lines, and families.

The rearing of local animal breeds included in protection programmes has been supported for many years by subsidies from the state budget; the level of subsidies and the number of animals from specific breeds and varieties eligible for subsidy are decided annually by the Regulation of the Minister of Agriculture and Rural Development. The above-mentioned measures will be complementary to Measure 4 Support for Agri-environment and Animal Welfare under the Rural Development Plan.

4.11.11. Early retirement

The Act on Early retirement in Agriculture of 26 April 2001 has been in force since 1 January 2002 (J. L. No. 52 it. 539). This Act is not in force since January 2004, as this support is to be provided by the Measure 1 of the RDP. The implementation of the Act has been entrusted to the Agricultural Social Security Fund (KRUS), and the funds for its implementation derive entirely from the state budget. The objective of this act is to encourage farmers of pre-retirement age (5 years before the retirement age) to cease economic activity at an earlier moment and hand over the owned agricultural holding in order to enlarge an existing holding (the area after enlargement must be at least 15 ha) run by a farmer with proper occupational skills.

The minimum area of a farm whose handover entitles the farmer to apply for a structural pension is 3 ha.

The early retirement amounts to 150% of the minimum retirement pension and is paid out during a maximum of 5 years but not after the eligible party has reached the retirement age. From the 1 March 2003 the monthly retirement pension is 175.74 EUR (PLN 826.48).

The act stipulates that the final deadline for application submission is the end of the first quarter of the relevant calendar year. Monetary allowances awarded on the basis of applications submitted during a given year are paid out from the date (not earlier than 1 January of the next calendar year). This is why the first payment of early retirement awarded on the basis of the abovementioned act will occur in 2003.

Up to the middle of 2003, approximately 1,200 applications for early retirement were submitted to the Agricultural Social Security Fund. The preliminary conditions were met by 769 persons who declared 626 agricultural holdings to be handed over, consisting of a total area of 8996.06 ha. Since 1st of January 2003, 460 persons get subsidies when they stopped with agricultural commercial production. In 2003, 587 of new applications for early retirement was submitted.

The participation forecast predicted applications from 8,000 beneficiaries. The limited interest in early retirement based on the abovementioned act is caused by demanding eligibility criteria for the early retirement Plan, the low amount of the allowance, and the increased interest of the farmers in future direct subsidies and other allowances under the CAP Accompanying Measures, including early retirement under the Rural Development Plan.

4.11.12. Agricultural producer groups

The process of forming new groups started in the years 1992-1993. It can be estimated that before entering into force the Act on support for agricultural producers groups

around 700 groups had been registered in Poland. The number of members and the volumes of commodity production offered by individual groups vary widely, but the production potential of any of them is a small fraction of the potential of similar organisations in the European Union.

So far the largest number of groups consists of the producers of fruit and vegetables, pigs, cereals, oil plants and potatoes. Over half of the groups do not sell their products through the group itself. The remaining groups declare that, though such sales are made, they seldom account for 100% of products; most often the declared common sales are in the range of 20-40% of products relevant for a given group, produced in the agricultural holdings run by group members. Over half of the groups engage in common purchases of production means. Only 5-10% of the groups own common facilities and equipment for product storage, washing, cleaning, sorting and packaging.

The most important problems related to the limited interest in establishing producer groups and the functioning of these groups are caused by the following factors:

- lack of experience with group activities;
- the farmers' low awareness of advantages resulting from common action;
- negative experiences with agriculture cooperatives from the years 1948-1990;
- the lack of funds to start efficient economic activity;
- difficulties with concluding contracts, resulting from the unwillingness on the part of some customers to conclude contracts with groups,

Support for agricultural producer groups is presently based on the Act on Agricultural Producer Groups and Associations of 15 September 2000 (J.L. No 88, it. 983). Support granted to producer groups that meet the criteria stipulated in the act is earmarked for the establishment of the group and support of its administrative activities within five years from the date on which a marshal of a province issues an administrative decision concerning the group's fulfilment of criteria stipulated in the act.

Another act that provides support for fruit and vegetable producer groups is the Act on the Organisation of the Markets of Fruit, Vegetables, Hops, Tobacco and Dry Fodder (J.L. of 2001, No 3, it. 19). This act adjusts Polish law to European Union law with regard to the common organisation of the fruit and vegetable market.

The two abovementioned acts are currently being implemented. To the end of 2003 were registered 55 of agricultural producer groups. To encourage agricultural producers for co-operation in the Measure 1 of the Polish SAPARD programme was foreseen substantial increased support when the beneficiary is a producer group. The support for establishment of producer groups granted in above-mentioned measure will be replaced with Measure 7 Support for agricultural producers' groups under the Rural Development Plan.

4.12. EU ASSISTANCE UNDER THE PRE-ACCESSION PROGRAMMES

4.12.1. Phare Programme

PHARE Programme in agriculture in the years 1990-1997

The sectors in which Phare Programme resources are used in Poland also include agriculture, rural areas, and agricultural and food processing. Funds committed to

these sectors amount to about 10 % of the total funds allocated to Poland by the EU under Phare Programme.

The priorities, including the management and the types of tasks that have been funded, have changed significantly from year-to-year during the ten-year period during which the Phare Programme has been operational.

In the very beginning of its implementation, the assistance was mainly aimed at material supplies.

In successive years, technical assistance was foremost in the form of advice, training, transfer of agricultural know-how, and organisation and management designed to foster a popularisation of the principles of the market economy.

Since 1998, the Phare Programme has become oriented "*towards accession*", instead of the earlier approach of "*meeting the needs*" formulated by the candidate countries. The priorities for each country were laid down in the EU "Accession Partnership" document, which formed a base of preparation by Poland of a "National Programme for the Adoption of the Acquis" containing an extensive Annex on the agricultural sector. The list of projects and their budgets are presented in the Annex B.

New Phare orientation 1998-2003

Within the new Phare orientation, the Programme has been divided into three groups:

1. Institution Building

Since 2000, projects aimed at adjusting government and local government administration to the requirements of the European Union have been supported under this component. The Ministry of Agriculture and Rural Development is one of the beneficiaries of this part of the Phare Programme.

The implemented projects belonging to this group have contributed to the creation of human resources and institutional adjustment with regard to the requirements of the *acquis communautaire*.

Information and data concerning the support for Poland with regard to the restructuring of agriculture and rural areas under the Phare Programme can be found in Annex B.

2. Social and Economic Cohesion (Phare SEC)

In 2000, after the introduction of pre-accession support instruments implementing the regional development policy in Poland (under the Agenda 2000), the Phare Social and Economic Cohesion (Phare SEC) has been launched.

The Phare Social and Economic Cohesion Programme is meant to reduce the discrepancies in the development levels of individual regions and to contribute to strengthening the social and economic cohesion of Poland by promoting economic activity, the creation of new jobs, the solution of social problems and the development of infrastructure for economic activities. This Programme is also an instrument aimed at developing Poland's ability to prepare and implement operational programmes co-financed by structural funds (the European Regional Development Fund and the European Social Fund) under Objective 1 of EU structural policy in the future.

Apart from its material effects, the most important results of the Phare SEC Programme include:

- acquisition of practical skills with regard to programming regional development and preparing operational programmes,

- increasing awareness of regional policy principles among potential beneficiaries,
- providing practical experience with regard to the efficient combination of funds.

3. Phare Cross-Border Cooperation Programme (CBC)

The objective of the Phare CBC Programme is to promote cooperation between border regions and the neighbouring regions of EU member states and thus provide them with assistance in overcoming specific development problems. The objectives of the Programme are consistent with the objectives of the INTERREG Community Initiative implemented in the EU member states. The Phare CBC Programme supports measures aimed at modernisation and developing infrastructure (including transport infrastructure), protecting the environment, and developing tourism, economic activity and business-related cooperation as well as human resource development initiatives (education, training). The small Euroregion project fund is also implemented in the Programme.

The following programmes are implemented under Phare CBC: Phare CBC Poland – Germany, Poland – the Czech Republic, Poland – Slovakia and Poland – the Baltic region.

Poland obtained support amounting to a total of EUR 64.667 M under Phare'98, of which Polish agriculture obtained EUR 7.5 M. The list of projects and their budgets is presented in Annex B.

Under Phare'99 the scale of support rose considerably – the total amount reached EUR 213.5 M, of which EUR 27.6 M was for agricultural projects.

Under Phare 2000, the allocation of funds for Poland increased once again. The total amount of support was EUR 484.36 M, of which EUR 43.6 M was allocated for co-financing projects submitted by the Ministry of Agriculture (the list of projects and their budgets is presented in Annex B).

The support under Phare 2001 was similar to that under Phare 2000. The total budget of Phare 2001 for Poland was EUR 468.45 M, of which EUR 32.92 M was for projects submitted by the Ministry of Agriculture. The National Phare 2001 Agriculture Programme was prepared on the basis of the arrangements included in the 2000 Regular Report from the European Commission, the general priorities of the 1999 Accession Partnership, and the National Programme of Preparation for Membership. The Programme concentrates on projects dealing with institutional development and on investments aimed at strengthening Poland's capability to adopt and implement the *acquis* with respect to, for example, agriculture.

Under Phare 2002 the agricultural sector will obtain support amounting to EUR 35 M. The measures implemented under Phare 2002 are consistent with the Action Plan prepared by the Polish authorities together with the Directorate General Enlargement of the European Commission. The objective of this Action Plan was to determine the list of the most important projects that should be initiated and implemented in 2002 by the Polish administration and the judiciary system in order to strengthen their capacity to carry out the tasks indicated in the Accession Partnership, as well as the obligations undertaken during the negotiation process and included in EU support programmes for Poland.

The Phare 2003 Programme in general assumes to continue the earlier measures aimed at strengthening the Polish administration in order to carry out the tasks resulting from EU membership.

4.12.2. The SAPARD Programme

The SAPARD Programme is an instrument of support for the development of agriculture and rural areas and building institutional potential.

The objectives, priorities and tasks included in the pre-accession SAPARD Programme are based on the analysis of the situation in the rural areas of Poland and in the agri-food sector. The SAPARD Programme is focused on measures aimed at improving the efficiency of the market, quality and health standards, as well as the means for maintaining and creating new jobs in rural areas. SAPARD Programme is also a tool facilitating the adoption of the *acquis communautaire* related to the Common Agricultural Policy (particularly with regard to the experience in creating the paying authority) and should prepare Poland to utilise the structural funds after it becomes a member of the EU.

The strategic objectives of the SAPARD Programme are as follows:

- to improve the competitiveness of the Polish agri-food sector, both domestically and internationally;
- to adjust the agri-food sector to safety, hygiene and food quality and environmental standards in line with *acquis communautaire*;
- to stimulate the multifunctional development of rural areas by supporting the development of technical infrastructure and boosting business activities outside of traditional agriculture.

These objectives should be achieved through carrying out tasks under the following measures:

- 1) Measure 1. Improving the Processing and Marketing of Agricultural and Fishery Products.
- 2) Measure 2. Investment in Agricultural Holdings.
- 3) Measure 3. The Development of Rural Infrastructure.
- 4) Measure 4. Diversification of Economic Activities in Rural Areas.
- 5) Measure 5. Agri-environmental Measures and Afforestation (pilot projects).
- 6) Measure 6. Vocational Training.
- 7) Measure 7. Technical Assistance.

On 2 July 2002 the European Commission decided to confer the management of the SAPARD Programme to Poland for 5 out of 7 measures. This meant acknowledging the readiness of Polish institutions to implement the programme pursuant to EU requirements. On the basis of this decision by the European Commission, the practical implementation of Programme measures No. 1, 2, 3, 6 and 7 was initiated. The budget for these measures accounts for 87% of funds available under the programme. On 13 November 2003, the European Commission issued a decision conferring the management of EU funds with regard to Measure 4 *Diversification of Economic Activities in Rural Areas*.

On 1 August 2003, Measure 5 *Agri-Environmental Programme (pilot project)* was approved by Commission Decision.

Measure 5 of SAPARD *Agri-environmental Programme (pilot projects)*, aiming at encouraging farmers to obeying environmental rules in farming and promotion of

nature protection, was to be implemented in 4 pilot areas: (1) Biebrza and Narew valleys, (2) Warta Mouth valley, (3) Warmia-Mazury (part of the province), (4) Podkarpacie (part of the province).

Nevertheless, taking into account a short time left to the accession date and time-and fund-consuming process of accreditation, the Monitoring Committee for SAPARD Programme recommended on its meeting held on 9th December 2003 , not to proceed with further activity leading to accreditation. (resolution N° 30 voted by the Monitoring Committee on 9.12.2003). The removal of scheme 5.2. Afforestation (pilot project) Measures 5 of PO SAPARD was approved by the Commission decision of 11th July 2003.

Measures currently implemented under SAPARD Programme are financed by the funds available under the 2000 - 2003 AFAs. By 30th of April 2004 the total of 1,778 applications within the Schemes of Measure 1; 15,582 within the Measure 2; 6,230 within the Measure 3; 7500 within the Measure 4 (Table 18).

Table 18. Number of applications and uptake of AFAs funds for 2000 -2003 by 30th of April 2004.

Measure	Number of applications	Number of commitments	Amount of commitments in PLN	% of AFAs
1	1778	899	1084 304 921.79	79.54
2	15582	10674	501 229 859.89	117.98
3	6 230	1853	838 075 382.75	43.08
4	7 500	1105	90 934 681.85	24.75
6	4	4	65 755 188	88.16
7	4	4	13 824 320.22	88.17
Total	31 090	14531	2 514 544 846.28	61.32

Source: the Ministry of Agriculture and Rural Development

Within the frames of Measure 6, 8 training projects have been accomplished with 6,000 farmers have been trained. As regards Measure 7, seminars and conferences for 8,000 potential beneficiaries of SAPARD Programme have been completed.

During SAPARD programme implementation a need to modify some of its provisions that limited the farmers' and food processing industry' scope of utilising the funds was noticed. Part of the changes came into force on 30 July 2003 and subsequently on 24 October 2003.

The experience and skills gained by Polish administration and other entities benefiting from the SAPARD Programme will be utilised to implement support measures under the SOP and the present RDP.

Table 19. UE financial support under the SAPARD Programme and PHARE Projects in agricultural sector in Poland in 2000 - 2003.

	2000	2001	2002	2003	Total
	in euro				
AFA's in SAPARD*	171 570 075	175 057 271	179874468	182 907 972 ***	708,160,429
Project Phare**	38 812 000	32 920 000	34730000	42 505 000	148,967,000
Total	210 382 075	207 977 271	214 604 468	42 505 000	857,127,429

* AFAs – Annual Financial Agreements. Under 2003 AFA the regulations based on Commission Regulation No 188/2003 modifying Commission regulation No 2222/2000 was introduced, which give the possibility to extend the time limit for use of the UE Commission's commitments under 2000, 2001 and 2002, correspondingly to the end of 2004, 2005, 2006. Total Polish co-financing is 235,818,467 EUR.

** Projects budget stated in the project fiches spent in years defined in the project fiches. Phare projects 2000, 2001, 2002, 2003 cover mostly the support for the institutional development related to the agricultural sector. Total national co-financing equals 79,568,800 EUR.

***New AFA 2003 has not been signed yet

Taking into account the existing needs and art. 3 pt 2 of the Commission Regulation (EC) No 447/2004 of 10 March 2004 laying down rules to facilitate the transition from support under Regulation (EC) No 1268/1999 to that provided for by Regulations (EC) 1257/1999 and 1260/1999 for the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Slovenia and Slovakia, saying “*Payments for projects for which appropriations under Regulation (EC) No 1268/1999 are exhausted or insufficient may be included in rural development programming for the period 2004 to 2006 under Regulation (EC) No 1257/1999 and financed by the EAGGF Guarantee Section.*”, the Polish side has dedicated certain funds to that purpose.

Conclusions of the mid-term evaluation of the SAPARD Programme

The Mid-Term Evaluation of the SAPARD Programme in Poland in the Years 2000-2003 has been prepared and submitted to the European Commission on 23 December 2003. The Mid Term Evaluation of the SAPARD Programme has been performed in accordance to the EC guidelines.

There is an overall balance between efficiency and equity in the allocation of SAPARD Programme funds mainly due to the capacity of the local administrations in the disadvantaged areas to absorb the available resources for measure 3 (rural infrastructure) as set against the steadier flow of resources going to finance the restructuring of agri-food business in the more developed areas.

Larger enterprises tended to be the first beneficiaries of SAPARD Programme even though there has not been a deliberate policy to support larger enterprises.

There is an opportunity to introduce specific provisions for small grants schemes with simplified procedures, if a policy for assistance to smaller farms and agri-food business is adopted.

Increase of income and reduction of unemployment. The information obtained shows that average income has increased by 20% as an effect of programme investments, both for farms and food processing plants. There is no evidence of a reduction of

unemployment as a direct effect of SAPARD investments, but the indicator selected to show the capacity of the programme to create and preserve work places in rural areas (i.e. *“improvement of relationships between farms and processing industry”*) is quite positive (26% of farms having improved their relations with the food industry)

Improvement of food quality and safety and compliance with EU standards proved to be the first priority for both farmers and food producers: 31% of investments in Measure 1 and 57.6% in Measure 2 are devoted to this purpose. 79% of the SAPARD Programme supported food processing plants are attempting to meet EU food hygiene and veterinary standards and are adopting other industry food quality standards as well. This share will increase to 85% on the completion of investments. Farms also are improving their rate of compliance with standards. Before SAPARD Programme started on the surveyed farms, 13% of production was matching EU standards, a share that had grown to 17.6% by the time of the evaluation. The contribution of SAPARD Programme to this effort is still small since life of the programme is still short and also because so few beneficiaries have been financed; the food processing plants complying with EU standards as a direct result of SAPARD Programme aid also represent a very small share of the total: 4.4% of existing dairy plants, 0.8% of meat plants, 0.5% of fruit and vegetable processing plants.

A significant commitment to progress in safety and hygiene at work has been achieved. This was the main objective for 46.3% of projects financed on farms. Over 40% of food processing plants respondents stated that they have improved labour conditions as a result of investments financed by SAPARD Programme.

Significant improvements in animal welfare have not been achieved by the programme. The numbers of applications for the relevant sub-measures are very low and the conditions required to secure assistance are considered to be too expensive and difficult.

Further efforts are required to promote the importance of environmental protection. Measure 5 has been not activated; dust pollution of food processing plants is reported to have decreased by 10%, but gas emissions are reported to have gone up slightly; On farms some 34 out of 54 respondents included environmental aspects in their investments but environment is the main objective for just 13% of investments under Measure 2, as against 57.6% of investments devoted to improving the quality of production.

The main effect of the changes made to the programme since it began has been to allow beneficiaries to use SAPARD Programme assistance for more commercial purposes rather than for investments with a more public purpose. This has increased the rate of uptake.

The institutions involved in the SAPARD Programme now have unique know-how, not available elsewhere in Poland. The present structure is succeeding to manage most of the 7 measures of SAPARD Programme. There are now some 600 persons working on SAPARD in a central office and in 16 regional offices of the SAPARD Agency. Major institutional building has been performed in the years 2000 to 2003.

Key Conclusions:

- 1) It is necessary to build up capacity in parallel with strategic planning. The design of a Programme must be made in relation to the resources that are available to implement it. Thirty months passed from the approval of the SAPARD Programme and the start of the programme. Defining procedures, establishing the whole institutional architecture, building up the capacity of the SAPARD Agency

proved to be a challenge much harder than expected. The gap between the organisation and the capacity required for managing SAPARD Programme will be greater for the Structural Funds.

- 2) Focus procedures on beneficiaries and problems and the public interest. A minor problem related to a large flow of applications, coupled with procedural details (method of calculation of time limits inconsistent with the system of Calls for Proposals) has caused a potential problem of outstanding queues of unregistered applications and a risk of an unfair allocation of resources. More flexible procedures and customer-oriented applications would prevent future problems of this kind. At the same time, the changes made to the Programme have reoriented assistance more towards the private interests of the beneficiaries and away from the public interests defined in the Programme objectives. The rates of support for some eligible expenditure (tractors) will be hard to defend and yet difficult to change.
- 3) The Polish agricultural and food industry is dualistic. There are farms and processing plants which are potentially very competitive. They will tend to absorb most of the SAPARD Programme assistance both because of their size and their ability to seek assistance. A large number of small enterprises also exist, mainly managed by older traditional farmers and business persons. The challenge for any assistance programme is how to change this feature of rurality from a liability into an asset. Specific small grant facilities such as in Measure 4 should assist the preparations for INTERREG and Leader Programmes.

The overall conclusion is that the SAPARD Programme has been a success in term of institutional building and could have been a success in terms of achievements, if had been activated sooner. As it is, it proves the viability of Polish agriculture, local institutions and agri-business, but the contribution to solve the structural problems of rural Poland will be limited.

Based on the above, some specific recommendations can be proposed as listed below.

- 1) Simplified business plans should be adopted for Measures 1 and 2; at the same time, more meaningful information should be provided, such as the incremental expected profitability.
- 2) A small grant facility should be introduced which makes it easier and quicker for small grants to be accessed and processed.
- 3) Regional envelopes proved not particularly important, except for Measure 3. Adopting mega-regional envelopes would probably create a more flexible system and at the same time to better match the funds provided to the realities of rural Poland.
- 4) Environmental and animal welfare aspects and other more public aspects of supported projects could be more successful if the procedures are applied in a more beneficiary friendly way and if own labour could qualify for assistance.
- 5) More emphasis should be given to training in non-technological aspects, such as budgeting, marketing and farm accounting and some institutional innovation is required to accumulate and disseminate training experiences as they are acquired.
- 6) More incentives should be introduced for young people, included training. At the same time, the age limit for Measure 2 should be raised or the existence of successors taken into account and the qualifications of agricultural experience be reviewed.
- 7) The re-introduction of economic assessments of infrastructural investments is possible, appropriate and necessary for ranking.

- 8) The lapse of time between Calls for Proposals (CfPs) should be not too long. Periodic CfPs can be utilised when financial resources are limited and ranking procedures must be utilised, otherwise open CfPs can be adopted. The difference in performance between regional offices calls for a closer monitoring activity and for targeted training programmes including exchange of experience and staff between offices.
- 9) Consistency between the time limits for operations and procedures should be increased. At present, the use of time-limits related to the process coupled with periodic CfPs has created the potential for a major problem. The causes are relatively easy to remove, the effects less.
- 10) In order to cope with the long queue of outstanding applications, it seems advisable to simplify the business plans, to change the system of site visits (performing site visits on a sample of the applicants and beneficiaries), to process in parallel the different stages of appraisal of the applications and to introduce a FIFO system instead of ranking for Measure 3, seeking at the same time for alternative funding for the eligible infrastructure which will not be financed by SAPARD.
- 11) The monitoring system should be improved in terms of technological means, methodology utilised (including the preparation of a list with an appropriate selection of indicators to be collected), and human resources, that at present are not sufficient.
- 12) The Information Unit could be most effective now the Programme is underway focusing on target groups in coordination with other initiatives such as training courses. The monitoring committee should be better and more frequently informed about physical progress. To this end small sub-committees could be made up of co-opted members of beneficiaries and officials to monitor in detail and report on progress towards the programme objectives.

5. THE STRATEGY, OBJECTIVES AND PRIORITIES OF THE RURAL DEVELOPMENT PLAN

5.1. The RDP assumptions

The Rural Development Plan (RDP) corresponds to the instruments financed by the Guarantee Section of the European Agricultural Guidance and Guarantee Fund (Council Regulation (EC) No 1257/99). A policy paper independent of the RDP is "*The Restructuring and Modernisation of the Food Sector and the Development of Rural Areas*", a Sectoral Operational Programme (SOP) co-financed by the EAGGF Guidance Sector.

Implementation of the Polish Rural Development Plan shall be conducted pursuant to the requirements of the EU, and especially with Art.1 and 12 of the Council Regulation (EC) n° 1260/99 laying down general provisions on structural funds, which states that operations financed by the Funds and activities receiving support from the EIB or from another financial instrument shall be in compliance with the provisions of the Treaty, with instruments adopted under it and Community policies and action approved therein, and, within this, with the rules on environmental protection.

In particular all operations undertaken shall comply with the Habitats and Wild Birds Directives (92/43/EC and 79/409/EC) and where applicable with the Directive on Environmental Impact Assessment (85/337/EEC as amended by 97/11/EC).

Additionally, all actions realised must be carried out according to the Polish legislation on environment. In cases where applicable environmental Community legislation is not yet transposed into national legislation, the relevant EU directives shall directly apply until their effective transposition.

The measures envisaged under the RDP are consistent with the priorities of the Sectoral Operational Programme and thus compatible with the strategic objectives of the National Development Plan (NDP), which has been preliminarily formulated as follows: developing a competitive knowledge-based and enterprise-focused economy that will be capable of long-term harmonious development; ensuring the growth of employment and the achievement of social, economic and spatial cohesion with the European Union at the regional and national levels.

The measures envisaged under these two Programmes are complementary; therefore, they will mutually contribute to achieving the supreme goal of rural development.

Table 20. Measures of the SOP and the RDP.

RDP measures	SOP measures
Early retirement	Investment in agricultural holdings
Support for semi-subsistence farms	Setting-up of young farmers
Support for agricultural holdings in less-favoured areas	Vocational training
Support for agri-environment	Support for agricultural advisory services
Afforestation of agricultural land	Water resources management
Support for adjustment of agricultural holdings to the EU standards	Land reparation
Support for agricultural producer groups	Rural renewal and the preservation of cultural heritage
Technical assistance	Infrastructure related to agriculture
Complements to direct payments	Diversification of agricultural activities and activities related to agriculture
	Improving the processing and marketing of agricultural products
	Restoring damage in forests
	Pilot programme LEADER +
	Technical assistance

5.2. PREVIOUS STRATEGIC PROGRAMME DOCUMENTS

In Poland and in the EU, since the beginning of the economic transformation a number of essential programme documents have been developed, that are crucial for

Polish agriculture and agricultural policy. They were focused on defining a long-term strategy, including actions and development policies for rural areas and agriculture.

These documents are in particular:

- „*Strategy for Rural Areas and Agriculture*” (MARD 1990);
- „*The Coherent Structural Policy for Rural Areas and Agricultural Development*” (MARD 1999);
- „*The Second National Environmental Policy*” (Ministry of Environment 2000);
- „*The National Woodland Extension Plan*”(Ministry of Environment 2000);
- „*The National Strategy for the Protection and Sustainable Use of Biodiversity*” (Ministry of Environment 2003);
- *National Development Plan 2004 – 2006*” (Ministry of Economy, Labour and Social Policy 2003);.

The objective of aforementioned documents was to define a long-term strategy of actions and trends of rural areas and agriculture sector’s development. The documents are compatible one with the others, in terms of directions and objectives, as: support for competitiveness of agriculture and processing, shaping of sustainable development on rural areas, and improvement of work and life conditions. However, they have been implemented in limited budget conditions. In order to describe the disproportion between tasks and the budget opportunities it is necessary to take into account that annual budgetary spending per 1 farmer in Poland counted for app. 390 EUR, while in the EU – app. 6,500 EUR.

5.2.1. The assumptions for “Strategy for Rural Areas and Agriculture”

In 1990, at the beginning of transformation, the Ministry of Agriculture ordered the development of the Strategy for Agriculture and Rural Areas. This was developed by a team of Polish and EU experts and was supported by the World Bank.

The primary objectives of the Programme included the following:

- improving agri-business through privatisation and demonopolisation (of state-owned holdings, the processing industry, transport, and storage);
- abandoning support for agricultural holdings and the processing industry and restricting the role of the government to providing favourable institutional conditions for the transformation of the agri-food sector.

The document defined the following objectives:

- growth in employment and the mobility of labour in rural areas;
- prompt privatisation and the establishment of small production units;
- enhanced initiatives and the generation of alternative sources of jobs;
- establishment of a social safety net for the population.

In fact, Polish agri-food policy in the nineties was characterised by:

- rapid privatisation;
- a low level of support (compared with other OECD states);
- concentration of public funds on supporting modernisation, restructuring, and social security for the older generation of farmers.

This strategy influenced subsequent agri-food sector reform in the next years.

5.2.2. Assumptions of “The Coherent Structural Policy for Rural Areas and Agricultural Development”

The strategic document “*Coherent Structural Policy for Rural Areas and Agricultural Development*”, which specifies national policy objectives with regard to agriculture and rural areas, that was adopted by the Council of Ministers in July 1999, is of essential significance for the Programme. This document emphasises the objectives of sustainable development policy and the most crucial problems have been pointed out:

- insufficient development level of technical, social and cultural infrastructure;
- low skills and education standards among the rural population;
- insufficient employment opportunities outside agriculture;
- limited access to services aimed at improving the conditions of conducting business activities;
- low economic and social activity of the rural population;
- registered and hidden unemployment;
- low income level;
- weak institutions and organisations for supporting the development of rural areas.

The threats present in the rural sector that cause a reduction of income in agricultural holdings have also been pointed out. These are:

- a fragmented agrarian structure;
- a lack of adjustment of production volume and quality to the requirements of the customers;
- a poorly-organized agricultural market;
- insufficient investment in agricultural holdings;
- limited professional knowledge;
- low level of farmer self-organisation.

On the basis of the analysis of the problems indicated above, the major objectives of the further development of agricultural holdings and rural areas have been formulated:

- 1) Shaping working and living conditions of the rural population in a way that corresponds to appropriate civilisational standards and allows the residents to achieve their goals;
- 2) The restructuring of the agricultural sector, enabling the adjustment of agriculture to the changing economic and social situation;
- 3) Ensuring sustainable development conditions in rural areas, protection of the natural environment, and the rural cultural heritage.

This document has determined the directions for the utilisation of pre-accession funds under the SAPARD Programme and is a guideline for the programmes being prepared for implementation during the current programming period.

5.2.3. Assumptions of “The Second National Environmental Policy”

The assumptions of sustainable national development have been formulated in the Second National Environmental Policy (adopted by the Council of Ministers on 13 June 2000), whose primary objective is to create the conditions for implementing the strategy of sustainable social and economic development. This document states that the introduction of good farming practices and environment management systems, which will make it possible to achieve both an economic and environmental impact, will be a priority. It is also stated that the protection of biological and landscape diversity is essential for ensuring national environmental safety. The most important objectives have been listed as follows:

- ensuring the rational utilisation of soil resources available in Poland;
- improving environmental conditions, including the elimination or reduction of threats to the preservation of biological and landscape diversity;
- conserving, reconstructing, and enriching natural resources;
- ensuring universal acceptance for the preservation of Polish natural and cultural heritage in its entirety.

The Second National Environmental Policy also defines the major groups of measures, among which are the following:

- the adoption of the so-called Good Agricultural Practice, ensuring better utilisation of the biological potential of the soil, while at the same time reducing the negative impact of fertilisers and plant protection substances on the environment;
- measures aimed at preserving a diverse agricultural landscape;
- the continuous increase of forest resources and of their share in global carbon circulation;
- legal and financial support for agricultural systems utilising production methods that do not disturb the natural equilibrium – primarily organic and sustainable farming;
- the preservation of traditional farming practices in environmentally valuable areas as a means of protection and the sustainable use of biological resources;
- the limitation of the scale and intensity of natural and anthropogenic soil erosion.

5.2.4. Assumptions of “The National Woodland Extension Plan”

The National Woodland Extension Plan (KPZL), adopted by the Council of Ministers in 1995 and modified in 2003, specifies the measures aimed at increasing the share of forests in the territory of Poland from 28% to 30% by 2020. This is not only a Plan of quantitative transfer of land from agriculture to forestry, but it also encompasses a comprehensive plan of measures aimed at rationalising the structure of the utilisation of natural areas within the territory of Poland. New afforestation measures are an element of a multifunctional and sustainable model of national development, which assumes:

- the afforestation of large areas excluded from agricultural production and an increase in wood production
- improving the carbon balance through absorbing carbon dioxide (which is one of the greenhouse gases causing global climate change);

- enhancing the retention capabilities of land and reducing water deficit in agriculture,
- introducing new afforestation, which make it possible to increase the area and regulate the shape of existing large forest complexes;
- strengthening the existing and creating new environmental corridors and preserving their natural landscape structure;
- reducing the fragmentation of medium-sized forest complexes;
- creating new jobs and additional sources of income for agricultural holdings.

The National Woodland Extension Plan envisages as its target the afforestation of 1.5 M hectares of agricultural land by 2050, of which 700,000 ha will be afforested during the first stage. This means increasing the share of forests to around 30% and 33%, respectively. The Plan includes the afforestation of both state-owned and private lands. The National Plan has been updated and its objectives and assumptions have been revised in accordance with new opportunities resulting from Poland's integration with the European Union.

5.2.5. Assumptions of “The National Strategy for the Protection and Sustainable Use of Biodiversity”

The National Strategy for the Protection and Sustainable Use of Biodiversity was adopted by the Council of Ministers on 25 February 2003. Poland was obliged to prepare this document following the Article 6 of the Convention on Biodiversity, which states that the Convention signatory “shall *develop national strategies, plans or Plans for the conservation and sustainable use of biological diversity and integrate, as far as possible and appropriate, the conservation and sustainable use of biological diversity into relevant sectoral or cross-sectoral plans, Plans and policies*”.

The supreme objective of the Strategy is the preservation of the entire wealth of native natural resources and ensuring the permanent and uninhibited growth of these resources at all levels.

Achieving the supreme objective requires that the four basic strategic objectives be implemented. These are:

- 1) the identification and monitoring of biodiversity conditions and the existing and potential threats;
- 2) the elimination or reduction of existing and potential threats to biological diversity;
- 3) the preservation and/or enrichment of the existing elements and the reconstruction of the missing elements of biodiversity;
- 4) the integration of measures aimed at protecting biodiversity with the actions of the relevant sectors of the economy, the public administration and the public (including non-governmental organisations).

Strategic objectives refer to the individual sectors of the national economy (environment, water resources management, agriculture, tourism, science, transport and others). With reference to agriculture, the following objectives, among others, have been formulated:

- 1) the preparation of a national strategy for protecting agricultural biological diversity (agri-biodiversity);
- 2) the preparation and implementation of Plans of protection of threatened plant varieties utilised in agriculture;
- 3) the drafting of a code of good agricultural practice for the protection of biological diversity;
- 4) the establishment of an advisory system and the preparation of training courses for farmers with respect to good agricultural practice and the protection of biodiversity;
- 5) conducting an assessment concerning the influence of resting agricultural land and ceasing to utilise grasslands on biodiversity, and the preparation of a Plan for managing these areas;
- 6) the implementation of a Plan for stimulating tree and shrub plantings within agricultural fields;
- 7) the intensification of measures contributing to limiting water pollution caused by substances related to agriculture, including domestic and agricultural sewage.

5.2.6. Assumptions of “The National Development Plan 2004 – 2006”

The National Development Plan 2004-2006 (NDP) is a programme document adopted by the Council of Ministers on 11 February 2003 that determines the strategy for the social and economic development of Poland during the first years of its European Union membership. The National Development Plan forms the basis for planning individual intervention areas as well as multiannual operational programmes, both horizontal and regional.

The strategic objective of the National Development Plan consists of the development of a competitive economy based on knowledge and entrepreneurship and capable of long-term, uniform growth. This would ensure increased employment and enhanced social, economic and physical cohesion with the European Union at the regional and national levels.

The following development axes have been adopted for the years 2004-2006:

- supporting the competitiveness of enterprises;
- development of human resources and employment;
- creating conditions for increasing the level of investment, promoting sustainable development and spatial cohesion;
- structural transformations in agriculture and fishery, rural development;
- strengthening the development potential of regions and counteracting the marginalisation of certain areas.

5.3. CURRENT POLISH RURAL AND AGRICULTURAL POLICY

Activities under the Polish rural and agricultural policy may be broken down into the following categories: (1) price support and market stabilisation, (2) subsidies to the means of agricultural production and subsidies to the interest on intervention credits, (3) structural policy for rural areas and agriculture.

(1) Price support and market stabilisation are effected mainly through market protection (tariffs on a number of agricultural products), intervention purchase on key agricultural markets (such as wheat, rye, butter, milk, honey, and pig meat), subsidies to purchase prices (wheat and rye), subsidies to the purchase of tobacco, export subsidies (beef, pig meat, skim milk powder, butter, cheese), subsidies to production of milk powder) and subsidies to producers of potatoes and potato starch.

(2) Subsidies to following tasks: soil liming, plant protection, biological improvement, subsidies to agricultural fuel and organic farming.

(3) Polish structural policy is pursued at numerous levels and is funded from national and assistance funds.

Property transformation in the agricultural sector after 1989 concerning former state-owned farm land consisted of privatisation primarily in the form of tenancies, but also included land sales.

Subsidies to the credit interest for: the purchase of agricultural land, the establishment or management of agricultural holdings under the settlement or establishment of young farmers' Plan (up to 40 years old), the implementation of projects in agriculture and specialised sectors, service for agriculture, fisheries, agri-food sector and utilisation industry, the restoration of holdings which have suffered from natural disasters; investments in agricultural and food processing; the creation of new jobs; the purchase of the means of agricultural production.

Support for job generation – loans, micro-loans, guarantees and warranties, partial reimbursement of staff remuneration to employers, establishment of incubators and small entrepreneurship centres,

Afforestation of farmland- from 1 January 2002 the act on afforestation has been implemented. Agricultural land holders who undertake forest planting, shall receive grants.

Support for the establishment of agricultural producer groups – producer groups can take advantage of preferential investment credits within the special credit line. In the fourth quarter of 2002, the government was also launched providing assistance for the administration activities of the producer groups.

Professional activation effected through: subsidies for re-skilling and enhancing the professional skills of the rural population; subsidies to advisory services; information on agricultural and hands-on vocational training; delivery of training for the unemployed and those threatened by unemployment; and training in job seeking.

Early retirement for farmers – from 1 January 2003 over 1,000 farmers is included in the KRUS early retirement system.

Funding for infrastructure projects: construction of water and wastewater systems, modernisation and construction of roads, dyke modernisation and construction, river improvement and construction of storage reservoirs, etc.

Grants for investments on agricultural holdings, support for the processing and marketing of agricultural products, the diversification of rural business activities, infrastructure projects, and vocational training.

Presently, farm income, excluding special sectors, is not covered by the income taxation system. Agricultural holdings pay the agricultural tax, which of level depends on the area size, type and quality of soil, inclusion to the tax region and the rye price for the three first quarters of the year preceding the tax year. In parallel, the service to

agriculture and farm animals breeding are excluded from VAT, and agricultural products are covered by a preferential 3 % rate of VAT, and they receive a return of that tax in case of several means (covered by the VAT) to agricultural production purchase. This return is paid back to the farmer by the person purchasing agricultural products.

Additionally, the agricultural population receives significant support from budgetary subsidies for a social security system (KRUS) covering farmers and their family members.

The development of agriculture and rural areas requires specific strategies that are consistent with national objectives and strategies, specify the domain of state intervention, determine investment priorities, etc. The chosen strategy should be feasible with respect to its political, administrative (efficient institutions managing strategy implementation), and economic (available resources) aspects. Various policies and instruments influence the implementation of the selected strategy. Several important ones are listed below:

- macroeconomic policies (general social and economic policies) aimed at economic growth, price stabilisation, employment, education, the reduction of poverty, trade, etc.;
- policy with respect to agriculture and rural areas – aimed at maintaining production potential and production volume, shaping agricultural prices, providing demand for agricultural products, and ensuring adequate rural income and food quality, etc.;
- the policy of equal development opportunities for all regions. The conception of uniform development that has been promoted for many years does not reduce the backwardness of individual regions, particularly agricultural ones. Regional differences are not only retained, but are even increased as a result of such policies, thus condemning agricultural regions to stagnation;
- the policy of increasing the specialisation of agricultural regions, taking into account their special physiographic, population, technological, production and other qualities. This means changing the regional autarchy policy implemented to date;
- the policy of multifunctional rural development. Though multifunctional rural development is an important and valuable concept, it should not be expected to solve the problem of unemployment in rural areas or to bring about an increase in rural income. The multifunctional development of rural areas is just one element of the strategy for rural areas;
- policy with regard to markets (market institutions, market functioning rules, etc.);
- the policy of enlisting the participation of social and business organisations and the local population to cooperate in providing equal rights;
- policy aimed at utilising natural resources and ensuring environmental protection.

5.4. Agricultural and Rural Development Strategy within the Framework of the NDP

Pursuant to the National Development Plan 2004-2006, transformations in agriculture and rural development form one of the axes of the social and economic development of Poland.

Rural development in Poland is closely related to the situation in agriculture and its transformation trends. The social and economic significance of agriculture in Poland is very high, although the share of the sector in the GDP is relatively low (less than 3%). According to the 2002 National Agricultural Census, 18% of the total economically active population is employed in agriculture and 44.5% of employed rural inhabitants work in agriculture. 44.4% of rural population live in agricultural holdings or farm plots of agricultural land and 36.1% of rural families indicate that agriculture is their only or primary source of income. This is why there is a strong connection between agricultural policy, agricultural structural development policy and rural development policy measures.

The SWOT analysis, the results of which have been presented in Chapter 4, identifies the primary problems and development opportunities of the Polish agri-food sector and rural areas. Taking the results of this analysis into account, this chapter presents the strategic assumptions and restructuring objectives for the agri-food sector and the development of rural areas, which are in line with the general national social and economic development strategy presented in the National Development Plan.

The development of agriculture and rural areas in Poland is hampered by several problems which are presented below.

The area of arable land in Poland is 18.8 million ha¹⁴, which constitutes 60% of the total area of the country (76% of arable land is farmed). This is a relatively large share compared to other candidate countries and EU member states (the average share of arable land in the total area of the 15 EU countries is 40.6%). The extensive farmland resources in Poland are potentially conducive to agricultural production but the unfavourable structure of agricultural holdings is an obstacle in this respect.

The average area of a Polish farm is 8.44 ha, half that of EU countries. The layout of agricultural plots within holdings is often inconvenient, because the plots are located far from one another. Small subsistence farms form a large part of the total number of farms. As it has been mentioned in Chapter 4.3.2, in 2002 among 1,956,100 agricultural holdings with an area of more than 1 ha of farmland, 58.6% farmed less than 5 ha and 36.1% produced primarily to meet their own needs. At the same time it should be noted that almost half of agricultural land is farmed by holdings with an area larger than 15 ha and the number of such farms increased in 2002 compared to 2001. This means a polarisation in the structure of farms, which is reflected by an increase in the number of both those holdings that farm 1-5 ha of agricultural land and those of over 15 ha in area.

Shortage of capital in terms of finance and agricultural machines is a problem of Polish agriculture. Low investment level makes the adjustment of agriculture to EU standards both with respect to quality and production hygiene more difficult. This is linked to the poor financial standing of farmers' households.

The income (in real terms) in farmers' households decreased by around 50% in the years 1995-2000, while in other household categories an increase was observed. In 2001, the average monthly disposable income per capita in farmers' households was 73% of the corresponding income in employees' households. Low incomes in agriculture and in the entire economy limit the opportunities for the diversification of agricultural activities aimed at producing more highly processed goods and the development of the services sector.

¹⁴ National Agricultural Census 2002 Report, Central Statistical Office, Warsaw 2003.

The analysis of the current situation in agriculture shows the necessity of introducing structural changes and investment in the sector, particularly in the context of Poland's accession to the EU and ensuring the competitiveness of the sector on the Single Market.

The processes of modernisation and of the concentration and improved efficiency of production that will take place in agriculture may result in the release of labour force from the agricultural sector and therefore lead to an increase in the unemployment rate. The current high level of unemployment (both registered and hidden) is the most important problem with regard to the social and economic development policy. Agriculture stabilises the social situation to a large extent by giving employment to persons who cannot find jobs in other sectors. According to the results of the 2002 National Agricultural Census, the number of people working exclusively or mainly in agriculture is 2.2 million. This number includes persons who live in agricultural holdings and are included in the agricultural social security system – pursuant to Polish law, such persons are considered agricultural workers. It is estimated that around 1 million people cannot find jobs on individual farms and contribute to the so-called hidden unemployment and around 70% of persons work part-time. The success of structural transformation in agriculture will largely depend on the general development of the Polish economy and on the opportunities for excess labour to move to other sectors of the economy.

Agri-food product processing is an important sector that is closely linked to agriculture. In Poland this is one of the most important sectors due to the value of production sold (over 20% of the sales value of the entire Polish industry) and employment (8.4% of total employment in the Polish economy and around 16% of industry employment). Shortage of capital is the most important problem of the processing sector. This branch of the economy requires considerable investment expenditure, particularly due to its modernisation needs with regard to veterinary, hygiene and environmental protection standards. The adjustment of enterprises to the abovementioned standards is not only the condition of access to the Single Market but also of sustaining their sales on the domestic market. The development of food processing, especially in rural areas, may contribute to the generation of new jobs and reducing the unemployment rate in rural areas.

Both the vertical and horizontal integration in the agri-food sector are weak, mainly because of the dispersed agricultural production structure and the changes taking place in the foodstuffs sector. Moreover, the level of production concentration in the sector is low.

The development of agriculture in rural areas depends on the level of development of technical and social infrastructure. Due to the limited financial capabilities of local government authorities, the level of investment does not ensure the proper development of infrastructure.

Farmers are not only producers of foodstuffs but they are also responsible for a great part of the most valuable natural resources that have a decisive influence on the quality of living of the entire society. The prevalence of family farms using extensive production methods has contributed to the preservation of natural resources, including biological diversity, in a good condition. The presence of unfavourable factors reflecting environmental degradation such as soil pollution or water pollution and eutrophication due to the influence of agricultural chemicals is still relatively low. However, taking into account the vulnerability of agricultural production space and the prevalence of low quality soils, large areas of arable land are threatened with

degradation due to lying fallow or the intensification of agricultural production. Poland exhibits favourable conditions for the development of organic farming and various other systems that promote the quality of agricultural production. The concept of environmentally friendly agriculture puts the issues of the restructuring of agriculture and agrarian structure evolution in a new light.

The restructuring of agriculture cannot be reduced to changes in the land structure of agricultural holdings. It is and will remain an important factor in agricultural transformations, but not the only one. We must acknowledge at least three other domains: (1) technological progress, which encompasses adjusting technology to the resources and production Plans of individual holdings, (2) agricultural know-how and the improvement of management, (3) developing the domains related to agriculture, in particular technical and social infrastructure, (4) promoting environmentally friendly agriculture producing high quality foodstuffs. It is only when we integrate transformations in agrarian structure with the abovementioned factors that we have a relatively comprehensive Plan with regard to restructuring policy. Such a policy should primarily result in enhanced efficiency and unit cost reduction, while at the same time improving the quality of products (linkage with other programmes).

Due to the problems discussed above and the close relations between agriculture and the development of rural areas, a multifunctional model of agricultural and rural development should be implemented in Poland. The basic assumption of this model is promoting the development of non-agricultural functions of rural areas including those related to the protection of natural and cultural values. This model is compatible with the social and economic cohesion policy implemented by the Community, whose principal objective is the reduction of development disparities between individual EU regions and thus also the narrowing of the development gap that divides peripheral areas (including rural areas) from the so-called centres of development.

Properly developed infrastructure is a basic condition for the development of business activity in rural areas. Investments in infrastructure will be implemented primarily on the basis of the funds from the European Regional Development Fund within the framework of the Integrated Regional Development Operational Programme. Measures related to *Local Development*, including those aimed at the improvement of local road, energy supply as well as water supply and sewerage infrastructure and the provision of technical infrastructure for new investments, will be significant in this respect. The implementation of local solutions facilitating the residents' access to the Internet and other information technologies will also play an important role. Local interventions will be complemented by a set of regional measures implemented within Priority I of the IRDOP, i.e. *Extension and Modernisation of the Infrastructure Strengthening Competitiveness of the Regions* and the national-level measures of the *Transport and Maritime Economy Sectoral Operational Programme* (large transport infrastructure) that will indirectly affect the opportunities to run and develop business activity in rural areas. All investments related to the development of technical and social infrastructure in rural areas will also significantly contribute to improving the standards of living and working of rural residents.

Support for business activity in rural areas will be especially important. Small and medium-sized enterprises that function or will be established in rural areas may contribute to the generation of new off-farm jobs. Financial support for small and medium-sized enterprises under the SOP *Improvement of the Competitiveness of Enterprises* will be directed primarily at measures related to strengthening their competitive position on the Single Market. Support will be granted for the implementation of investment, modernisation and publicity projects. Moreover, aid

will also be directed at adjusting enterprises to environmental protection requirements (water and sewage management, air protection, industrial waste management).

Within Priority II of the IRDOP (*Strengthening the Regional Economic Base and Human Resources*) separate measures have been envisaged, which are aimed at assisting microenterprises and persons who engage in economic activity for the first time and want to operate outside the traditional sectors of the economy. Apart from that, small and medium-sized firms will indirectly benefit from a number of investments in the business environment. This support will facilitate their access to consulting, training, information and financial services. These measures have been included in the SOP *Improvement of the Competitiveness of Enterprises*, Priority I *Development of Entrepreneurship and Increasing Innovation Using Business Environment Institutions* and also within the framework of the *Regional Innovation Strategies* measure of the IRDOP.

Moreover, there are aid instruments for firms from specific sectors within the individual operational programmes, i.e. agri-food entrepreneurs (SOP *Restructuring and Modernisation of the Food Sector and Rural Development*), fishery sector enterprises (SOP *Fishery and Fish Processing*) and tourist enterprises (IRDOP).

The high rates of both registered and hidden unemployment in rural areas make it possible for the instruments that directly affect the labour market to become significant factors conditioning the improvement in employment situation in rural areas. Apart from the abovementioned measures related to the creation of new jobs in rural areas, a number of measures aimed at activating the unemployed will be initiated within the framework of the SOP *Human Resource Development*. This programme will be particularly oriented towards preventing and coping with long-term unemployment, equalising educational opportunities and developing human resources for enterprises.

Due to the fact that almost half of the working rural population engage in farming activities, preserving the competitiveness of this sector on the Single Market is one of the most important challenges that the Polish economy faces during the implementation of the NDP. Support for agriculture and rural development has been included in the SOP *Restructuring and Modernisation of the Food Sector and Rural Development*. Apart from measures contributing to enhancing the competitiveness and the adjustment of agricultural holdings, setting up young farmers or improving the agrarian structure, measures related to the diversification of agricultural activity, renovation of rural areas and the preservation of cultural heritage as well as small infrastructure investments linked to business activity in rural areas will be implemented.

Support for agriculture and rural areas is also included in the Rural Development Plan. The multifunctional development of rural areas and agriculture should in the long term become as important as the efforts to maximise the economic impact of structural assistance through directing it to “leading” domains and areas.

The concept of multifunctional development of rural areas will be implemented within the framework of the NDP and will constitute part of the primary strategic objective – enhancing the competitiveness of a knowledge- and enterprise-based economy and the improvement of the social, economic and spatial cohesion with the European Union.

If we want to draw from the historical experience of other countries (and not just retrace their steps), we should create a conception uniting the three following components:

- adjusting the volume and growth rate of food production to final demand;
- maintaining a satisfactory level of income in agriculture, which will stop the excessive migration of the rural population and will reduce pressures on the labour market (whose ability to absorb the labour force is and will remain limited),
- stemming the degradation of the natural environment, which will improve the biological quality of produced food while making rural areas attractive and valuable places to live for an increasing number of families. Such environmental values come at a price, which will require an additional flow of funds towards rural areas.

These three elements may be combined. Poland is currently at the developmental stage when this can be done easier (and at a relatively lower cost) than in highly developed countries, because we have at our disposal a certain ‘benefit of backwardness’ that provides a great opportunity for Polish agriculture.

6. ASSUMPTIONS OF THE RURAL DEVELOPMENT PLAN (RDP)

Under the RDP, Poland will be included in the second pillar of the Common Agricultural Policy, which encompasses the so-called accompanying instruments (early retirement, agri-environment, afforestation of agricultural lands, and support for agricultural holdings in less favoured areas).

In the Accession Treaty of 16 April 2003, the expansion of the range of related instruments to the new Member States was suggested. Related instruments would include four additional ones for the implementation period of 2004-2006.

- support for semi-subsistence farms, which is to contribute to the acceleration of the farm restructuring process and new job generation;
- meeting the EU standards by agricultural holdings;
- support for agricultural producer groups;
- technical assistance for the authorities dealing with the RDP implementation.

Furthermore, the proposed funding level for all measures, amounting to 80% (national input – 20%), is higher than it results from the Council Regulation No 1257/1999.

6.1. STRATEGIC OBJECTIVES AND PRIORITIES OF THE RURAL DEVELOPMENT

Following strategic objectives, common with the SOP- Reconstruction and modernisation of the food sector and rural development and consistent with the National Development Plan, have been assumed:

OBJECTIVE 1. Improving the Competitiveness of Agri-Food Economy

The years 2004-2006 agricultural holdings and agri-food processing plants will have to face intensified competition from EU producers. As a result, some of them could be excluded from the market.

Simultaneously they will have to pay for implementation of the necessary adjustments of production methods to *acquis* requirements. Due to an under-investment in agriculture and processing, this process will require an intensive support in the first years of the EU membership.

A crucial problem is that present structure of economy and overall financial situation (not creating opportunities for off-farm income, nor encouragement to sale of land) does not enable a significant scale of giving up the farming activity. The very low mobility of the labour force occurs in rural areas. The cost of housing and living in rural areas is also lower than in towns.

These factors have an influence on a fact that even in a situation of larger opportunity of the off-farm employment in the first period of the membership, a visible decrease of the number of semi-subsistence farms would happen. Insufficient support for this group of farmers, accompanied by increasing competitiveness of the EU and domestic producers, could result in higher social costs of the EU membership. It could also make more difficult or even impossible the modernization of agricultural holdings, included presently in that group.

Conditions mentioned above may justify the coverage by the RDP (in the contrary to the SOP) not only agricultural holdings producing for the market, but also semi-subsistence farms. Approval of such a solution means that they will be covered by measures of the I and II pillar of the CAP, as well as of the structural policy of the EU, being in favour of reconstruction of the agrarian structure, accelerating the change of generations, and encouraging farmers to take up income stabilisation-oriented activities.

The increase of competitiveness of agricultural holdings under the RDP will be enhanced by, *inter alia*, the implementation of measures under Priority 1.1. –Increase of farm economic effectiveness. Those include: early retirement, support for semi-subsistence farms and to agricultural producers' groups.

The impact of basic RDP's tools under Priority 1.1.

Priority 1.1. Increasing the economic effectiveness of agricultural holdings

Early retirement

The main objective of the early retirement system is to accelerate the replacement of farming generations and to improve the profitability of agricultural holdings. This instrument has also a important social impact: ensuring income for elderly farmers.

The proposed basic level of early retirement (210% of the lowest retirement, i.e. monthly 1,181.42 PLN, will be an incentive for farmers of pre-retirement age to stop farming activity, especially compared with the lowest retirement pension as guaranteed by State Budget, i.e. monthly 562.58 PLN. A possibility of increasing of the early retirement pension to maximum 440% of the lowest retirement, i.e. monthly 2,475.35 PLN will be an interesting offer for farmers. Both spouses under RDP criteria will be able to obtain 270% of the lowest retirement i.e. monthly 1,518.97 PLN as a minimum and additionally 50% of the lowest retirement in case of transferring at least 3 ha of arable land permanently by the sale or by a notary deed. In comparison with present early retirement (300% of the lowest pension), with the same minimum criteria, this is more favourable level for a married couple (210% + 60% + 50% = 320%). The early retirement pension for 1 person under the existing law is from 1 March 2004 monthly 843.87 PLN, the lowest monthly salary is 824.00 PLN. In IV quarter of 2003 the average monthly salary was 2,276.84 PLN, the average monthly retirement – 1,219.15 PLN, the average monthly retirement for farmers – 636.46 PLN.

The number of potential beneficiaries of the measure concerned has been preliminarily assessed on the basis of the year 2002 statistics published by the Central

Statistical Office (CSO = GUS), taking into account the number of farmers who operate agricultural holdings of more than 1 hectare and who will be 50 to 64 years of age in 2002, in division for men and women (see: Table 21). It is estimated that around 272,000 farmers will fulfil these criteria. Assuming that in year 2004-2006, 30 per cent of these farmers will be eligible for early retirement, a total of 81,000 farmers who are the heads of agricultural holdings are likely to participate in the scheme. As many as 55,000 farmers are expected to participate in the Plan in the years 2004-2006, a very probable figure if one considers that the offered conditions of participation are much more favourable than the existing national arrangements. For instance, the Plan allows the transferral of agricultural holdings, e.g. to other family members.

Table 21. Age breakdown of the number of individual holdings (above 1 ha) users.

	Total number of farmers (In '000)	Total farmers of age 50-64 (In '000)	Of age (in '000)		
			50-54	55-59	60 – 64
Total	1951	523	264	147	112
Men	1386	365	188	104	73
Women	565	158	76	43	39
In it the number of farmers who operate agricultural holdings of 1- 3 hectares					
Total	798	229	105	65	59
Men	490	141	66	40	35
Women	308	88	39	25	24

Source: Central Statistic Office, National Agricultural Census 2002, Warsaw 2003

It is assumed that people in age between 55 – 59 would constitute a half of the population of age 50-59.

Support for semi-subsistence farms

Support for semi-subsistence farms aims at provision of financial aid for low-output and low-income agricultural holdings (not meeting viability criteria) in order to facilitate cash flow. In particular, it will be targeted at those holdings that risk losing financial liquidity and diminished income as a result of investments undertaken, even if these are small-scale investments. The beneficiary may be the owner of an agricultural holding classified as a semi-subsistence farm and likely to fulfil the viability criteria in future.

The instrument shall cover active farmers who in future wish to use structural funds to improve their economic situation or size of output, but for whom the requirement to contribute their own funds is an insurmountable obstacle. The number of potential beneficiaries is estimated at 126,000.

Support for agricultural producers' groups

The main objective of that instrument is to support a process of consolidation under producers' groups and theirs' organisation, and achievement of improvement of agricultural products markets' organisation (as a result of enlarged power within those presenting supply, better adjustment of offer, quality and number of products to the market needs and increase of producers' responsibility for theirs production-linked

decisions). The number of potential beneficiaries is estimated at approximately 170 agricultural producers' groups.

OBJECTIVE 2. THE SUSTAINABLE DEVELOPMENT OF RURAL AREAS

Taking into account the scope and purpose of available measures, this objective will be implemented under the Rural Development Plan (RDP) and the Sectoral Operational Programme "*The Restructuring and Modernisation of the Food Sector and the Rural Development*", as well as under the Integrated Operational Programme of Regional Development (IOPRD), the SOP "*Increasing the Competitiveness of the Economy*" and the SOP "*Human resources development*".

Sustainable development is the long-term objective for rural areas. This notion encompasses simultaneous action in several directions: towards the multi-functionality of agriculture and rural areas, towards environmental protection of rural areas, towards the reduction of unemployment, and towards the enhancement of both the living conditions of rural populations and the economic and social functions of rural areas.

The policy of sustainable development of rural areas shall apply to all activities in these areas: agriculture, forestry, fishery, services, small industry, commerce, tourism, etc. Comprehensive measures are needed also in relation to: human resources development, the protection of soils, the improvement of water resources management, the protection of biodiversity, the provision of energy for rural areas, and increasing the participation of the public in the decision process concerning the utilisation of resources. The key issue here is the implementation of more efficient and environmentally friendly technologies such as plant fertilising systems that minimise losses and do not cause water pollution, integrated systems of plant and animal protection that minimise the use of potentially dangerous chemicals, integrated grazing systems that take the protection of natural resources into account, etc.

In the case of Poland, the significant condition of the rural development policy implementation is mainly delayed development and a necessity of such a way of its realisation, in order to avoid the damage of other important objectives, resulting from the EU system of values. Such problems could be encountered in following areas:

(1) in order to be competitive in the EU market, Polish agriculture has to be restructured and modernised - even under the circumstances of low demand, labour force surpluses, lack of investment funds, and the existing budget limitations; an effect of Polish agriculture modernisation would be increase of production means use and adjustment of production space to new conditions is a significant challenge. There is a fear, that lack of Good Farming Practices rules' implementation could result in decline of natural and environmental conditions of rural areas;

(2) the professional structure of the rural population has to change under the circumstances of blocked migration to urban areas, intensified international competition (blocked demand for goods and services that could be produced in rural areas), lower capital efficiency in rural areas, resulting in problems with its accumulation;

(3) the level of agricultural education, the knowledge of environmental standards, hygiene and animal welfare must be improved after many years of neglect.

Priority 2.1. Equalising opportunities for rural development

Support for LFA

In the frames of that priority a general objective to prevent the depopulation of large sections of rural areas (less-favoured areas-LFA), maintaining their viability and counteracting the ecological degradation of agricultural land, particularly in the mountainous and upland areas and in the eastern and north-western parts of Poland. It would also counts significantly for improvement of social and economical cohesion of the regional development in Poland.

Support for LFA will facilitate the modernisation of agricultural holdings, since support for investments undertaken by farmers in less-favoured areas will be 10 per cent higher than normal, while young farmers taking over agricultural holdings will be entitled to an additional 5 per cent of financial support. By demanding the application of usual good farming practices, the instrument in question will also promote ecological awareness.

The number of potential beneficiaries is estimated at approximately 900,000 holdings.

Priority 2.2. Environmental protection and the preservation of the natural value of rural areas

Support for agri-environment and animal welfare

Under that priority, would be implemented measures aiming at counteracting to the environment and natural values of rural areas decline. A good condition of the agricultural space and nature values in the significant part of the country constitute an economic resource and they could be presently or in future at. source of the local society competitive advantage in the EU market. Therefore, measures implemented under this priority (under agri-environment) have a decisive significance for shaping an ecological, spatial, social and economic order of the country. Agri-environmental programmes are designed to support agricultural production methods compatible with the principles of environmental protection. In particular, they aim to promote sustainable agricultural production, maintain the countryside, improve the landscape, and provide incentives for the implementation of biodiversity They are also consistent with objectives defined in *The National Strategy for the Protection and Sustainable Use of Biodiversity* (Ministry of the Environment, 2002).

Taking into account the Plan's complexity and specific character, it was decided that in years 2004-2006 the spatial scope of the agri-environmental measure would be limited to app. 5% of agricultural land area (1,2 mln ha of agricultural land). It is estimated that the measure will cover app. 70,000 agricultural holdings, both-extensive and commercial. There is an assumption that coverage of such a diversified group of agricultural holdings would contribute to a reduction in the environmental costs of restructuring agriculture.

Support for the adjustment of agricultural holdings to the EU standards

A statistical data analysis points out that agricultural holdings may be a source of threat to the environment. Rural households are equipped in wastewater facilities more rarely than those in town. Only one per three holdings is using legal waste dumps. Agricultural holdings are also a source of pollution coming from burning coke. It occurs that some production and service sites/facilities, dangerous for the environment, are located in the countryside. Additional pressure is created by housing and summer houses in protected areas, or areas that shall be protected. More dense net of roads and increased communication and transport has a negative impact on

agricultural land, even by lowering the quality and quantity of agricultural products. The level of environmental standards, hygiene and animal welfare, if we take the standards hitherto obligatory in Poland as a basis for comparison, is higher in the EU. The adjustment to these more stringent standards means that the modernisation of production means in agricultural holdings, equipping them with new technology, and increasing expenditures in order to ensure proper sanitary standards in agricultural production, are necessary. These are expensive processes, particularly taking the difficult financial situation of agricultural holdings into account. This is why support under the instrument “Support for the Adjustment of Agricultural Holdings to EU Standards” will be an opportunity for those holdings.

The number of potential beneficiaries of that measure is app. 70,000 agricultural holdings.

Priority 2.3. Extension of woodland areas in Poland

Support for afforestation agricultural land

The main goals of the Plan for the afforestation of agricultural land include: extending woodland areas by afforestation of poor quality agricultural land, keeping and enhancement of ecological stability of forest areas by decreasing of fragmentation of forest complexes and establishment of ecological corridors and extension of forest land in global carbon balance. A basis for planning activities in this area is the National Woodland Extension Plan adopted by the Council of Ministers in 1995 and modified in 2003. According to the estimates adopted in that Plan, woodland area increases by 14,000 to 24,000 hectares a year, not taking fallow land into account. A total of 45,500 hectares of agricultural land is planned to be afforested in the years 2004-2006.

6.1.1 Justification of the Choice of Objectives and Priorities

This chapter shows the relations between objectives defined and other programmes, that will be implemented in Poland under the EU agricultural and structural policy.

Table 22. The comparison of main and partial objectives of the SOP – “Reconstruction and modernisation of the food sector and the rural development”, its strategic assumptions and measures implemented under the RDP, SOP and other operational programmes, co-financed by Structural Funds (with asterisk).

Main and partial objectives of SOP	Strategy	Measures and programmes related to the objectives implementation
1.Enhancement of competitiveness of the agri-food economy		
1.1. Improvement of economic effectiveness and productivity	Improvement of economic effectiveness and productivity in agriculture and the agri-food industry may be achieved by investments allowing: effective reallocation of resources; innovation; cost reduction; adjustment to the market and <i>acquis</i> requirements,	Investments in agricultural holdings (SOP) Setting - up of young farmers (SOP), Diversification of agricultural activities (SOP) Improvement in the processing and marketing of agricultural products (SOP) Development and improvement of infrastructure related to agriculture (SOP) Reparcelling (SOP) Water management (SOP) Training (SOP) Agriculture advisory and extension service

		<p>support (SOP)</p> <p>Improvement of Competitiveness Enterprises (SOP COMP)</p> <p>Creation of favourable conditions for enterprises development (SOP COMP)</p> <p>Environmental Protection Infrastructure (IROP)</p> <p>Afforestation agricultural land (RDP),</p> <p>Early retirement (RDP)</p> <p>Support for semi-subsistence farms (RDP)</p> <p>Price support – CAP (1st pillar)</p>
1.2. Improvement of incomes in agriculture and rural areas	The increasing income disparity in agriculture and rural areas and deteriorating living conditions call for the urgent use of instruments that improve the income of the rural population.	<p>Investments in agricultural holdings (SOP)</p> <p>Setting - up of young farmers (SOP),</p> <p>Improvement of processing and marketing of agricultural products (SOP),</p> <p>Diversification of agricultural activities (SOP),</p> <p>Land reparcelling (SOP),</p> <p>Agricultural water resources management (SOP)</p> <p>Improvement of Competitiveness Enterprises (SOP COMP)</p> <p>Development of competencies linked to the regional Labour Market needs and Life Long Learning opportunities (IROP)</p> <p>Support for LFA (RDP),</p> <p>Early retirement (RDP)</p> <p>Support for semi-subsistence farms (RDP)</p> <p>Price support – CAP (1st pillar)</p> <p>Direct support – CAP (1st pillar).</p>
1.3 Improvement of food safety and quality and market orientation of production	Adjustment to market requirements corresponding to changing consumer preferences, seeking market niches, innovation in production	<p>Investments in agricultural holdings (SOP)</p> <p>Setting up of young farmers (SOP)</p> <p>Improvement of processing and marketing of agricultural products (SOP)</p> <p>Diversification of agricultural activities (SOP)</p> <p>Training (SOP),</p> <p>Agriculture advisory and extension service support (SOP)</p> <p>Support for semi-subsistence farms (RDP)</p> <p>Adjustment of agricultural holdings to the EU standards (RDP)</p>
2. Sustainable development in rural areas		
2.1 Multi-functionality of agriculture	Development and maintenance of non-production functions of agriculture through environmental protection in	<p>Renovation of rural areas and preservation and protection of cultural heritage (SOP)</p> <p>Diversification of agricultural activities (SOP)</p> <p>Training (SOP)</p>

	rural areas and preservation of the bio-diversity of the landscape.	<p>Agriculture advisory and extension service support (SOP)</p> <p>Restoring damaged forestry production (SOP)</p> <p>Development of tourism and culture (IROP)</p> <p>Rural areas (IROP)</p> <p>Micro-enterprises (IROP)</p> <p>Support for LFA (RDP),</p> <p>Agri-environment and animal welfare (RDP)</p>
2.2. Reduction of rural unemployment	Systemic transformation of the country and the restructuring and modernisation of agriculture caused by the release of labour, mainly in rural areas. Reduction of unemployment in rural areas must be effected through shifting surplus labour to other branches of the economy and engaging in more labour-intensive sectors of agricultural production.	<p>Setting - up of young farmers (SOP),</p> <p>Improvement of processing and marketing of agricultural products (SOP)</p> <p>Training (SOP)</p> <p>Diversification of agricultural activities (SOP)</p> <p>Improvement of Competitiveness Enterprises (SOP COMP)</p> <p>Development of competencies linked to the regional Labour Market needs and Life Long Learning opportunities (IROP)</p> <p>Micro-enterprises (IROP)</p> <p>Perspective for youth (HRD)</p> <p>Counter-acting and combating long-term unemployment (HRD)</p> <p>Development and modernization of labour market instruments and institutions (HRD)</p> <p>Early retirement (RDP)</p> <p>Support for semi-subsistence farms– (RDP)</p> <p>Pilot programme LEADER + (SOP)</p>
2.3. Improvement of living conditions and the economic and social functions of rural areas	Improvement of living standards in rural areas; enhancing the attractiveness of rural areas as a place of residence, work, and business activities by increasing agricultural incomes; the development of technical and social infrastructure.	<p>Training (SOP)</p> <p>Agriculture advisory and extension service support (SOP)</p> <p>Land reparcelling (SOP)</p> <p>Renovation of rural areas and the preservation and protection of cultural heritage (SOP)</p> <p>Development and improvement of infrastructure related to agriculture (SOP)</p> <p>Improvement of Competitiveness Enterprises (SOP COMP)</p> <p>Development of competencies linked to the regional Labour Market needs and Life Long Learning opportunities (IROP)</p> <p>Rural areas (IROP)</p> <p>Local social infrastructure (IROP)</p> <p>Perspective for youth (HRD)</p> <p>Counter-acting and combating long-term</p>

		unemployment (HRD) Early retirement (RDP) Support for semi-subsistence farms(RDP) Adjustment of agricultural holdings to the EU standards (RDP) Pilot programme LEADER + (SOP)
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The choice of the RDP objectives and priorities is based on the following:

- the analysis of the initial situation in Polish agriculture and completed review of problems related to the rural development (Chapter 4),
- definition of the opportunities and risks in agriculture and rural areas (Chapter 4),
- the extent to which the above-mentioned objectives will be achieved with the use of other EU and national policies upon accession (see the table above).

For this reason, the choice of RDP objectives and instruments should be complementary to other policies and should be co-ordinated with them so as to ensure maximum achievement of the sustainable development policy's goals and the most cost effective use of public funds.

Such assumptions show that the following conditions must be taken into account in the selection of the objectives and instruments of the RDP.

- 1) The relationship between the successful development of broadly defined rural areas in Poland, the development of production and processing, and the economic environment of agriculture is very strong. This results from, on the one hand, the relatively large share of the agri-food sector in incomes and employment and, on the other, from the existing comparative advantages in agriculture.
- 2) Facing new competition will diminish the opportunity for prompt use of the new potential resulting from the availability of EU markets. This situation naturally affects the choice of priority instruments for the RDP and the SOP "The Restructuring and Modernisation of the Food Sector and Rural Development".
- 3) Criteria for the efficiency and effectiveness of the use of EU funds for agriculture and rural development require concentration of key instruments that offer opportunities for the full uptake of available funds and their effective allocation to beneficiaries to achieve multiplier effects. The rationality of this approach is confirmed by:
 - the trend to increase a share of accompanying measures under Agenda 2000;
 - the initially limited Polish experience in the implementation of EU instruments;
 - strict EU requirements with respect to implementation, monitoring and evaluation procedures.
- 4) Neither the Council Regulation 1257/99 nor the regulation-based SOP "The Restructuring and Modernisation of the Agri-Food Sector and Rural Development" provide instruments that would have a direct impact on open and hidden unemployment, one of the major problems of Polish rural areas. However, such instruments are provided in the remaining SOPs, to be implemented under European Social Fund (ESF) and European Regional Development Fund (ERDF).

Table 23. Measures of the RDP and their compliance with particular objectives of the development of Polish agriculture and rural areas, defined under the SOP.

Measure	Justification of the measure	Detailed objective of the SOP
1. Support for Agri-environment (National Agri-environmental Program)	<p>Preservation of the landscape and natural environment in rural areas contributes to the maintenance of the multifunctional character of agriculture, which leads to the sustainable development of agriculture and rural areas.</p> <p>The natural landscape promotes rural areas and ensures additional income to agricultural holdings in return for environmental services, contributing directly to the development and the improvement of living conditions and the economic and social functions of rural areas.</p>	<p>Objective 2.1</p> <p>Objective 1.2, 2.3</p>
2. Early retirement	<p>Support for early retirement will improve the effectiveness (efficiency) of the agrarian structure, as the agricultural holdings will be taken over by persons who are professionally well trained and can thus contribute to an enhancement of farm competitiveness.</p> <p>This support increases the incomes of the rural population.</p>	Objective 1.2
3. Support for LFA – less favoured areas	<p>Support for less favoured areas is geared towards maintaining agricultural production in areas where the profitability of agricultural production is lower.</p> <p>It is also linked with environmental protection.</p> <p>It fosters continuity of farming in "difficult" areas by providing compensating income to farmers operating in those areas.</p>	Objective 1.2
4. Afforestation of agricultural land	<p>Farmland afforestation is essential, particularly in terms of land use and environmental protection.</p> <p>It is intended to exclude poor soils from agricultural production, thus improving the effectiveness of the agrarian structure, ensuring additional income to agricultural holdings, and hence contributing to the enhancement of farm competitiveness, the improvement of living conditions, and the development of rural areas.</p>	<p>Objective 1.2</p> <p>Objective 2.3</p>
5. Support for semi-subsistence farms	<p>Support for semi-subsistence farming is aimed at improving the investment potential of agricultural holdings with limited access to capital. It offers farm modernisation opportunities and hence improvement of their profitability.</p> <p>This instrument allows the enlargement of the market-oriented group of holdings.</p> <p>Semi-subsistence farm support will contribute to the improvement of the living conditions and the development of rural areas and will significantly reduce rural unemployment by increasing investment activities.</p>	<p>Objective 1.2</p> <p>Objective 1.3</p> <p>Objective 2.3, 2.2</p>
6. Support for producer groups and their	<p>Support shall be granted to producer groups and associations thereof in order to cover the costs of the</p>	Objective 1.1, 1.2,

associations	establishment and administration of a group. Support is provided to producer groups established in order to jointly adjust production standards and to establish a system of joint sales of products.	1.3.
7. Adjustment of agricultural holdings to EU standards.	Support shall concern covering the costs of farm adjustment to EU standards in the areas of environment protection, health, animal welfare, and food safety.	Objective 1.3.
8. Technical assistance for units and authorities implementing tasks related to the rural development	Support aimed at strengthening the management, monitoring, and audit systems, as well as the system responsible for assessing the progress in RDP implementation; also support for information and promotion measures.	

The application of certain accompanying measures, such as early retirement, LFA payments, or semi-subsistence farms support, may have a considerable impact in solving regional problems resulting from the fragmentation of the agrarian structure, the overpopulation of rural areas, and the lack of capital.

Due to limited financial possibilities (as compared to the size of the problems), these instruments may have limited importance in the achievement of the priority objectives of rural and agricultural development. This is why it is important to relate the accompanying instruments with other agricultural policy instruments implemented within the CAP or the SOP, so that the multiplier effect will increase the ultimate benefits of the policy implemented.

6.2. RELATIONSHIPS BETWEEN THE RDP AND OTHER COMMUNITY PROGRAMMES

6.2.1. Common Market Organisations

Implementation of the Common Market Organisation in Poland will fundamentally change the institutional and legal framework and the economic conditions for the operation of the agricultural sector and will affect development of agricultural production and improve the agrarian structure. Essential changes in this area are:

- the incorporation of Polish agricultural markets into the EU single market;
- changes in the structure of products with supported prices, hence changes in the relative attractiveness of different sectors of production;
- introduction of direct support into agricultural production in the form of direct payments;
- introduction of production quotas, including primarily milk production, as well as tobacco and potato starch;
- changed (mostly more stringent) requirements with respect to food safety at the farm and processor levels;
- expansion of the administrative element in business activities in the sector, resulting from the introduction of new agricultural policy mechanisms (IACS, monitoring, market intervention system, etc.).

Accession negotiations, terminated on 13 December, 2002, result in a fact that within the period of the implementation of the SOP „The Restructuring and Modernisation of Food Sector and Rural Development’ (2004-2006), Polish agriculture shall be incorporated to CMO on conditions partially different from the current 15 member states. This is due to (i) the transition period for full direct support for agricultural production and (ii) choice of a mixed system of direct payments. Production limits decided during accession negotiations, including most of all milk and sugar, represent the level which should not hamper restructuring processes of Polish agriculture.

The above changes and new conditions of agriculture and the functioning of rural areas in Poland, resulting from the introduction of the Common Market Organisation over 2004-2006, will have the following implications in terms of the objectives defined earlier.

Incorporation of Polish agriculture into the Single European Market and hence exposure to EU producer competition and increased export opportunities will foster the market orientation of production and an improvement in management efficiency. Obviously, the pressure of competition on the Single European Market and the resulting new opportunities will become fully apparent in the long-term. In the short term, possible risks concerning adjustment processes, related to distortions resulting from the rapid increase of agricultural imports from the remaining member states, might be limited thanks to the incorporation of Polish agriculture to the general safeguard clause used in the first years of EU membership.

The necessity to meet the requirements of the *acquis* with respect to food quality and safety standards will foster enhancement of competitiveness in the single market. However, in the short-term it will require very high capital expenditure, often beyond economic potential of agricultural holdings.

Similarly, integration in the Single European Market and the adoption of the EU support system will change the relative profitability of different sectors of production and will force structural adjustments. This will result in the limited production of some commodities and the development of other goods, according to existing comparative advantages. The scale of these adjustments will be significant, resulting in the need to bear the respective costs associated with the reduction of production capacity in certain areas and the building up of production capacity in other sectors (a reallocation of resources).

An additional agriculture support stream in the form of direct payments and accompanying measures of the CAP will affect the level of living standards of the agricultural population (increased incomes), and non-agricultural rural population (increased demand for services in rural areas – the multiplier effect). Most probably, however, this potential will become evident later; during the immediate post-accession years the majority of the financial resources of agricultural holdings, and also those from non-agricultural sources, will be allocated to investments in adjustment. Increase of consumption will thus be reduced if there are reduced direct payments resulting from the introduction of the transition period.

Increased competition and adjustment pressure may cause the accelerated release of labour resources from agriculture, thus possibly causing a temporary growth of unemployment in rural areas, i.e. until employment opportunities increase in other branches of the economy.

In conclusion, we may say that the adoption of the Common Market Organisation and the incorporation of Polish agriculture into the Single European Market will provide incentives to enhance the competitiveness of the Polish agri-food economy and to strengthen its social functions, the advantages of which may become apparent in the long-term. However, in the short-term it will require greater effort from agricultural holdings and agricultural and food processing plants, as well as a reduction in employment.

6.2.2. Agriculture and Rural Development in Poland as an element of the National Development Plan

The assumptions and scope of individual operational programmes to be implemented over 2004 - 2006 result from the key objective of the National Development Plan, i.e. development of a competitive economy based on expertise and entrepreneurship, capable of long-term, uniform development, and ensuring employment growth and the achievement of social, economic and physical cohesion with the European Union at the regional and national levels.

Agriculture and rural development objectives defined in this document:

- 1) Enhancement of the competitiveness of the agri-food sector
- 2) Sustainable development of rural areas,

will not be achieved solely by the use of the instruments provided in this Plan, but will also depend to a considerable degree on the remaining sectoral or regional programmes under the NDP which will directly or indirectly model the conditions for transformations both in agriculture and the food economy and the broadly understood modernisation of rural areas.

It is necessary to highlight measures relating to the following:

- modernisation and restructuring of the food sector and the development of rural areas (*SOP “The Restructuring and Modernisation of the Food Sector and the Development of Rural Areas”*);
- improvement of technical and social infrastructure in rural areas and environmental protection – the factors affecting the development of the economic and social functions of rural areas (*SOP Improvement of the Competitiveness of the Economy, Integrated Operational Programme of Regional Development*);
- immediate support for job generation through the availability of investment funds (*SOP Enhancement of the Competitiveness of the Economy*);
- education, training, and extension to facilitate employment search, enterprise, and the development of self-employment or job generation (*SOP Human Resource Development, SOP Improvement of Economy Competitiveness, Integrated Operational Programme of Regional Development.*)

The transformation of the existing agrarian structure in Polish agriculture depends directly on non-agricultural employment opportunities. Therefore, measures focused directly or indirectly on job generation will provide opportunities for the agricultural population to move to other sectors of the economy, hence establishing conditions for transformations within the agricultural sector, particularly the reduction of hidden unemployment, the expansion of farm area, the modernisation of agricultural holdings, the enhancement of competitiveness, and the market orientation of production.

At the same time, the above types of tasks are immediately related to the achievement of the goal of this Plan, i.e. sustainable development in rural areas. Improved access to infrastructure (technical and social) will render rural areas more attractive for habitation and business activities. Measures focused on the preservation of the natural environment, the landscape, and cultural heritage will enhance this attractiveness. In terms of the improvement of employment measures such as training, the development of advisory services and the availability of funds for SME development will play an important role.

The table below presents an evaluation of the compliance of specific objectives of the SOP “*Reconstruction and modernisation...*” with structural policy instruments applied in the EU.

Table 24. A set of the SOP measures with theirs justification.

Measure of the SOP	Justification of a measure
Investments in agricultural holdings	The instrument supports the strengthening of economic, market and environmental functions in agriculture through the support of investments that will improve the competitiveness and economic condition of holdings. The instrument will support the processes associated with the adjustment of agricultural holdings to Single European Market requirements.
Setting - up of young farmers.	Assistance provided to young farmers to help the take-over of holdings by new, professionally-trained owners. This stimulates the modernisation of agricultural holdings and their adjustment to production, quality, and environmental protection standards.
Training	Stimulation of technological and economic progress through the improvement of farmer education and skill levels. This helps farmers to take advantage of other assistance instruments – support for producers in their adjustment to operating under EU conditions.
Support for agriculture advisory service	Support for agriculture advisory service with the aim of improving the funds absorption effectiveness within the financial instruments that will be implemented in Poland after accession.
Agricultural water resources management	Repair and construction of water management structures.
Reparcelling	Improvement of the layout pattern of farmland to enhance farming conditions and to reduce costs and, therefore, to increase competitiveness and incomes. Land reparcelling allows for landscape preservation aspects.
Improvement of processing of agricultural products and the protection of environment	Modernisation of food processing plants and improvement of their market orientation in order to strengthen their competitiveness and adjust to Single European Market requirements with respect to food quality and safety.
Renovation of villages and protection of rural heritage	Improvement of the attractiveness of rural areas by modelling their identity through the protection and provision of historical monuments and maintaining traditional forms of physical development in rural areas.
LEADER + (pilot project)	Rural population integration aiming at to achieve goals of rural development strategy
Diversification of agricultural activities and activities related to agriculture	Diversification of farming activities using the existing market niches in order to generate alternative incomes for farmers and to reduce hidden unemployment. Creation of the conditions for the development of competitive, multifunctional holdings.

Measure of the SOP	Justification of a measure
Development and improvement of infrastructure related to agriculture	Enhancement of farming and farming related conditions, and improvement of the living standards of the rural population.

6.3. AREAS OF IMPLEMENTATION FOR CERTAIN MEASURES

6.3.1. LFAs included in Measure 3 of the RDP

Pursuant to Council Regulation (EC) No. 1257/1999, less-favoured areas (LFAs) include:

- 1) mountain areas (Art. 18);
- 2) lowland areas (Art. 19);
- 3) areas affected by specific natural handicaps (Art. 20).

Mountain areas include gminas where over half the farmland is situated above 500 m a. s. l.; 68% of agricultural land within the mountain area has slopes equal or higher than 12%.

Lowland areas have been divided into two zones:

- a) lowland zone I includes:
 - gminas where the Land Quality Index (LQI)¹⁵ is higher than 52 points and does not exceed 72.5 points;
 - surveying districts where the LQI value does not exceed 56 points;
- b) lowland zone II includes:
 - gminas and surveying districts where the value of the ratio does not exceed 52 points.

Using the above LQI criteria for delineation of LFA under art. 19 allowed to fulfil agricultural productivity criteria which is at least 20% lower as compared to the country's average (see Table 25).

Demographic factor for all areas covered by LFA (art. 19) is fulfilled if the value of density of population, measured on the gmina and powiat level does not exceed 75 persons per km².

Pursuant to the *Explanatory Memorandum* (COM (784) (2222)), those gminas in both zones in which the share of the population engaged in agriculture measured at the gmina level is at least 15% have been taken into consideration.

Areas affected by specific natural handicaps are those gminas and surveying districts located in upland areas which according to of the Law on agricultural tax of

¹⁵ See Annex D

15th November 1984¹⁶ are covered by agricultural tax reductions due to natural handicaps (at least 50% of the total area above 350 m above sea level). Those areas exhibit complex structural problems while at the same time are significant for the development of tourism, landscape and cultural heritage protection;

Gminas must fulfil at least 2 out of 4 below mentioned criteria

- average farm area below 7,5 ha;
- existence of soils threatened with water erosion;
- share of households, that given up agricultural activities above 25 % of total number of agricultural farms;
- share of permanent grasslands above 40% in the structure of agricultural land.

Justification for the designation of LFAs.

1) Mountain areas (Art. 18)

With regard to natural conditions and their influence on farming in mountain areas, the Carpathians are similar to the Alps. However, comparable climate and vegetation belts are present at lower altitudes in the Carpathians than in the Alps. The difference in altitude between the upper boundary of the moderately warm belt in the Western Carpathians (650 m a. s. l.) and the elevation of this belt in the Eastern Alps (920 m a. s. l.) amounts to 270 metres. When comparing the economic delimitation of mountain areas in the EU with regard to elevation with the criteria for distinguishing mountain areas in Poland, a correction of 250 metres should be applied. These differences are primarily the result of the fact that the Carpathian massif is located farther north than the Alps and this is why Poland has set the lower limit for mountain areas at the altitude of 500 m a. s. l. It results also in a shorter vegetation period in Polish mountain areas - 180 days on average, in comparison to the Poland's lowland average - 215, and European lowland average - 250 days.

2) Lowland areas (Art. 19)

The three main criteria for lowland LFA delimitation pursuant to the art. 19 are presented below:

a) Areas with land of poor productivity, difficult management and limited potential (Art.19).

The Land Quality Index (LQI)¹⁷ is used as a base for the delimitation of the land with low productivity potential and facing difficulties in land management. The objective nature of this index comes from the simple fact that it is derived from spatial biophysical layers characterizing soils, terrain conditions and climate. Detail explanation of quantitative criteria and methodology used for generating LQI values for administrative units at NUTS-5 level is described in the Annex D.

¹⁶ Journal of Laws No. 94/1993 item 431; No. 1/1994 item 3; No. 91/1996 item 409; No. 43/1997 item 272; No. 137/1997 item 926; No. 108/1998 item 681; No. 81/2001 item 875 and No. 200/2002 item 1680.

¹⁷ See Annex D

In this context it is important to emphasise that the current approach to delineation of LFA in Poland is fully supported by measurable and objective land quality criteria reflecting their impact on productivity.

Taking the LQI value as the criterion, agricultural land was divided into the following groups of areas with increasing degree of constraints:

- a) ≤ 52 LQI points – land with extreme natural limitations;
- b) 52.1-56 LQI points – land with strong natural limitations;
- c) 56.1-66 LQI points – land with moderate natural limitations;
- d) 66.1-72.5 LQI points – land with noticeable natural limitations.

The above categories of unfavourable land conditions include mainly soils of a very coarse texture which is a dominating soil cover in Poland. Soil survey data make it evident that over sixty percent of soil cover in Poland consists of postglacial sandy deposits with a limited content of clay and organic matter (see Section 4.6.1). These coarse soils are very prone to acidification due to a limited sorption capacity which potentially leads to an intense leaching of nutrients – increasing inputs on these soils does not compensate for their poor natural productivity but instead it will cause ground water pollution. Over 60% of soils in Poland are highly acidic (with a pH below 5.5) and it is essential that expenses required to manage acidity would be partially covered by LFA payments which would reduce environmental risk and reduce land abandonment in low productivity areas.

Data presented in Table 25 make it evident that current approach to LFA delineation is fully justified by the following facts:

- a) the share of abandoned land within LFA areas is from two to over seven times higher than within Non-LFA land characterised by no limitations for crop growth and proper management according to a good agricultural practice;
- b) the contribution of grasslands within LFA is from almost two to 5 times higher relative to Non-LFA areas
- c) the value of agricultural production in monetary units per hectare within LFA I areas is almost 20% lower than country's average which is an overall indicator of significantly limited productivity in terms of economic consequences

It is remarkable that in territories with land classified to mountain LFA and article 20 relative decline of agricultural production expressed in monetary units per hectare is as high as 63% and 74%, respectively.

Table 25. Characteristic of LFA in Poland.

Parameter	Mountain	Art.20	LFA II	LFA I	Non-LFA
Soil quality	32.4	44.6	32.4	43.1	58.4
Climate index	5	6.5	9.2	10	11
Relief index	1	2,1	4	4.1	3.7
Soil moisture index	4.2	4.2	2.15	2.9	3.8
Land quality index	42.7	56.4	48.6	59.9	75.7
Grasslands %	60.3	40.9	29.4	21.4	12.9

Parameter	Mountain	Art.20	LFA II	LFA I	Non-LFA
Abandoned land %	50	39.9	26.1	15.5	7
Animal units/100 ha	46.5	30.5	48	43	40
Number of cattle/100 ha	47	30.5	36.5	31	28
Number of pigs/100 ha	8.5	15.5	69	83	82
Cereal crops %	63.4	66.4	82.4	81.5	74.4
Rye acreage %	2	4	34	19.4	6.2
Potato acreage %	26.3	20.4	10.7	7.4	7.1
Wheat acreage %	15.6	28.5	4.2	11.7	27.6
Cereals mixes acreage %	1.5	3.4	13.6	13.5	7.4
Corn acreage %	0	0.1	0.1	0.5	1.2
Rape acreage %	0	0	0	0.6	1.7
Oats acreage %	21	11.6	9,9	6.2	3
Farm size ha	2.52	2.6	6.7	8.1	5.7
Production PLN/ha	607	848	1409	1850	2319
Productivity decline % of country's average	74	63	39	19	+1

Source: statistical data CSO, 2002, Institute of Soil Science and Plant Cultivation, Pulawy 2003.

Assessing farming productivity (Art. 19)

Over half the farmland in Poland exhibits extremely unfavourable conditions for the cultivation of cash crops, which require fertile good quality soils and a favourable climate conditions such as solar radiation and temperature (e.g. sugar beet, wheat, barley, winter rape). As indicated by LQI values poor land quality evidently controls low yields within LFA – a strong correlation between LQI and yields quantifies this statement. Low LQI values explain low yields observed in Poland, relative to other European countries in central and northern European regions. The current level of fertilizer inputs used in Poland should support at least 60% higher yields of wheat and other crops than the current productivity – the existing difference between Poland and the EU15 can be only explained by a poor land quality which reduces efficiency of inputs (see Annex D). Statistical data indicate that only in 31% of NUTS-5 units in Poland (gminas) can achieve yields of cereals over 3 tons per hectare. The LQI value corresponding to the average cereal yields in Poland (2,7 t/ha) is about 66 points, whereas in order to achieve European average yields (5,5 t/ha) the quality of agricultural land would need to be at the level of above 100 points. In a reality there are only 35.8% of gminas in Poland with the land quality supporting yields above 3 tons of cereals per hectare. Low land productivity is resulting from an interaction between low annual precipitation and limited water retention of coarse soils. In this light it reasonable to use LQI of 72,5 points as a threshold for LFA providing that demography criteria indicating a risk for depopulation are met. This approach is in line with requirements defined by auditors in the report of 27 June 2003 (in points 34,35 and 37- O.J. C 151, 27.06.2003 p. 1-24), where utilisation of identification criteria comparable with those used for LFAs in the entire EU level is recommended (see 4.7.2).

Currently, farmers in lowland LFAs overwhelmingly use low input production methods and low productivity/income crops (e.g. rye, oat, potatoes, etc.) that can be

cultivated on poor soils without excessive risk of losses and thus ensure the survival of the farm. A significant share of farms within LFA meets a definition of subsistence or semi-subsistence farming. The farmland within LFA is threatened with further degradation through abandonment affecting functioning of landscapes and ecosystems. It is essential that farming is continued in these regions. In central Poland, there is a strongly water deficit (above minus 250 mm) during vegetation season affecting farming activities and productivity.

An adequate compensation of these drawbacks is essential from both environmental and socio-economic standpoint.

Assessing the size of population dependent on farming activities (Art. 19)

The share of the rural population in Poland is several times higher relative to the EU-15 and is reaching the level of 19%. Regardless this fact there is an increasing share of an abandoned land in low productivity areas in particular in regions with historically fragmented agrarian structure. Changing this structure by implementing larger holdings is impossible in a short term and it does not follow the transformation pattern common for the EU15 countries. This is resulting from socio-economic structure established during the period of centrally planned economic system, which functioned in Poland until 1989. Small size holdings which are dominating on majority of agricultural land do not support an adequate income and this leads to a detrimental land abandonment.

Low opportunities for alternative sources of income are the reason for the fact, that without proper support through LFA significant portion of rural landscapes in such areas will soon become abandoned and depopulated.

As many as 41% of farm holders are 45 years of age or older and thus will retire within the next twenty years. Most of them do not have successors because of limited farm size and natural conditions which discourage continuation of farming. If this trend continues the size of farming population will be not adequate to ensure sustainability of agricultural landscapes. The migration from rural areas could be stopped by the development of off-farm business activity. Such a trend is already noticeable, but mainly within non-LFA areas as they provide a better income from farming. In 1996, only 7.4% of agricultural holdings were engaged in such alternative activities, while in the years 1996-2002 the share of such farms almost doubled and increased to 13%. Combining income from farming and from off-farm business activities in LFA areas is less dynamic due to a limited demand for services from dwindling number of people involved in semi-subsistence farming.

As regards the risk of depopulation it was considered by introduction of a density threshold of 75 persons per square kilometre within the region of interest. Moreover the population density in these areas does not even exceed 50% of country's average.

Table 26. Demography indicators of lowland LFA in Poland (art. 19)

Indicator	LFA II	LFA I	Poland's average	Non-LFA
Population density (persons/km ²)	40.6	34.9	122.2	247.5
% of population involved in farming	58.2%	56.5%	27.4%	18.8%
% of population involved in farming (farms >1ha)	48.6%	45.7%	19.5%	12.2%

Source: CSO, 2002

3) Areas affected by specific natural handicaps (art. 20)

There are areas with specific natural handicaps in Poland where farming should be continued in order to protect the environment, maintain the countryside and preserve the tourist potential and landscape functions of these areas. They are primarily located in southern Poland and are associated with uplands demonstrating considerable biodiversity and cultural features.

Farms located on these areas are of small size and highly fragmented with parcels often scattered within a long distance relative to their total area. Farms consisting of six and more parcels cover nearly 25% of the total number, whereas such diverse structure of farms outside article 20 areas is typical for 12.4% of farms only. Due to intense relief and large contribution of steep slopes in article 20 zones there is significant threat for water erosion and land slides if mismanaged. These factors reduce to a large degree a potential for efficient farm management by implementing modern and more mechanised practices. To maintain these landscapes continuation of traditional and extensive practices is required including conversion of arable land to permanent grasslands. The necessity of this type of actions increases with the altitude and intensity of land forms and relief.

4) General characteristics of LFA in Poland

Altogether, 52.4% of farmland populated by around 18% of the total population has been designated as LFAs (see: Table 27), out of which around 3.1% pursuant to Article 20, 48.1 % pursuant Article 19 and 1.2 % pursuant to article 18.

Table 27. Land distribution within LFA in Poland

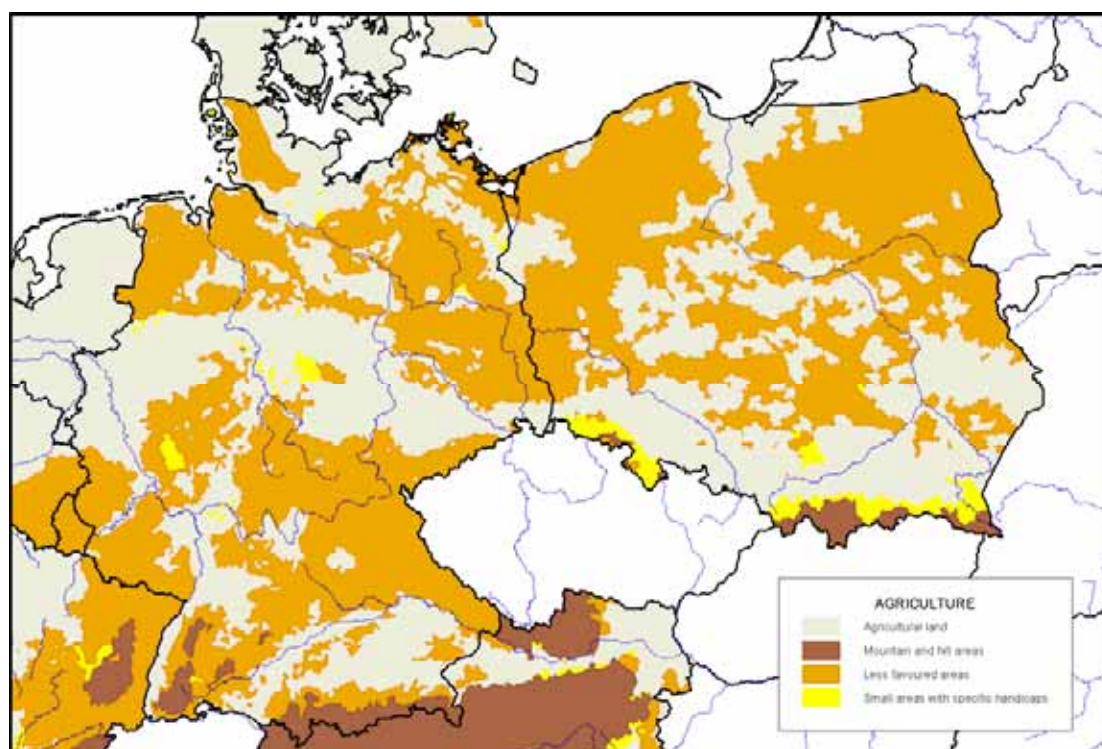
LFA	Agricultural land	
	'000 ha	%
Art. 18	197,8	1.2
Art. 19	8150,8	48.2
Art. 20	533,1	3.2
Total LFA	8881,7	52.6
Others	8017,6	47.4
Total Poland	16899,3	100.0

These areas exhibit a large share of abandoned land (fallow and idle land) in total farmland area and a share of population working in agriculture that is several times higher than that in non-LFA areas.

The share of farmland designated as LFAs in Poland does not differ considerably from that of most of EU15 member countries and is much lower than that in Greece, Spain or Portugal countries with a similar or higher productivity potential.

The proposed delineation of LFA in Poland is in a good agreement with the approach used in other countries including neighbouring Germany. As demonstrated on the attached map (Figure 4) the interface boarder zone between Poland and Germany exhibits a continuum of LFA/Non-LFA areas which is reflecting the natural continuity of spatial structure of land quality controlled by texture (Figure 1). This is direct evidence that the assessment criteria and weights attributed to land quality constraints in Poland and Germany were very similar, otherwise spatial distribution of LFA/Non-LFA zones would show sharp boundaries reflecting country's border lines. Even if all input levels increase in Poland to match the EU average in the next 10 years, it will not compensate limitations in the potential production associated with the real soil and climate constraints as poor soils and climate will not change. Detail comparison of soil and climate conditions between Poland and other European countries based on public domain data and official statistical records is given in the explanatory attachment.

Figure 4. Spatial distribution of LFA in Poland and neighbouring countries according to proposed delineation criteria



6.3.2. Priority zones with regard to Measure 4 Agri-environment and animal welfare

A priority zone (PZ) is an area for the implementation of the Agri-Environmental Programme that exhibits specific environmental problems and requires the implementation of remedial or protective measures. The objective of distinguishing

priority zones is the concentration of agri-environmental measures and the achievement of measurable environmental impact (Annex E).

The detailed criteria for the selection of priority zones were as follows:

- high status in the national and international system of protected areas (national park or landscape park status, projected refuges within the NATURA 2000 network due to the presence of permanent grassland of exceptional natural value that is in danger of abandonment of land-use;
- threats to agricultural production space posed by water or wind erosion, water pollution or the presence of fallow land;
- pointing to regional differences in mountain and lowland areas where traditional types of agricultural landscapes prevail, differing with respect to farm size and farmland layout;
- counteracting tendencies leading to the specialisation and intensification of agricultural production;
- threats to the simplification of the rich landscape mosaic forming part of the traditional landscape structure and the basis for the development of the region.

The process of designation PZs was organised on regional level in co-operation with all marshal offices. It was established 16 Regional Working Groups (RWG) to designate priority zones and to choose for them appropriate packages, taking into account the regional strategy for sustainable development and environmental needs. To this aim 16 regions (voivodships) were given a basic criteria for priority zones designation (as maximum number PZ per voivodship, maximum surface, factors and criteria for selection, preferences, f.e. areas with environmental problems, as water pollution and soil erosion, areas of high natural values, areas threatened by intensification, or by abandonment, etc.). They obtained also an agri-environmental catalogue in order to choose the most appropriate packages to tackle the regional problems. The working groups have proposed, according to Ministry's guidelines, with some local modifications and after a wide local consultations, the list of priority zones, with a strong justification of selection. After long discussions and consultations on regional level, the list of 69 priority zones was presented to the MARD and finally accepted.

Priority zones cover 32% of the country's area in total. An average area of a PZ is 160,000 ha, of which on average 54.8% is constituted by farmland.

Priority zone boundaries have been established on the basis of municipality boundaries and in some cases also on the basis of surveying districts (Lubelskie and Opolskie Voivodships), villages (Świętokrzyskie Voivodeship) or protected areas (Łódzkie Voivodeship) (see: Annex F). During implementation the boundaries of these units (municipalitis, villages, protected areas) will be accommodate to the boundaries of districts.

Because the priority zones have been delimited by 16 different RWGs, their character varies and is largely dependent on regional priorities. The designated zones form a representative sample of both typological and regional varieties of agricultural landscape and the related biodiversity. Natural conditions were the basic premise for the delimitation of priority zones in most voivodships (see: Annexes G and H). In

most cases the RWGs independently selected adjacent areas of similar character, which acknowledge that their choices were sound.

Table 28. List of municipalities (or surveying districts) considered to be priority zones under Measure 4 of the RDP, which are to be listed entirely or in part as nitrate vulnerable zones within the meaning of Directive 91/676/EEC.

Voivodeship	Priority zone	Municipality
Warmińsko-Mazurskie	28A	Giżycko, Węgorzewo
Lubelskie	06A	Ludwin
Lubelskie	06C	Komarówka Podlaska (districts: Kolembrody, Żelizna)
Mazowieckie	14A	Korytnica
Kujawsko Pomorskie	04B	Stolno, Chełmno
Zachodniopomorskie	32E	Lipiany
Dolnośląskie	01D	Góra, Wąsosz, Cieszków, Milicz, Żmigród, Niechlów
Lubuskie	01D	Szlichtyngowa
Wielkopolskie	30C	Kleszczewo, Kostrzyń Wlkp., Kórnik, Mosina, Borek Wlkp., Szamotuły, Dopiewo
	30D	Borek Wlk., Krzywiń, Piaski, Pogorzela, Koźmin Wielkopolski, Dobrzyca, Kościan

6.3.3. Nitrate Vulnerable Zones within the meaning of the Nitrates Directive

The final measures related to the transposition of Directive 91/676/EEC are linked to the issuance of the following regulations by the Directors of Regional Water Management Boards (RZGW):

- 1) on the designation of surface waters and ground waters vulnerable to pollution caused by nitrogen compounds from agricultural sources and of nitrate vulnerable zones where the runoff of nitrogen from agricultural sources into these waters should be reduced;
- 2) on the implementation of a action programme designed to reduce nitrogen runoff from agricultural sources.

The basis for identification of waters polluted with nitrates of agricultural origin were the results of the National Environment Monitoring that was executed at the national, regional and partially local level. Science institutes used the monitoring data to perform expert analyses focused on the assessment of the state of pollution of waters with nitrates and the impact of agriculture on the mentioned state, with respect to the requirements of the Nitrate Directive.

The expert analyses were completed in the middle of 2002, and the resulting conclusions are as follows:

- pollution of surface waters with nitrates, assessed on the basis of monitoring data from 1990-1999, was very low, as only 0.38% of 95,523 results corresponded to nitrate concentration exceeding 50 mg NO₃/dm³, and 0.26% corresponded to concentration of 40 - 50 mg NO₃/dm³;

- the assessment of pollution of ground waters (both unconfined and confined) on the basis of 7965 test results from the period between 1991 and 2000 indicated that each year from 7.4% to 12.5% of results were between 25 – 50 mg NO₃/dm³, and from 9.8% to 16.9% of results indicated nitrate content exceeding 50 mg NO₃/dm³, with most pollution in unconfined ground waters; the quality of confined ground waters in active outlets, however, was significantly improved during the analysed decade;
- excessive eutrophication present in approx. 50% of lakes assessed according to the Polish SOJJ system, located in the catchments of both agricultural and various use, is limited mainly by the phosphorus content. Another cause of eutrophication of those lakes are bottom sediments; the highest contents of total nitrogen, exceeding 2 mg N/dm³ were observed in waters of Wielkopolskie, Chełmińsko-Dobrzyńskie and Leszczyńskie Lakeland;
- excessive eutrophication of river waters was determined in 12% of 362 tested measuring points, with a decreasing tendency of chlorophyll and phosphorus values since 1992;
- average annual runoff of nitrogen load from the total area of Poland to the Baltic Sea amounts approx. to 220 thousand tons, including 140 thousand tons originating from surface sources, which constitutes approx. 60% of total; the unit discharge loads in Poland, calculated per 1 citizen or 1 ha of surface, are the lowest in comparison with other Baltic countries (e.g. in the dry year 1996, in the Vistula and Oder river catchments they amounted to 3.3 and 4.4 kg N/ha per year, and during high flows in 1998 they amounted to 5.5 kg N/ha per year);
- in the period of 1990-2000 development of agriculture, including development of plant production and farm animal breeding, as well as application of both natural and mineral fertilizers, exhibits a decreasing tendency; average NPK use is 139.5 kg/ha, including 48.4 kg N/ha in mineral fertilizers and 20.3 kg N/ha in natural fertilizers, whereas even the highest use of fertilizers of more than 100 kg N/ha (voivodships of wielkopolskie, kujawsko-pomorskie and opolskie) did not exceed the acceptable dose of natural fertilizers specified in the directive, i.e. 170 kg/ha per year.

The results of expert analyses were supplemented with assessments obtained in the course of research activities carried out at the end of 2002 by each RZGW, which were used to design planned borders of particularly exposed areas within water regions.

The result of designation of NVZ was the basis for the regulation mentioned at point 1 which have been issued in relevant Voivodeship Official Journal (see Table in Annex U). Designated Nitrate Vulnerable Zones are presented on the map in Annex U.

Regional Board of Water Management (RZGW) have already prepared the action programmes for nitrates vulnerable zones aimed to reduce nitrogen runoff from agriculture sources to surface water and groundwater located on this zones. The contents of the particular action programmes has been submitted to the European Commission.

Action programmes are put into operation as the regulation of Directors of relevant RZGW. There are 21 various action programmes, that comprise minimum standards listed in Annex III of the Nitrate Directive .

All the actions programmes are based on *the Regulation of the Minister of the Environment of December 23, 2002 laying down the detailed requirements for action programmes designed to reduce the nitrogen runoff from agricultural sources* (O.J 03.4.44 of 15 January 2003). According to mentioned above piece of legislation action programmes are developed involving remedial measures presented in the Code of Good Agricultural Practice) and quoted in Annex no. 1 to the mentioned Regulation (see Annex S) includes *inter alia*: limitation of the land application of organic fertilizer up to 170 kg N/ha per year, periods when the land application of organic fertilizer is prohibited, requirement concerning the capacity of storage equipment for organic fertilizers. Manure plate capacity should allow for gathering and storage of manure for at least 6 months. Capacity of liquid manure and slurry tanks must allow for storing the fertiliser for at least 6 months in nitrate vulnerable zones.

The Polish basis for development and implementation of action programmes in NVZs, from which nitrogen run-off from agricultural sources to surface and ground waters should be limited, is art. 47, par 7 of the Water Law act, whereas art. 84 of the act on environment protection describes the general concept of such programmes.

These programmes cover following groups of actions:

- improvement of farming practice, including remedial measures related to the improvement of processes of fertilization, fertilization management and land management at farms;
- farmers education and advisory, including actions related to farmers trainings, advisory for farm holdings in terms of good farming practice;
- control agricultural source of pollution, including actions related to control of fulfilment by farmers requirement of programme;
- monitoring of effectiveness of action programmes, including actions related to water and soils monitoring within area of action programme and at points characterizing agriculture impact on water pollution caused by nitrogen compounds from agriculture sources;
- supported actions, related to implementation of obligatory remedial measures by farmers and training and advisory activities

A programme specifies:

- the area of its application;
- violated environmental quality standards, including the degree of violation;
- basic directions and range of actions necessary to re-establish the violated environmental quality standards;
- financial and itinerary schedule of planned actions;
- entities to receive responsibilities specified in the programme;
- where necessary, additional responsibilities associated with reduction of environmental impact for entities that use the environment, such as:
 - an obligation to measure intensity of emission or levels of substances or energy in the environment,
 - an obligation to submit the results of measurements and information on compliance with the requirements specified in the possessed permits, with specified frequency.

- limitation of the validity periods of the permits possessed by a given entity, however no more than to 2 years.
- responsibilities of administration authorities to provide the authority receiving the programme with information on issued decisions that affect the implementation of a programme.
- methods of inspection and documentation of the implementation of a programme and its results.

The programme content is established especially on the basis of:

- the assessment of the character and range of the current status of the environment, based mostly on the data from the national environment monitoring;
- the analysis of potentially applicable organizational, technical or economic solutions of the planned actions;
- the analysis of the costs of application of the suggested protection measures, with respect to optimisation of the measures;
- the analysis of the character of the areas of limited use present in the area covered by the programme and the range of restrictions imposed on use of such areas.

6.4. SCHEDULE OF PARTICULAR MEASURES' IMPLEMENTATION

Early retirement

This measure shall be implemented in the entire country area, starting from the first year of the RDP's realisation. Funds under that measure have been planned in an increasing manner, taking into account a dynamics foreseen of the RDP launch. An absorption under early retirement will be the lowest in the first year. Funds under the early retirement shall gradually increase in years 2005-2006.

Support for semi-subsistence farms

The measure shall be implemented in the entire country area. An opportunity to implement that type of support has been foreseen for the first three years after the Poland's accession to the EU (2004-2006). A level of financing the measure for these years is the same.

Support for less favoured areas

The measure shall be implemented in the areas defined in paragraph 9.5.3, starting from the first year of RDP's implementation. A financing of the measure foreseen in relation to particular years is of the same level.

Support for agri-environment and animal welfare

The measure shall be implemented gradually. Seven agri-environmental packages shall be implemented from the year 2004: sustainable agriculture, organic farming, maintenance of extensive meadows and pastures, and water and soil protection, buffer zones, maintenance of local farm animals' races shall be implemented.

Afforestation of agricultural land

The measure shall be implemented in the entire country area, within the total period of RDP's implementation. Funds dedicated to the measure have been planned in an increasing manner, reflecting a dynamics of its realization. In the first year of implementation the absorption shall be the lowest.

Adjustment of agricultural holdings to the EU standards

The measure shall be implemented in the entire country area, within the total period of RDP's implementation. Funds dedicated to the measure have been planned in an increasing manner, reflecting a dynamics of its realization. The absorption shall be the lowest in the first year of implementation.

Support for agricultural producers' groups

The measure shall be implemented in the entire country area, within the total period of RDP's implementation. Funds dedicated to the measure have been planned in an increasing manner, reflecting a dynamics of the measure's realization. The absorption shall be the lowest in the first year of implementation.

Technical assistance

The measure shall be implemented in the entire country area, within the total period of RDP's implementation. A level of financing the measure for particular years of its realization is the same.

Complements to direct payments

The measure shall be implemented in the entire country area, starting from the beginning of RDP's implementation. Funds dedicated to the measure have been planned in a following way: 25% of total RDP's budget in 2004, 20% - in 2005, and 15% - in 2006 (as stated in the Accession Treaty).

7. ECONOMIC, SOCIAL AND ENVIRONMENTAL EFFECTS¹⁸

Assessment of economic, social and environmental impacts for the Rural Development Plan (extract)

Assessment of economic, social and environmental impacts for the Rural Development Plan was prepared by the Institute for Sustainable Development, chosen under the national rules of public procurement.

The ex-ante evaluation was conducted in parallel with the work on the RDP draft in a way that enabled the direct exchange of comments and opinions between the teams while the following schedule was adhered to:

- submitting preliminary recommendations for the second version of the RDP – May 2003;
- cooperation between the evaluating team and the team preparing the draft of the third version of the RDP – August 2003;
- submitting the final text of the ex-ante evaluation and introducing amendments to the current version of the Plan – September 2003.

During the evaluation, the evaluators attempted to answer the following question: to what degree will the measures projected contribute to:

- improving the rural residents' quality of life;
- preserving social bonds and building a stable local economy;
- efficient disbursement of rural development funds;

¹⁸ An abstract of the ex-ante evaluation shall constitute the Annex J to the RDP.

- better integration of the Plan with other strategy documents concerning rural areas;
- development of mechanisms leading to the self-organisation of the rural population.

An evaluation has also been conducted with regard to the question of how the measures projected under the Plan respond to the identified problems of rural areas and if the funds earmarked for those measures will enable the achievement of objectives

In view of the conducted evaluation, the prepared RDP is generally in line with legal regulations in force in the European Union concerning the support for rural development policy. Community legal regulations form the legal framework for this policy. The Community legal acts are a reflection of this policy, especially the Council Regulation no. 1257/99 of 17 May 1999 concerning the support of rural development by the European Agriculture Guidance and Guarantee Fund (EAGGF) amending and repealing certain regulations and the Commission Regulation no. 817/2004 of 29 April laying down the detailed principles of application of the Council Regulation No. 1257/1999 concerning the support of rural development by the European Agriculture Guidance and Guarantee Fund (EAGGF). In these provisions, the Community legislator outlined solely the general frames for the functioning of rural policy instruments, leaving to the Member States a relatively wide margin of freedom in setting detailed solutions at a country legislation level. Only the measure concerning the agri-environmental programmes is obligatory. Individual instruments have been programmed within the legal framework of the Plan draft; the solutions projected have been adjusted to Polish agricultural reality and the existing financial capabilities.

The RDP is the one of two programmes, from which agriculture and rural areas is to be financed after the accession to the EU. The second one is the Sector Operational Programme *Restructuring and Modernization of the Food Sector and the Development of Rural Areas* (SOP). The evaluation states that both documents are complementary and consistent

The evaluation states that both documents are complementary and consistent. The significance of the relationship between the support for the construction or modernisation of environmental protection infrastructure and the observance of simple principles of good agricultural practice has been pointed out.

The diagnosis of the current situation forms an important part of the Plan because it justifies the mode and scale of the implementation of the measures selected. The diagnosis has been assessed as extensive and comprehensive. However, necessary additions and amendments have been pointed out: the introduction of animal production, more emphasis on regional differences in agricultural landscape and farm structure as well as a change in document structure that would result in a coherent description of the current status, threats and development opportunities. The need to elaborate upon the problems related to the development of organic farming, which is limited by the low demand for organic food, insufficient market development and the difficult access to advisory services, has been pointed out. Also the data concerning the NATURA 2000 network required updating.

In the view of experts, the individual measures of the Plan are complementary and there is virtually no overlap between them. However, the proposed ratios of fund disbursement point to the protective character of the Plan. In the short term, the

implemented measures will alleviate the problem of insufficient income achieved by the weakest farms but they will not significantly contribute to the solution of structural problems in the long term. The need to support the process of farm modernisation (meeting the EU standards, supporting producer groups) has been pointed out. The Plan, due to its support for semi-subsistence farms, responds to the aspirations that are voiced increasingly often by young farmers who want to link their professional careers to farms that are managed similarly to small firms.

The evaluation of the general potential impact of the Plan on the environment states that the implementation of the measures should not result in a significant negative impact on the environment; moreover, a favourable impact can be expected. It has been, however, pointed out that the links between the measures of the Plan and the NATURA 2000 network currently designed in Poland are too weak.

The essence of the document, from the viewpoint of its completeness, are the stipulations concerning the diagnosis of current situation, as they determine the legitimacy or its lack as to the chosen measures and their scale. The diagnosis covers many issues. Beside general information, the place and role of the agricultural sector was presented, the characteristics of agricultural holdings, the state of professional activeness of rural population, the level of plant production and the state of development of organic farming, and also the processing of agricultural articles, the state of forest husbandry and the system of nature conservation in Poland. Moreover, beside the strong and weak points of rural areas and agriculture, basic problems of rural areas were discussed, concerning the following: the labour force, the structure of agricultural holdings, horizontal and vertical integration in the agri-food sector, shortage of capital and adapting agricultural holdings to the EU requirements. A separate chapter was devoted to the problems that appear where agriculture abuts the environment, especially to the impact of agriculture on the environment, the intensity of soil degrading factors, the occurrence of rested lands and the condition of water and water managements.

The proposed proportions of funds' spending decide mainly of the RDP protective nature, above all solving current problems. In the short term, the measures implemented will contribute to mitigate the problem of the weakest holdings income incapacity, while in longer outlook they will not really contribute to solve structural problems.

The implementation of measures planned within the framework of the RDP should not provoke major negative impacts on the environment, and what is more, the generation of positive impacts can be expected. The size of the RDP positive impact will depend above all on the way of funds allocation for individual priorities and measures and on the methods of their implementation.

The key issue connected with the management of the RDP implementation is the ability to use maximally the funds earmarked for its realization. However, the absorption of funds is not an objective by itself, it is the criterion of assessing the ability to achieve the RDP material objectives – that is the real rural development. The absorption of funds does not depend on the measures alone, but to a large degree on the approach to their implementation. The ability to absorb funds will depend mainly on the adopted implementation procedures – institutional solutions.

Performance of the management function by the MARD and indication of the Agency for the Restructuring and Modernisation of Agriculture (ARMA) as the payment authority seems to be a natural consequence of the RDP nature.

With a great probability it can be forecasted, that the majority of the RDP measures will have no direct impact on the employment evolution – above all they will be conducive to obtainment of additional income by the measures beneficiaries. The RDP implementation will also affect the labour market in an indirect way – not through the implementation of particular measures, but through the servicing of the whole Plan and its particular measures implementation.

The Rural Development Plan is a programme that is complementary to other programmes, above all to the Sector Operational Programme *Restructuring and modernization of the food sector and rural development*, which is yet of different nature and is oriented towards rather stronger and bigger holdings (at least because of the need to co-finance the activities). Apart from the possibilities to obtain funds from these two programmes, farmers will additionally receive the so-called direct payments. In this broader context and relatively wide range of possibilities, the Rural Development Plan can be perceived as a chance for smaller holdings, with smaller potential, often located in difficult conditions or in areas that require protection, so for the holdings for which it will be particularly difficult to compete on the EU common market.

Recommendations

1. To lower the amount of early and simultaneous increase of the number of beneficiaries.
2. To increase the amount of funds destined for the support of producer groups, as this measure will be conducive to modernisation of agricultural holdings – the growth of farmers' number in producer groups and the growth of the commodity production level will also increase their economic strength.
3. To increase the amount of the afforestation bonus to a minimum level of PLN 1000 /ha/year. The amount of the afforestation bonus should oscillate between PLN 1000 and 1500.

The suggestions here above mentioned were complied with in the RDP.

4. In the diagnosis, in relation to the proposed measures, the specificity of the agricultural landscape and holdings structure in different regions of Poland was to a too small extent taken into consideration. The report should be re-edited under this angle. The recommendation complied with to Agri-environmental measure and LFA.
5. In regard to the early retirements, there exists a requirement "the successor possesses suitable professional qualifications" - it is necessary to correlate with requirements of the Act on Agricultural Regime. This recommendation was taken into account in the RDP.
6. The RDP did not take advantage of the chances for the support of social acceptance for the NATURA 2000 network implementation, provided by the provisions of Articles 16 and 20 of the Council Regulation no. 1257/99. This recommendation was not complied with in the RDP, because of the reason, that delimitation of the NATURA 2000 network is not completed yet. Implementation of article 16 is planned to provide in RDP after delimitation of NATURA 2000 network or in next programming period (years 2007 – 2013).
7. It is necessary to engage agricultural chambers, social organizations operating on behalf of agriculture, and also to learn directly from the example of Poland and the EU. In the next draft of the RDP, the possibility of participation of agricultural

chambers and non-government organization in advisory activities was taken into account.

General and specific recommendations, which were not provided in RDP, because of the stage of work on RDP or other reasons, might be taken into account in the next programming period (years 2007 – 2013).

8. INDICATIVE OVERALL FINANCIAL TABLE amended after reallocation of resources no 4/2008 (10), December 2008

Table 29. Indicative overall financial table¹⁹ (EUR), EAGGF financial year.

	2004		2005		2006		Programming period 2004 - 2006	
	Public expenditure	EU contribution	Public expenditure	EU contribution	Public expenditure	EU contribution	Public expenditure	EU contribution
Priority A Enhancement of competitiveness of the farm holdings								
Early retirement	124 380 000.00	99 504 000.00	132 000 000.00	105 600 000.00	278 359 542.30	222 687 000.30	534 739 542.30	427 791 000.30
Support for semi-subsistence farms	8 103 398.32	6 402 718.66	166 000 000.00	132 800 000.00	166 455 978.28	133 153 853.03	340 559 376.60	272 356 571.69
Support to producer groups	300 000.00	240 000.00	2 300 000.00	1 820 000.00	3 773 266.50	2 996 019.70	6 373 266.50	5 056 019.70
Total Priority A	132 783 398.32	106 146 718.66	300 300 000.00	240 220 000.00	448 588 787.08	358 836 873.03	881 672 185.40	705 203 591.69
Priority B Sustainable and multifunctional development with special regards to environmental issues								
Support for LFA	265 570 000.00	211 402 500.00	319 698 280.00	255 758 280.00	359 436 406.13	287 561 652.93	944 704 686.13	754 722 432.93
Agri-environmental undertakings and animal welfare	9 000 000.00	7 200 000.00	52 200 000.00	41 730 000.00	147 134 142.42	117 651 658.27	208 334 142.42	166 581 658.27
Afforestation	16 841 818.37	13 451 363.78	27 968 203.58	22 374 400.00	55 175 807.79	44 116 327.24	99 985 829.74	79 942 091.02
Meeting EU standards	296 300 000.00	237 040 000.00	253 201 720.00	202 491 720.00	81 443 348.00	65 155 000.00	630 945 068.00	504 686 720.00
Total Priority B	587 711 818.37	469 093 863.78	653 068 203.58	522 354 400.00	643 189 704.34	514 484 638.44	1 883 969 726.29	1 505 932 902.22
Other actions								
Technical assistance	500 000.00	400 000.00	11 300 000.00	9 000 000.00	18 024 467.58	14 320 855.73	29 824 467.58	23 720 855.73
Complements to direct payments	246 620 000.00	197 296 000.00	236 831 796.42	189 425 600.00	194 197 041.00	155 357 632.80	677 648 837.42	542 079 232.80
Projects approved under Reg. (EC) No 1268/1999	119 284 783.31	89 463 417.56	0.00	0.00	0.00	0.00	119 284 783.31	89 463 417.56
Total other actions	366 404 783.31	287 159 417.56	248 131 796.42	198 425 600.00	212 221 508.58	169 678 488.53	826 758 088.31	655 263 506.09
Total Plan	1 086 900 000.00	862 400 000.00	1 201 500 000.00	961 000 000.00	1 304 000 000.00	1 043 000 000.00	3 592 400 000.00	2 866 400 000.00

¹⁹ Commitments are expressed in nominal prices from year 2004.

9. DESCRIPTION OF THE PLAN MEASURES

9.1. COMMUNITY PARTICIPATION IN THE CO-FINANCING OF MEASURES

All measures are co-financed from the funds of the Guarantee Section of the European Agricultural Guidance and Guarantee Fund.

In accordance with the respective provisions of the Treaty of Accession, the Community will contribute 80 per cent to the financing of activities envisaged under the Rural Development Plan.

Poland has undertaken a decision to dedicate 20% of the RDP funds for the co-financing of Measure 9 “*Complements of direct area payments*”.

The aid amounts expressed in Euro are binding, and the aid amounts expressed in Zloty are indicative and may vary based on the exchange rate.

9.2. COMMON CRITERIA AND DEFINITIONS FOR CERTAIN MEASURES

9.2.1 Common criteria

Usual Good Farming Practice (agri-environmental programmes, support for LFA)

The usual good farming practice (UGFP) constitutes the set of measurable standards of environmental protection in relation to agricultural production as specified in Annex K; they are treated as obligatory requirements for beneficiaries of agri-environmental programme and support for LFA. Article 35 of the Regulation (EC) 817/2004 states that “usual good farming practice” is understood as farming standard which shall be observed by the reasonably acting farmer in a given region. In their rural development plans, the Member States shall establish the standards, subjected to verification. UGFP rules shall be observed at the entire area of a farm.

The main basis of UGFP is the obligatory legislation (as listed in the Table 30) which has been adapted to the European Union standards. Certain UGFP requirements exceed the scope of the current legislation in respect of environmental protection in Poland.

The Usual Good Farming Practice is related to the fulfilment of the requirements in the following aspects:

- recycling of sewage for agricultural use in an agricultural holding,
- recycling of urban sewage sludge for agricultural use,
- rules of using fertilisers and their storage,
- plant protection products and their use,
- grasslands management;
- keeping the premises of agricultural holding clean and in order,
- wild habitat protection,
- soil protection,
- water management.

Table 30. Legal background of UGFP requirements and their relationship with the EU legislation.

UGFP requirements	Polish legislation	EU legislation
Agricultural utilization of effluents at the territory of agricultural holding	Act Water Law of 18, July 2001 (Official Journal of 2001 No 115, item 1229) with later amendments	Council Directive 80/68/EEC of 17, December 1979 on the protection of ground water against pollution caused by certain dangerous substances
Agricultural utilization of urban effluent sludge	Act Water Law of 18, July 2001 (Official Journal of 2001 No 115, item 1229) with later amendments Act on Wastes of 27, April 2001 (Official Journal of 2001, No 62 item 628) with later amendments	Council Directive 91/271/EEC of 21, May 1991 on urban waste water treatment Council Directive 86/278/278 of 12, June 1986 on the protection of the environment, and in particular of the soil when sewage sludge is used in agriculture
Use of fertilizers and their storage	Act: Water Law of 18, July 2001 (Official Journal of 2001 No 115, item 1229) with later amendments Law on fertilizers and fertilisation of 26, July 2000 (Official Journal of 2000, No 89, item 991)	Council Directive 91/676/EEC of 12, December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources
Use of plant protection products	Law on protection of cultivated crops of 18, December 2003 (Official Journal of 2004, No 11, item 94)	Council Directive 91/414/EEC on concerning the placing of plant protection products on the market and
Grasslands management	Law on nature protection of 16, October 1991 (consolidated text, Official Journal of 2001, No 99, item 1079) with later amendments	Council Directive 92/43/EEC of 21, May 1992 on the conservation of natural habitats and of wild fauna and flora
Protection of natural habitats		Council Directive 79/409/EEC of 2, April 1979 on the conservation of wild birds
	Law on nature protection of 16, October 1991(Official journal of 2001, No 99, item 1979) with later amendments	Council Directive 92/43/EEC of 21, May 1992 on the conservation of natural habitats and of wild fauna and flora
Keeping cleanliness and appropriate order in the farm	Law on keeping cleanliness and order in the gminas, of 13, September 1996 (Official Journal 96.132.622) with later amendments	Directive of 15, July 1975 on wastes
Soil conservation	Law on protection of agricultural and forest land of 3, February 1995 (Official Journal of 1995, No 16, item 78) with later amendments Law on environmental protection of 27, April 2001 with later amendments (Official Journal of 2001, No 62, item 627 with later amendments)	The VIth Community Action Programme in Favour of Environment – Strategy concerning Soil Conservation
Water protection	Water Law of 18, July 2001 (Official Journal of 2001, No 115, item 1229) with later amendments	Directive of the European Parliament 2000/60/EC establishing a framework for Community action in the field of water policy
		Council Directive 80/68/EEC of 17, December 1979 on protection of ground water against pollution caused by dangerous substances

On the extremely endangered territories, the UGFP will be supplemented with the requirements, resulting from the action planes, aiming at the limitation of nitrogen runoff from agricultural sources. In the framework of adjustment to the requirements of Nitrate Directive, the so-called action plans are prepared for the period of four years and include the remedies the application of which is obligatory on a given area²⁰. The UGFP in Priority Zones that are recognised as nitrate vulnerable zone will include more severe requirements, resulting from action plans.

Appropriate vocational skills and competences²¹ (early retirement)

An applicant is considered to hold the required vocational qualifications in the field of agriculture if he or she meets either of the following criteria:

- 1) higher or secondary agricultural education;
- 2) agricultural education on the level of basic vocational school or a qualification title in profession useful for running agricultural activity and at least 3-year practice in agricultural holding;
- 3) education different than the agricultural specialization on the secondary or higher level and at least 3-year practice in agricultural holding or (for the persons possessing higher education) graduated post-diploma studies in specialization relating to agriculture;
- 4) primary or basic vocational education with specialization different than agriculture and at least 5-year practice in agricultural holding.

A condition of participation in any measures of the Plan is that a farmer has to sign up at the *National register of farms and agricultural producers*, administered by the Agency of Reconstruction and Modernisation of Agriculture.

Economic viability²² - a farm is recognized as a viable, if its economic size is at the level of at least 4 ESU²³, taking into account a standardized value of SGM in four macroregions of Poland.

9.2.2. Common definitions

Agricultural activity – an activity concerning plant and animal production, including seed material, nursery, breeding and reproduction material production, vegetable production, ornamental plants, mushrooms, horticulture, breeding and production of animal breeding material, utilisable birds and insects, farm and industrial animal production, and fish rearing and breeding

Agricultural producer - a natural, or a legal person, or an organisational unit without a legal identity, conducting an agricultural activity on a farm, situated within the territory of the Republic of Poland.

Agricultural holding (farm) – a holding of size at least 1 ha of agricultural land.

²⁰ It is based on the Regulation of the Ministry of Environment on 23rd December 2002 on specific requirements for Programmes aiming reduction of nitrate pollution from agricultural sources.

²¹ Criteria adopted with regard to early retirement are compliant with those adopted for certain SOP measures

²² The definition does not concern Measure 1

²³ ESU – Economic Standard Unit

Agricultural parcel – a homogenous area of agricultural land, where crops are being farmed, of a surface at least 0,10 ha, being a part of a farm.

9.3. MEASURE 1. EARLY RETIREMENT

Priority 1.1.: Increasing the economic effectiveness of agricultural holdings

Fund: EAGGF Guarantee Section

9.3.1 Legal basis

- Chapter IV – Art. 10 – 12 and Annex to the Council Regulation (EC) No 1257/99 on support for rural development from the European Agricultural Guidance and Guarantee Fund for Agriculture (EAGGF);

- Section 4 – Art. 7 -10 and sub-par. 9.IV in Annex to the Commission Regulation (EC) No 817/2004.

9.3.2. Specific objectives of Measure 1

Improvement of the farms spatial structure or productivity.

Providing the income for farmers who decide to give up farming in the pre-retirement age.

Lowering of the average age of farmers (acceleration of the generations' replacement).

Destination of agricultural land for non-agricultural purposes in case when farming cannot be conducted in economically satisfying conditions.

9.3.3. Description of Measure 1

Early retirement pension is intended to encourage farmers at the pre-retirement age to give up farming activity and transfer an agricultural holding. The measure is aimed at improving the economic viability of agricultural holdings in Poland, as well as possibility of land transfer for non-agricultural purposes and will provide a sufficient source of income to farmers who end their farming activity.

The programme of early retirement is targeted at the farmers of pre-retirement age, who are covered by the obligatory agricultural insurance system and operate agricultural holdings, being their (or his/her spouse) property, which they decide to transfer to another farmer or a successor, on condition that that transfer results in the improvement of economic viability; optionally transfer could be done for non-agricultural purposes. There is also a possibility to transfer land to Agricultural Property Agency, in case when there is no transferor for subsequent transfer or consolidation.

The economic viability is regarded to be improved, if:

1) The land entering the composition of the transferred farm has been taken over by for the increase of agricultural holding of another farmer (or few other farmers) who meets the following criteria:

(a) is younger than a transferee;

(b) is holding the required vocational skills to conduct farming activity,

(c) is not a pensioner or retiree;

(d) shall commit to pursue agricultural activity for at least 5 years on the land taken over;

or

(2) Agricultural land belonging to the transferred farm is to be taken over as a whole by a successor, who meets the following criteria:

- (a) is under 40;
- (b) is holding the required vocational qualifications to pursue farming activity,
- (c) is not a pensioner or retiree;
- (d) shall commit to pursue agricultural activity for at least 5 years on the land taken over.

9.3.4 Form and amount of support

A early retirement payment will be calculated as a percentage of the lowest pension stipulated in the provisions on pensions and disability benefits under the Social Security Fund. The lowest current pension is equal to PLN 562,58 – 119,62 EUR).

Maximum annual amount of support , as presented in the Table 31 is following:

$210 \% + 60 \% + 50 \% + (3\% \times 20 \text{ ha}) + (3 \% \times 20 \text{ ha}) = 210 + 60 + 50 + 60 + 60 = 440 \%$ of the lowest pension.

It means that a maximum payment per beneficiary per year is not to exceed 562.58 PLN x 440% = 2,475.35 PLN x 12 months = 29,704.20 PLN (6,316.14 EUR). The annual level of support will not exceed the limits, as stated in Annex 2 of the Council Regulation (EC) 1257/99.

As presented in the Table 31, the basic (minimum) early retirement per person will amount to 210 percent of the lowest pension.

The basic pension will be increased if the applicant is married and meets the following conditions:

the agricultural holding transferred under the programme of early retirement was a source of income for both spouses,

both spouses satisfied simultaneously the requirements to be a beneficiary on the day of submitting the application for early retirement pension.

Additional possible increase are presented in the below Table 31.

Table 31. Method of payment calculation for early retirement payment

Elements of early retirement payment	Method of payment calculation	% of the lowest pension
The basic (minimum) early retirement per person	-	210%
Supplement for the spouse	-	60%
<i>Possible increase*)</i> a) Permanent transfer of 3 ha of farmland	-	50%
<i>Possible increase*)</i> b) 3 % of the lowest pension per each full hectare (above 3 ha) of permanently farmland transferred for the purpose of enlarging the existing agricultural holding, but for not more than for 20 hectares of farmland above 3 ha of agricultural land.	20 ha UR x 3 %	60%
<i>Possible increase*)</i> c) 3 % of the lowest pension per each full hectare (above 3 ha) of farmland transferred for the purpose of enlarging the existing agricultural holding run by a farmer up to 40 years age, but for not more than for 20 hectares of farmland above 3 ha of agricultural land.	20 ha UR x 3 %	60%
Total		440%

*) Mentioned increases do not regards utilized agricultural which are rented by farmers on time shorter than 2 years before application

A person receiving an early retirement payment shall continue to pay contributions to the farmers' pension and disability fund. If the early retirement payment includes an increase for the spouse, person receiving an early retirement shall be obliged to pay the contribution to the pension and disability fund also for his/her spouse.

The person who receives the early retirement payment is subjected to a duty of obligatory health insurance.

An early retirement will be paid once a month by the date specified in the relevant decision for a period not longer than 10 years.

If the beneficiary becomes eligible for a statutory pension while still receiving an early retirement, the latter will be reduced by the amount of the statutory pension.

The payment of early retirement pension is suspended in total if the entitled person undertakes the employment subject to the duty of social insurance, irrespectively of the level of the obtained income due to this activity, except for running the economic activity outside agriculture.

In case of acquiring the right to a disability pension during receiving the early retirement, he or she will be entitled to receive the only one payment, according to her or his choice. The application for giving up the disability pension must be, according to the rules on social insurance, submitted not later than during one month since the day of receiving the decision, granting him the social insurance pension or retirement pension.

The person who is entitled to early retirement pension, will lose the right to the additional payment for the spouse if the said spouse:

- becomes eligible to retirement payment either from social insurance pension or from retirement pension, or
- undertakes the earning-aimed work subject to the duty of social insurance, except for running the economic activity outside the agriculture.

In case of the death of a beneficiary or the applicant, who fulfils the requirements, as the conditional decision allowing access to the aid has been issued and, as a result of this decision, the farmer has transferred his land and fulfilled all conditions required for the payment of the early retirement, the pension will continue to be paid to his or her spouse provided that the agricultural farm, transferred under the early retirement programme constituted the source of income for both spouses, and if the following conditions are satisfied:

(a) he/she is at least 55 years old;

(b) he/she does not possess the established entitlement to receive retirement payment from social insurance (disability) pension or statutory retirement pension ;

(c) he/she is not running the agricultural activity (farming).

The principles concerning payment, decrease or suspension of early retirement are applied, respectively, to the pension, being paid to the spouse after the death of the entitled person or the applicant, who fulfils the requirements. In case of the death of a beneficiary or the applicant, who fulfils the requirements, entitled to early retirement pension, the payment due is paid to the spouse but no longer than till the day to which would the beneficiary receive this payment.

If the person entitled to the early retirement pension received the additional payment for the spouse, the level of the benefit, paid to the spouse after the death of the beneficiary or the applicant who fulfils the requirements, shall be decreased by this additional payment.

9.3.5. Beneficiaries

A farmer (natural person) who meets all the following criteria, is entitled to receive the early retirement payment:

(a) he is not less than 55 years old, and up to the regular retirement age (man – 65 years, woman – 60 years,

(b) he has pursued farming activity on the agricultural holding for not less than 10 years before applying for the early retirement payment and he or she has been then statutorily covered by the farmers' social insurance scheme for not less than 5 years,

(c) he was a policy-holder of the farmers' retirement pension insurance scheme at the date of applying for the early retirement payment,

(d) he has transferred his farm;

(e) has given up any commercial agricultural activity.

A farmer shall not be entitled to receive the early retirement payment if:

(a) he holds the established right to receive the retirement payment either from social insurance (disability) pension or from obligatory retirement pension;

(b) the land entering the composition of his farm have been taken over with the aim to obtain the right to early retirement by another farmer unless the applicant conducted farming activity on this land for the period of at least 5 years.

The beneficiary of Measure 1, after transferring his/her agricultural holding, may retain a plot for his own and his family needs (as an owner or a possessor), of an area not exceeding 0.5 ha together with the premises, which do not constitute an agricultural holding in the meaning of agricultural tax regulations. The agricultural activity (in terms of vegetal and animal production), run on the land retained, may be pursued only for the farmer and his/her family's needs.

If a farmer does not meet criteria to receive the early retirement payment or he/she will not apply for the payment, a right may be given to his/her spouse, on condition that he/she meets all the above mentioned criteria.

9.3.6. Eligibility criteria

The early retirement payment shall be granted at the application of the person concerned.

The farmer who meets all the following criteria is entitled to submit the application:

- he is more than 55 years old and not less than 6 months are lacking to reach the full retirement age;
- he holds the agricultural farm of the area amounting to at least 1 ha of agricultural land;
- the legal status of his agricultural farm is well established;
- he has not any debts in paying the contributions to the farmers' social insurance.

It is considered that the condition of a farm's transfer has been met in order to receive a right to the early retirement payment if a farmer or his/her spouse has transferred all the agricultural land (with an exception of a parcel of size not exceeding 0.5 ha of farmland together with premises, utilised for own farmer's needs), being a part of their agricultural holding of a total areas not less than 1 ha of farmland. The farm may be transferred either permanently or pursuant to a written rental agreement in a form of a notary deed or recorded in a register of land and buildings. Such a rental agreement shall be binding for the period not shorter than 10 years.

Agricultural holding is considered as being transferred in a permanent manner if the transfer of farmland, being part of a farm, was done (by sale or costless) to the successor by means of a notary deed.

Agricultural holding may be transferred to another farmer permanently or by means of a written rental agreement, binding for the period not shorter than 10 years. However, in case one of the following persons:

- (a) a descendant or a stepchild;
- (b) a person living in the common household with the transferor;
- (c) the spouse of a person referred to in (a) or (b) above;

holding's transfer must be permanent.

In case of transferring the agricultural holding to the successor, it must be transferred as a whole to this successor (not considering the plot which may be retained for the farmer's own needs).

If a farmer (or his/her spouse) who applies for the early retirement payment is, beside his/her own farm, possessing also a land rented, a transferor enters into a rent right, if the land owner

agrees on that. In any other case, the person applying for the early retirement payment shall return the rented land to its owner.

A condition of the farm transfer in order to receive a right to the early retirement could be met also when the farmer transfers the farmland in a permanent way to a legal person or to an organisational unit without any legal entity, if agricultural activity is one of their statutory activities.

A farmer who applies for early retirement, when transferring the agricultural holding, is obliged to transfer also (sale or free-of-charge) the possessed livestock (excluding animals reared for own needs) and the entitling rights connected with the conducted farming activity on this land (e.g. direct area payments, production quotas, agri-environmental commitments, etc.). The transferee of the agricultural holding has a priority in taking over the said livestock and in acquiring the rights connected with the transferred agricultural farm.

A farm land of a farmer applying for the early retirement may be also taken over:

- a) costless, to the State Treasury, on the way of the decision of the President of Agency of Agricultural Property; the decision is taken as a result of a farmer's application, or
- b) in a permanent manner, for the purposes relating to the environmental protection by a legal persons, or organizational unit, not possessing the legal entity, according to the law on nature protection, or
- c) in permanent manner, to be afforested by natural or legal persons or by the organizational unit, not possessing the legal entity if it remains in accordance with the local space management plan or is not in opposite with the commune qualifying and directions of spatial management study.

9.3.7. Geographical area

The whole country

9.3.8. Implementation

The farmer fills the application for accession to the early retirement programme. The application, together with the attachments, shall be submitted to the Poviast Office of ARMA. The required attachments to the application are as follows:

- current payment order in the matter of the level of agricultural tax;
- current excerpt from register of land and premises;
- other documents, confirming the current legal status of the agricultural farm;
- except from marital status document, confirming the date of contracting a marriage in case of applicants, being a married couple;
- documents concerning the transferor of agricultural farms, and especially:
- current excerpt from the register of land and premises in case when the transferor is a farmer;
- document, confirming the agricultural qualifications;

- other documents and declarations, depending on the circumstances necessary to be explained.

The applications shall be considered according to the sequence of their submitting.

After positive approving the application for granting the early retirement payment, the beneficiary is obliged to transfer the agricultural land to the transferor. Then, the beneficiary submits documents regarding the transfer of the farm and giving up farming activities together with the application for continuation of the procedure in the Poviats Office of ARMA. The document, confirming the transfer of the farm (notary deed, contract of rent, decision of the APA on taking the land over) makes the annex to the application for payment. The first payment is paid for the month, when the farm land was transferred and agricultural activity abandoned. Further payments shall be made automatically each month, for the period of 10 years (basic variant – only payment due to early retirement, or after reaching the retirement age – reduced by the regular pension amount).

Table 32. Implementation assumptions to Measure 1.

DECISION UNDERTAKING	
Name of measure	Early retirement
Paying Agency	Agency for Restructuring and Modernization of Agriculture (ARMA)
Delegated unit	Non applicable
Necessity to approve (confirm) the application	Not applicable
Institutions supporting during the preparation of the application	Agricultural advisory organizations, agricultural chambers
Dates of submitting the application for accession to the early retirement programme	The whole year
Place of submitting the applications for accession to the programme (measures) – for establishment of the right to receive the early retirement payment	Poviats Office of ARMA
The 1 st instance	Head of Regional Office of ARMA
The 2 nd instance	President of ARMA
CONTROL	
Control	On the spot
Level of control	5%
Institution involved in control	ARMA
Period of control	The whole year

9.3.9. Indicative budget

Table 33. Indicative budget of Measure 1 (EUR)

Year	Total amount in MEUR	EU contribution (80 %)	Poland's contribution (20 %)
2004	124 380 000.00	99 504 000.00	24 876 000.00
2005	132 000 000.00	105 600 000.00	26 400 000.00
2006	278 359 542.30	222 687 000.30	55 672 542.00
Total	534 739 542.30	427 791 000.30	106 948 542.00

9.3.10. Links with other activities

A participation in the programme of early retirement is excluding a possibility to take part in other CAP measures. The beneficiaries of the programme of early retirement will not be able to benefit from other instruments envisaged under the CAP. In case of receiving the afforestation premium, the farmer will have to make a choice of a form of support. It is not possible to receive both forms at the same time.

9.4. MEASURE 2. SUPPORT FOR SEMI-SUBSISTENCE FARMS UNDERGOING RESTRUCTURING

Priority 1.1: Increasing the economic effectiveness of agricultural holdings

Fund: EAGGF Guarantee Section

9.4.1. Legal basis:

Commission Regulation (EC) No 141/2004 of 28 January 2004 laying down rules for applying Council Regulation (EC) No 1257/1999 as regards the transitional rural development measures applicable to the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia

The Treaty of Accession, Chapter IX a, Art. 33b and Annex II of the Regulation 1257/1999

9.4.2. Specific objectives of Measure 2

Strengthening the structural changes in agricultural holdings of low economical potential.

Improving the competitiveness of Polish agricultural sector after integration with the EU.

9.4.3. Description of the Measure 2

Support for semi-subsistence farms undergoing restructuring is a temporary income support that will serve to alleviate cash flow constraints and household income difficulties whilst further restructuring is undertaken to ensure the commercial future of the holding. Support for semi-subsistence farms undergoing restructuring is an instrument aimed at increasing the possibility of restructuring of agricultural holdings with a low own economical potential,

which to a large degree produce for self-supply. As a result, the support eligible under this measure will lead to the stabilization of Polish agricultural sector.

The support designated for semi-subsistence farms undergoing restructuring, paid out as a premium for not longer than five years, shall improve their profitability and thus the possibility of reconstruction of holdings in question.

9.4.4. Form and amount of support

Financial assistance (premium) shall take a form of annual payment equivalence 1250 EUR /holding/year. The premium may be granted for five consecutive years in total. The premium may be paid out within the period of 5 years, on condition that after the third year of receiving the premium, the beneficiary will demonstrate that his/her partial objectives (interim milestones) of the business plan have been implemented. It constitutes a precondition of receiving a premium for the remaining two years.

9.4.5. Beneficiaries

A farmer (natural person), pursuing farming activity as the owner (or his/her spouse) of a farm, corresponding to the definition of a semi-subsistence farm.

9.4.6. Eligibility criteria

Conditions for receiving support are the following:

- 1) An applicant is an owner of semi-subsistence farm, i.e. the holding of at least 2 (two) and no more than 4 (four) ESU of the economic size (calculated by means of the Standard Gross Margin).
- 2) An applicant has pursued farming activity on the holding, he/she is applying the assistance for, for at least 3 years before application for assistance was made, or became the owner of farm by the statutory inheritance or as a successor under the early retirement programme.
- 3) An applicant has submitted an application for support together with a business plan containing:
 - information concerning farm, its structure, equipment and the persons;
 - objective of the restructuring;
 - economic size of the farm;
 - indications of the future economic viability to be reached by the farm;
 - description of the planned investments and undertakings;
 - identification of (interim milestones) partial objectives to be implemented under the Plan;
 - timescale of undertaking, including interim milestones (partial objectives).
- 4) The financial support under Measure 2 may support undertakings linked to the agriculture activities, as well as undertakings related to diversification of activity in rural areas.
- 5) The financial support may be paid out in the 4th and the 5th year from the day of assistance's granting, providing that the partial objectives of a business plan has been achieved. Depending on farm's owner specific intentions, partial objectives that have to

be related the objective of the restructuring. Examples of the interim objectives/milestones declared by farmer are presented below:

- obtaining of the organic farming certificate or being formally in the period of conversion into organic farming;
- the document approving accession to the producers' group or organization;
- renting or purchasing land;
- purchasing agricultural machineries;
- purchasing animals;
- completion of training:
 - a) under the rules of the *Act of 28 November 2003 on support for rural development from the funds of Guarantee Section of the European Agriculture Guidance and Guarantee Fund*,
 - b) the Sectoral Operational Programme *Restructuring and modernization of the food sector and rural development* activity “*Vocational training*”;
- participation in the “*Agri-environmental measures and animal welfare*”;
- retrain for production tax system in specific sectors;
- resigning of the tax reduction:
 - a) for the supply of agricultural product from own production or
 - b) for the suppliers agricultural services;
- accomplishing the project under Sectoral Operational Programme *Restructuring and modernization of the food sector and rural development* activities’
- achievement, during the period of receiving assistance, the annual value of agricultural products sale at the level of at least 20 000 PLN;
- starting up the non-agricultural production and achievement, during the period of receiving assistance, the annual value of income at the level of at least 20 000 PLN.

Interim objectives/milestones given above indicate only examples, that could be proposed by the farmer, depending on his/her undertaking planned. Farmer could propose other milestones, not listed above, on condition that they are related to the final objective and could be easily measurable.

9.4.7. Geographical area

The whole country

9.4.8. Implementation

A farmer fulfils the application for the accession to the measure “Support of semi-subsistence farms undergoing restructuring”. The application, together with the accompanying attachments shall be submitted in the Poviast Office of ARMA for the whole year. The required attachments to the application are as follows:

- evidence of running the agricultural activity (certificate of the *gmina* office about not having the debts in relation to agricultural tax);
- document, confirming the period of running the agricultural farm;
- business plan;
- powers of attorney (if applicable).

The applications shall be considered according to the sequence of submitting. In the fourth year, the payment shall take place after sending the application for payment. Farmer is expected to implement the declared interim objectives/milestones (declaration, certificates, diploma of training graduation, invoices, contracts, etc. shall be submitted with the payment application), unless specific justification is submitted explaining why they have not been met.

In the fifth year, the payment will be made after 5 years since the day of receiving the first payment.

Table 34 . Implementation assumptions to Measure 2

DECISION UNDERTAKING	
Paying Agency	ARMA
Delegated unit	-
Institutions, supporting the preparation of the application	Agricultural advisory organizations, agricultural chambers
Periods of submitting the application for the accession to programme/measure	The whole year
Place of submitting the application for accession to measure, together with the application for payment	Powiat Office of ARMA
Decision making level	Powiat Office of ARMA
Modality of applications selection	According to a sequence of submission
The first instance	Powiat Office of ARMA
The second instance	Regional Division of ARMA
CONTROL	
Level of control on the spot (after the 3 rd year)	5%
Institution involved in control	ARMA
Period of performing control	The whole year, excluding VI - VIII

9.4.9. Indicative budget to Measure 2

Table 35. Indicative budget of Measure 2 (EUR)

Year	Total amount in MEUR	EU contribution (80%)	Poland's contribution (20%)
2004	8 103 398.32	6 402 718.66	1 700 679.66
2005	166 000 000.00	132 800 000.00	33 200 000.00
2006	166 455 978.28	133 153 853.03	33 302 125.25
Total	340 559 376.60	272 356 571.69	68 202 804.91

9.5. MEASURE 3. SUPPORT FOR LESS-FAVOURED AREAS (LFA)

Fund: EAGGF – Guarantee Section

Priority 2.1. Equalising opportunities for rural development

9.5.1. Legal Reference

Chapter V (Art. 13-21) of Council Regulation (EC) No. 1257/1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and parts of the annex;

Commission Regulation (EC) No. 817/2004 (Art. 11 and Annex II 5 (1), 6 (3), 9-V).

9.5.2. Objectives of Measure 3

Pursuant to Art. 13 of Council Regulation (EC) No. 1257/1999, financial support for geographically delimited less-favoured areas shall contribute to the following objectives:

- ensuring continuation of agricultural land use and thereby contributing to the maintenance of a viable rural community;
- maintaining countryside;
- promoting sustainable farming systems.

9.5.3. Description of Measure 3

Measure 3 is an instrument providing financial aid for agricultural holdings situated in areas where agricultural production is impeded due to unfavourable natural conditions. Compensatory allowances for agricultural holdings situated in less favourable areas (LFAs) compensate the handicaps present there in comparison with farms situated outside LFAs. These allowances counteract the depopulation of rural areas and the disappearance of their agricultural character.

With regard to the delimitation of less-favoured areas, the following types of area have been distinguished:

- 1) mountain areas (Art. 18) where agricultural production is impeded due to unfavourable climatic conditions and land relief. Gminas where over half of farmland is situated above 500 m a. s. l. are classified as mountain areas; 68% of agricultural land within the mountain area has slopes equal or higher than 12%.
- 2) lowland areas (Art. 19) where agricultural productivity is limited due to low soil quality, unfavourable climate, water and land relief conditions as well as demographic indicators and the share of population engaged in agriculture described in Section 6.3.1;
- 3) areas affected by specific natural handicaps (art.20) are those gminas and surveying districts located in upland areas which according to the Law on agricultural tax of 15th November 1984 are covered by agricultural tax reductions due to natural handicaps (at least 50% of the total area above 350 m above sea level).

Gminas must fulfill at least 2 out of 4 below mentioned criteria

- average farm area below 7,5 ha;
- existence of soils threatened with water erosion;

- share of households, that given up agricultural activities above 25 % of total number of agricultural farms;
- share of permanent grasslands above 40% in the structure of agricultural land.

9.5.4. Form and Amount of Support

Financial aid is granted in the form of annual lump sum payments (compensatory allowances) per each hectare of cultivated farmland situated within less-favoured areas. These payments may not exceed the maximum amount stipulated in the Annex to Council Regulation (EC) No. 1257/1999. Only agricultural parcels classified as arable land, orchards and permanent grasslands and pastures are eligible for payments.

The rates of compensatory allowances for farming in less-favoured areas (LFAs) are presented in Table 36. The calculation of allowance rates and justification for the amount of compensatory allowances are presented in Attachment D.

Table 36. Estimated amount of compensatory allowance rates under LFA.

LFA type		Allowance PLN/ha (EUR/ha)
Mountain		320 (68)
Lowland	lowland zone I	179 (38)
	lowland zone II	264 (56)
Areas with specific handicaps		264 (56)

Table 37. Degressivity (decrease) in LFA compensatory allowances at farm level.

Area (ha)	LFA compensatory allowance
1-50	100% payment for each ha
50.01-100	50% payment
100.01-300	25% payment
Over 300	No payment for area over 300 ha

The above aid ceilings have been set as a result of an analysis of individual farm types and area groups while taking the profits achieved by large farms due to their production scale into account.

9.5.5. Beneficiary

An agricultural producer engaging in agricultural activities on a farm situated in whole or in part within an LFA.

9.5.6. Eligibility Criteria

Compensatory allowances may be granted under this measure if:

1. The farm is situated in whole or in part within LFA boundaries; only parcels situated within LFA boundaries are eligible for LFA payments.
2. The area of farmland belonging to a given farm, situated within an LFA and used for agricultural production is at least 1 ha.
3. The applicant undertakes to apply usual good farming practices at the entire territory of the farm
4. The applicant undertakes to pursue his farming activity on the area being an equivalent of the area of the plots within an LFA for at least five years from the first payment of an LFA compensatory allowance.
5. The applicant undertakes measures to monitor certain substances and residues thereof in alive animals and animal products) and 96/22/EC (concerning the prohibition on the use in stock farming of certain substances having a hormonal or thyreostatic action and of beta-agonists).
6. The applicant submits an application for LFA compensatory allowances.

9.5.7. Geographical Range

Less-favoured areas (LFAs) designated according to principles stipulated in Section 6.3.1.

9.5.8. Implementation

The farmer declares that he wishes to apply for LFA allowances by completing an application for payment under Measure 3 *Support for Farming in Less-Favoured Areas*. The application should be submitted to a Poviats Office of ARMA within a deadline stipulated in the Regulation of the Minister of Agriculture and Rural Development.

Table 38. Implementation assumptions for Measure 3

DECISION-MAKING	
Paying Agency	ARMA
Delegated Unit	-
Institutions supporting application preparation	Agricultural advisors, agricultural chambers
Measure application submission deadline(s)	Parallel with the period of the submission of the application for the direct payments.
Application approval procedure	Decision
First instance	Poviats Office of ARMA

Second instance	Regional Division of ARMA
Control	
On-the-spot check level	5 %
Control institution	ARMA, tasks may be contracted to outside institutions
Period of control	March-October (particularly June-August)

9.5.9. Indicative Budget for Measure 3

Table 39. Indicative Budget for Measure 3 (EUR)

Year	Total Amount	EU Contribution (80%)	Polish Contribution (20%)
2004	265 570 000.00	211 402 500.00	54 167 500.00
2005	319 698 280.00	255 758 280.00	63 940 000.00
2006	359 436 406.13	287 561 652.93	71 874 753.20
Total	944 704 686.13	754 722 432.93	189 982 253.20

9.6. MEASURE 4. SUPPORT FOR AGRI-ENVIRONMENT AND ANIMAL WELFARE

Priority 2.2. Protection of the environment and maintenance of natural values of rural areas

Fund: EAGGF – Guarantee Section

9.6.1 Legal basis

Chapter VI (Articles 22-24) of the Council Regulation (EC) 1257/1999 on support of rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations;

Section 6, Art. 13-21 and Annex II subpar.9 to the Commission Regulation (EC) 817/2004 laying down detailed rules for the application of the Council Regulation (EC) 1257/1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF);

9.6.2 Objectives of Measure 4

- Promotion of good farming practices conducted in accordance with the requirements of environmental protection (counteracting water contamination, soil erosion) protection and shaping of landscape, protection of the species of wild fauna and flora, endangered with the extinction and of their habitats.
- Protection of genetic resources of farm animals.

- Increase of ecological awareness among rural communities.

9.6.3 Description of Measure 4

Scope of agri-environmental programme

Measure 4 *Support for agri-environment and animal welfare*, called later the *National Agri-environmental Programme (NAP)* assumes strengthening of patterns of stable and sustainable farming system, especially on the protected areas and those endangered with the degradation. The NAP programme covers 7 agri-environmental undertakings, being called hereinafter the agri-environmental packages. They are linked to agricultural management, focused on environmental protection, conservation of habitats with high natural value and maintenance of animal genetic resources. Each package covers a set of several strictly defined requirements, going beyond the Usual Good Farming Practices and does not overlap with other CAP support measures.

Usual Good Farming Practice is defined as the reference level for those farmer's activities that are entitled to receive the agri-environmental support. Farmer, who enters the NAP programme, has to obey the UGFP rules within the entire holding area, i.e. even on those parcels that are not covered by any obligation according to Art. 20 and 29 of the Council Regulation (EC) 817/2004.

Set of UGFP standards is presented in Annex K.

The following packages have been foreseen within the NAP:

- „sustainable farming” (code: S01), based on fertilisers' input reduction, balancing of fertilisers' management and utilisation and on keeping a proper crop rotation;
- „organic farming” (code: S02), based on utilisation of organic farming methods in the meaning of the Council Regulations (EC) 2092/91 and 1804/99, Act on organic farming;
 - „maintenance of extensive meadows” (code: P01), related to re-introduction or continuation of grass-cutting, starting from the 1st July (or from 15.08 on *Molinia* meadows) on single-swath meadows of high natural values, endangered with degradation;
 - “maintenance of extensive pastures” (code: P02), assuming recovery or preservation of extensive grazing on semi-natural pastures in the manner, guaranteeing conservation of floristic values and the habitats of the species, endangered with extinction;
 - „water and soil protection” (code: K01), based on intercrops' implementation, in order to increase the share of soils covered by plants during the autumn – winter period;
 - “buffer zones” (code: K02), consisting in creation of new 2-metre or 5-metre sodded belts on the border of agricultural land with surface water reservoirs, with agriculturally intensively utilised areas, with the aim to reduce a negative effect and to protect the sensitive habitats
- „protection of local breeds of farm animals” (code: G01), consisting in maintenance of local breed farm animal herds (horses, cattle and sheep), that are endangered with extinction.

The packages, marked with code “S” are referred to environment-friendly farming systems (organic or sustainable) which go beyond the Usual Good Farming Practice in Poland and will be employed on agricultural land of the total farm, which is distinct separated unit.

The packages, marked with code “P” or “K” include the measures, aiming at conservation of priority habitats on grasslands in priority zones or the increase of the participation of the land with buffering meaning in the agricultural landscape; they will be applied only in relation to the mentioned agricultural land.

The packages, marked with symbol “G” cover the livestock units of local animal breeds which meet the eligibility criteria.

The choice of agri-environmental packages was performed by the Voivodeship Working Teams which conducted the diagnosis of the environmental state, identified the key areas for a given region and tools of activities (see: Annexes G, H).

Taking into account the methodology of payment calculation and programme monitoring rules, the agri-environmental packages have been divided into 40 options with a different implementation area (Table 40). A detailed description of packages, together with payment calculation is described in Annex L.

Table 40. Agri-environmental packages with their implementation area

Code	Name of the agri-environmental package	Number of options	Area of implementation
S01	Sustainable farming	1	Priority zones
S02	Organic farming	8	Entire country
P01	Maintenance of extensive meadows	3	Priority zones
P02	Maintenance of extensive pastures	4	Priority zones
K01	Soil and water protection	3	Entire country
K02	Buffer zones	4	Entire country
G01	Protection of local breeds of farm animals	17	Entire country

Rules for combining of agri-environmental packages

Agri-environmental packages will be implemented by a farmer according to the detailed agri-environmental plan. A farmer may obtain payments for implementation of 1 to 3 packages in parallel (with a possibility of implementation of all variations and options). In case of introducing more than one package, the strictly defined principles for combining of packages shall be applicable. The rules for combining of packages have been defined in Table 41. The packages: sustainable farming (S01) and organic farming (S02) or packages: organic farming (S02) and soil and water protection (K01) cannot not be implemented in combination at the farm level due to the principle of introducing these packages (S01 and S02 – the entire farm, which constitutes a distinct separated unit) or avoiding the overlapping of the same paid practices (Art. 17 of the Council Regulation 817/2004). On the other hand, the farmers dealing with organic farming (S02) within the Priority Zones may implement, additionally, the package: maintenance of extensive meadows (P01), maintenance of extensive pastures (P02), buffer zones (K02) and the package: protection of local breeds of farm animals (G01).

Table 41. Rules of combining of agri-environmental packages at the farm level (*N* – mutually excluding packages, *T* – packages could be combined/added, *TW* – packages could be combined only in priority zones).

Packages	S01	S02	P01	P02	K01	K02	G01
Sustainable farming (S01)		N	TW	TW	TW	TW	TW
Organic farming (S02)	N		TW	TW	N	T	T
Maintenance of extensive meadows (P01)	TW	TW		TW	TW	TW	TW
Maintenance of extensive pastures (P02)	TW	TW	TW		TW	TW	TW
Soil and water protection (K01)	TW	N	TW			T	T
Buffer zones (K02)	TW	T	TW	TW	T		T
Protection of local animal breeds (G01)	TW	T	TW	TW	T	T	

In case, when the area of package S01 implementation shall overlap with the areas of packages P and K implementation or of package S02 with a package P01, P02 and K02, then agri-environmental payment, resulting from different packages would be summed up at the same area (parcel). In this case, the requirement of observing the upper limits of payment per hectare as specified in Annex to the Council Regulation (EC) 1257/1999 shall be applicable.

The elaboration of agri-environmental application and a detailed agri-environmental plan would require a participation of agricultural adviser, being appropriately trained in the agri-environmental issues.

9.6.4 Agricultural land

The system of premiums will, in accordance with the provisions of the package concerned, cover the following categories of agricultural land:

- arable land;
- permanent grasslands;
- orchards (only in package S02).

The following components of the farm shall not be taken into consideration for the purpose of payment calculation:

- farmer's premises;
- lands under surface water, flowing and standing water;
- forest land;
- roads of access to fields;
- land on lease for a period shorter than the period of agri-environmental contract duration.

During implementation phase of the programme, an area of agricultural land can be enlarged without necessity of preparing a new agri-environmental plan only when:

- the increase of the farm covers maximum 5% of the original area but no more than by 2 ha;

- the increase of the farm is undoubtedly beneficial in the view of the Measure's purpose. In a situation when the agricultural land larger than 2 ha is acquired in the 1st or 2nd year of agri-environmental programme implementation, a farmer is obliged to its revision in order to include the new land into the Plan. In case when the agricultural land larger than 2 ha is acquired in the 3rd or further years of programme implementation, a farmer has to prepare a new agri-environmental plan covering the whole farm. The new agri-environmental plan will be implemented within the next 5 years.

In case of agricultural holdings located partly in the Priority Zone, a farmer is eligible to apply to Programme, if at least 1 ha of eligible land is located within the Zone.

In accordance with Article 38 of the (EC) Regulation 817/2004, when a beneficiary is unable to continue to comply with the commitments given because the holding is re-parceled, or is the subject of other similar public land-consolidation measures, shall be taken measures necessary to allow the commitments to be adapted to the new situation of the holding. If such adaptation proves impossible, the commitment shall expire and reimbursement shall not be required in respect of the period in which the commitment was effective.

9.6.5 Form and amount of support

According to Article 24 (1) of the (EC) Regulation 1257/1999, payments for particular agri-environmental packages are calculated in a lump-sum form, on the basis of income lost, the additional costs resulting from the approved commitments and the need of financial motivation.

As stated in Article 24 (2) of the (EC) Regulation 1257/1999, maximum amounts per hectare or per livestock unit per year, eligible for Community support under Chapter IV are laid down in Annex B to the Regulation in question. The payment level was calculated on the basis of average economic outputs of agricultural holdings in years 1999, 2000, 2001 in relation to 1 hectare or 1 LU per year, to which agri-environmental commitments apply. Usual Good Farming Practices have not been taken into account in the payment calculation.

The beneficiary who has applied for support under package KO2 (5-meter buffer zones) shall not benefit from financial support provided under 1st pillar of the CAP as set-aside land in accordance to Article 54 of Council Regulation No 1782/2003.

The support will be granted in annual payments. The amount of support will be regulated for respective types of commitments (Annex L).

Table 42. Payments for agri-environmental packages of Measure 4.

Code	Package	Payment	
		PLN/ha	EUR/ha
S01	Sustainable farming	160	34.02
S02	Organic farming		
S02a01	Non-certified arable crops	680	144.59
S02a02	Certified arable crops	600	127.58
S02b01	Non-certified permanent grasslands	330	70.17
S02b02	Certified permanent grasslands	260	55.28
S02c01	Non-certified vegetable crops	980	208.38
S02c02	Certified vegetable crops	940	199.88
S02d01	Non-certified fruit crops and berry plantations	1800	382.74
S02d02	Certified fruit crops and berry plantations	1540	327.46
P01	Maintenance of extensive meadows		

P01a01	Semi-natural single-swath meadows – hand mowing	1030	219.01
P01a02	Semi-natural single-swath meadows – mechanical mowing	400	85.05
P01b	Semi-natural double-swath meadows	880	187.12
P02	Maintenance of extensive pastures		
P02a	Pastures on xerothermic grasslands	300	63.79
P02b	Lowland pastures		
P02b01	Lowland pastures with traditional grazing	400	85.05
P02c	Mountain pastures		
P02c01	Mountain pastures 350 – 500 m asl.	230	48.91
P02c02	Mountain pastures above 500 m asl.	560	119,08
K01	Soil and water protection		
K01a	Catch crop undergrown	330	70.16
K01b	Winter intercrop	570	121.20
K01c	Stubble intercrop	520	110.57
K02	Buffer zones		100 running metres
K02a01	2-meter buffer zones on poor soils	18	3.82
K02a02	5- meter buffer zones on poor soils	46	9.78
K02b01	2- meter buffer zones on rich soils	26	5.52
K02b02	5- meter buffer zones on rich soils	64	13.60
G01	Maintenance of local animal breeds		1 animal (female)
G01a	Cattle		
G01a01	Polish red cattle	1080	229.65
G01a02	Polish white-backed cattle	1080	229.65
G01b	Horses		
G01b01	Polish horse	1300	276.43
G01b02	Hucul horse	1300	276.43
G01b03	Małopolskie horse	1300	276.43
G01b04	Śląskie horse	1300	276.43
	Sheep		
G01c01	Sheep wrzosówka	310	65.92
G01c02	Sheep świniarka	310	65.92
G01c03	Sheep olkuska	310	65.92
G01c04	Sheep górskie of colourful variety	310	65.92
G01c05	Sheep merynos colourful	310	65.92
G01c06	Sheep uhruskie	310	65.92
G01c07	Sheep wielkopolskie	310	65.92
G01c08	Sheep żelaźnińskie	310	65.92
G01c09	Sheep korideil	310	65.92
G01c10	Sheep kamienieckie	310	65.92
G01c11	Sheep pomorskie	310	65.92

Agri-environmental payment shall be increased by 20% of the basic payment in case when the packages (at least one) are being implemented within the NATURA 2000 area.

Agri-environmental payment may be also increased by 20% in case of the package S02 implementation, if a farmer is running a balanced agricultural production. Increases mentioned above can not be summed up, it means that the payment for any package shall not exceed 120% of the basic payment.

Within Nitrate Vulnerable Zones the agri-environmental payment can not be granted for packages, that are reflecting obligations made under particular action programmes. Any

undertaking covered by the agri-environmental commitment that becomes an obligation under particular action programmes during the duration of the contract will no longer be eligible for agri-environmental support.

9.6.6. Beneficiaries

Farmer, whose holding is situated on eligible areas.

9.6.7. Eligibility criteria

The beneficiary must meet the eligibility criteria as follows:

- to be an owner or leaseholder of land at least during the duration of the commitment, and to meet the criteria of geographic area for agri-environmental packages;
- to farm the area of at least 1 hectare;
- to prepare and submit the application for accession to the programme, together with the 5-year plan for agri-environmental activity, being approved by agri-environmental advisor;
- to commit himself to apply the UGFP as defined in Chapter 9.2.1 of the present Plan on the whole area he is farming and commit himself to apply the obligations resulting from the agri-environmental scheme for a period of 5 years;
- to undertake to keep detailed records on farming and the basic files of animal grazing data (LU per hectare) that are necessary for control and monitoring;
- declares, that he/she possess an agri-environmental plan for his farm, certified by the adviser.

9.6.8. Geographical scope

The agri-environmental packages of NAP shall be implemented in a horizontal manner as well as in 69 geographically delimited priority zones of a total area of 9,950,155 ha what constitutes 32% of the total country's area (Annexes G, H).

The introduction in the whole country without any spatial restrictions is anticipated for organic farming (S02), soil and water protection (K01), buffer zones (K02) and protection of local farm animal breeds (G01). According to recommendation of the Team, performing the *ex-ante* evaluation, the area of introducing organic farming (S02) has been increased up to 200,000 ha.

The remaining packages of the programme shall be available only for the entire farm or part situated in the priority zones where the specified environmental problems are found or which possess high natural value. The priority zones have been delimited by the Regional Working Groups for Agri-environmental Programme based on the guidelines, developed at the Ministry of Agriculture and Rural Development (MARD). The aim of the delimitation of priority zones is to consolidate the agri-environmental activity and obtain the measurable environmental effects.

Based on the data of the Ministry of Environment, it is found that area of 10 priority zones comprises 21 communes regarded as zones in respect of nitrate contamination in the meaning of Directive 91/676/EC (Nitrate Directive).

Table 43. Area of agri-environmental programme implementation

Packages	Scope	Area planned in thousands ha
S01	Priority Zones, defined within provinces (voivodeships)	210
S02	Entire country	200
P01 and P02	Priority Zones, defined within provinces (voivodeships)	220
K01 and K02	Entire country	570
	Total area in thousand ha	1,200
Package	Scope	Number of female heads
G01	Entire country	24 690

Table 44. Foreseen number of breeding females covered by package G01

		Present national population ¹⁾	Number of planned breeding female heads ²⁾
G01a	Cattle		
G01a01	Polish red cattle	470	1000
G01a02	Whitebacked cattle	30	60
G01b	Horses		
G01b01	Polish horse	250	300
G01b02	Hucul horse	210	300
G01b03	Małopolskie horse	1900	400
G01b04	Śląskie horse	1080	400
	Sheep		
G01c01	Sheep wrzosówka	1500	6000
G01c02	Sheep świniarka	300	400
G01c03	Sheep olkuska	135	250
G01c04	Sheep górskie of colourful variety	240	500
G01c05	Sheep merynos barwny	100	150
G01c06	Sheep uhruskie	250	6000
G01c07	Sheep wielkopolskie	700	2000
G01c08	Sheep żelaźnieńskie	115	230
G01c09	Sheep korideil	210	400
G01c10	Sheep kamienieckie	-	300
G01c11	Sheep pomorskie	350	6000

¹⁾ present population covered by the National Program of Local Animal Breeds Protection

²⁾ maximum number of breeding females covered by RDP payments within one year

9.6.9. Implementation of Measure 4

A farmer, who wants to participate in the programme, must submit the application for accession to the agri-environmental programme, together with the application for payment and with the respective supporting documents. Preparation of the application will require participation of the agri-environmental advisor. The application will be received by the

competent (specific of the location of the farm) Poviatic Office of ARMA in the following periods: in the year 2004 – for organic farming from 1 September till 1 October 2004, for the remaining packages for 2005 from 1 September 2004 till 15 June 2005, for year 2006 – from 1 August till 31 December 2005. For remaining years - from 1 August till 31 December.

The required documents, supporting the application are as follows:

- 1) Graphic document, representing the borders of the farm, covered with the agri-environmental packages (obligatory).
- 2) Copy of the organic farming certificate or document confirming that the farm is being formally in the period of conversion into organic farming or the document confirming that the farm is under control of the approved control body;
- 3) Certificate on the compliance with the protection plan of nature reserve, national parks, landscape parks or by NATURA 2000, and in case of an absence of the protection plan - certificate proving harmless or positive impact on protected species or/and habitats, issued by adequate boards, described in separate legal acts;
- 4) Certificate on entry of the animal in the breeding herd book and document on participation in programme of genetic resources protection in case of introducing package G01, issued by the national breeders' associations (Polish Association of Sheep Breeders, National Association of Cattle Breeders, Polish Union of Horse Breeders) (G01).

The additional required documents, being checked during the inspection on the spot, which are to be possessed by the beneficiary, are as follows:

- detailed agri-environmental plan, approved by agri-environmental adviser;
- certificate of compliance with the organic farming requirements or declaration about being formally in the period of conversion into organic farming (S02);
- register of activities, conducted in the farm with current notes (not applicable package organic farming and package protection of local animal breeds).

The choice of the applications shall be effectuated after formal and technical verification on the principles of sequence of submitting the applications (according to the date of submitting the complete application).

Table 45. Implementation assumptions to Measure 4.

DECISION UNDERTAKING	
Paying Agency	ARMA
Delegated unit	
Institution involved in preparation of the application for accession to the programme	Agricultural advisory organizations, agricultural chambers, possessing the trained staff (advisers)
Period of submitting the application	Per annum 2004 from 01.09 to 01.10.2004 Per annum 2005 from 01.09.2004 to 15.06.2005 Per annum 2006 and successive periods from 01.08.2005 to 31.12.2005
Periods of considering the application for accession to the programme	Per annum 2004 – until the end of February Per annum 2005 - during two months since the accreditation of ARMA is completed. Per annum 2006 and successive periods from

	01.01 to until the end of February
Period of submitting the application for payment	Since the second year of duration of the commitment with the application for direct payments.
Modality of application approval	Decision
The first instance	Poviat Office of ARMA
The second instance	Regional Division of ARMA
CONTROL	
Level of control on the spot	5%
Institution responsible for control on the spot	ARMA
Delegated control function	Agriculture and Food Quality Inspection (GIJHARS) - organic farming (S02)
Institutions cooperating within the frames of control of UGFP	Institute of Environment Protection Inspection of Plant Protection and Seed Material
Period of performing control	III - X

9.6.10. Indicative budget of Measure 4

Table 46. Indicative budget of Measure 4 (EUR).

Year	Total cost in EUR	EU contribution (80%)	PL contribution (20%)
2004	9 000 000.00	7 200 000.00	1 800 000.00
2005	52 200 000.00	41 730 000.00	10 470 000.00
2006	147 134 142.42	117 651 658.27	29 482 484.15
Total	208 334 142.42	166 581 658.27	41 752 484.15

9.7. MEASURE 5: AFFORESTATION OF AGRICULTURAL LAND

Priority 3: Extension of woodland areas in Poland

Fund: EAGGF Guarantee Section

9.7.1. Legal basis

Chapter VII – Articles 29 – 32 of the Council Regulation (EC) 1257/1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF);

Articles 31 - 34, Annex II -9, -3) VIII of the Commission Regulation (EC) 817/2004, laying down detailed rules for the application of the Council Regulation 1257/1999;

Annex, subparagraph 2.2 of the Commission Regulation (EC) 1145/2003 amending the Regulation 1685/2000(EC) laying down detailed rules for the implementation of Council

Regulation (EC) 1260/1999 as regards eligibility of expenditure of operations co-financed by the Structural Funds

9.7.2. Objectives of Measure 5

- increase of the afforested land via afforestation of agricultural land of low agricultural use;
- conservation and consolidation of ecological stability of afforested areas via reduction of fragmentation of forest complexes and creation of ecological passages;
- increase of the forests' participation in global carbon balance.

9.7.3. Description of Measure 5

Poland's forestry needs were estimated under the National Woodland Extension Programme adopted for the implementation on the grounds of the Resolution of the Council of Ministers in 1995, and amended in 2003. According to this evaluation, too much land of low agricultural use is cultivated in Poland. The mentioned programme takes into account the international guidelines concerning multi-functional development of forest husbandry and forestry as specified by the Ministerial Conference "Forest Protection in Europe". Afforestation needs were estimated on the local level, with the indication of communes, preferred for afforestation, taking the environmental, economic and social conditions into consideration. It results from the National Woodland Extension Programme that in Poland the excessive utilization of land of a small agricultural use and of threat-sensitive (e.g. erosion, water contamination) areas takes place. Therefore, with a view to extend woodland areas in Poland, Measure 5 aims at support for the afforestation of agricultural land which is not the property of the State Treasury and subsequently to maintain new plantings in the early phase of growth. These afforestation procedures will be adapted to local habitat and landscape conditions, in accordance with the requirements, specified in national guidelines in the matter of arrangement of agricultural-forest space²⁴. Support will be granted to farmers to cover loss of income resulting from the exclusion of land from agricultural production and it will be paid for a period of 20 years following afforestation.

In accordance to Article 31 of the Council Regulation (EC) 1257/1999, Measure 5 shall include the following forms of payment:

- 1) **Support for afforestation**, covering the cost of establishment and, if justified, of protection against animals.
- 2) **Maintenance premium** for the maintenance of newly afforested land
- 3) **Afforestation premium as equivalent** to cover loss of income resulting from the withdrawal of land from agricultural production.

Support will be granted subject to the following conditions:

- forest will be planted on agricultural land not owned by the State's Treasury and classified in the records of agricultural land as arable land, grassland and pasture, orchard;

²⁴ Guidelines in the matter of delimiting the agricultural-forest border (document of the Ministry of Agriculture and Rural Development and the Ministry of Environment, 2003). Introduction of new guidelines results from the tendency to direct the process of afforestation towards improvement of natural environment conditions, and in particular, effect on climate, water retention, limitation of water and air erosion and improvement of conditions of human rest and health.

- land designated for afforestation should be permanently farmed and, designated for afforestation in the local spatial management plan or in the commune qualifying and directions of spatial management study;
- the afforested area shall be of not less than 0.3 hectares in and have a minimum width of 20 meters. Requirement of a minimum width of 20 meters is not require, in case the agricultural plots adjoin the forest. If the application for support is submitted by a group of farmers, the aggregate area designated for afforestation shall be of not less than 3 hectares in one plot;
- according to the regulations on the forest reproductive material, only local species of trees and bushes can be planted;
- in accordance to Art. 31, par.1 of the Council Regulation (EC) 1257/1999, the agricultural classification of land and the regionalisation of forests and natural habitats should be taken into account when selecting the species to be planted, in order to adjust afforestation to local habitat conditions (see: Annex M);
- planting material must meet the quality requirements compliant with regulations on the forest seed material.

A list of local species of trees and shrubs to be used for the afforestation purposes is given in Table 47.

The mean number of plantings per one hectare of the land under afforestation will be equal to ca 8 000 pieces (individual data shall be set up in the afforestation plan).

Table 47. A list of the main species recommended for afforestation, with consideration of seed regionalism requirements.

Trees species covered by seed regionalism	Trees species not covered by seed regionalism
Scotch pine (So) Norway spruce (Św) Silver fir (Jd) European and Polish larch (Md) Sessile oak (Dbbs) Common oak (Dbs) European beech (Bk) Black alder (Olcz) Silver birch (Brz)	Small-leaved lime (Lp) European hornbeam (Gb) Norway maple (Kl) Sycamore (Jw) European ash (Js) Elms (Wz),

Biocenotic and admixture species

Rowan (*Sorbus aucuparia*), wild serviceberry (*Sorbus torminalis*), wild cherry (*Cerasus avium*), bird cherry (*Padus avium*), whitethorn (*Crataegus monogyna*), hawthorn (*Crataegus oxyacantha*), pear tree (*Pyrus communis*), wild crab (*Malus sylvestris*), grey alder (*Alnus incana*), white willow (*Salix alba*), goat willow (*Salix caprea*), black and red elder (*Sambucus nigra and racemosa*), hazel (*Corylus avellana*), common juniper (*Juniperus communis*), common spindle tree (*Evonymus europaeus*) and rough-stemmed spindle-tree (*Euonymus verrucosus*), mountain currant (*Ribes alpinum*) and red currant (*Ribes spicatum*), alder buckthorn (*Frangula alnus*), sea buckthorn (*Hippophae rhamnoides*), Guelder rose (*Viburnum opulus*), dog rose (*Rosa canina*), bloodtwig dogwood (*Cornus sanguinea*).

According to the executive regulations to the Act of 27, April 2001 - Law on environmental protection, in case of afforestation of the area of more than 20 hectares, the applicant shall conduct the environmental impact assessment.

9.7.4. Form and amount of support

The afforestation support consists in additional financing the costs of arrangement of cultivation²⁵, of the corrections made in the second year of cultivation and protection against animals. In accordance to Article 1 par. 2 of the Commission Regulation (EC) 963/2003, the said support has a form of flat-rate payment per one hectare of the afforested area.

The grant will be paid out as a single payment after arranging the afforestation.

The amount of support will be differentiated, depending on:

- the proportion of coniferous and deciduous species in the forest stand;
- the type of protective measures adopted against animals (fences);
- height above the sea level and topographic features of the area, assuming that on the slopes above 12°, the costs of afforestation are increased by 40% in relation to the costs of afforestation of the land with a favourable configuration.

The ***maintenance premium*** is a flat-rate payment as calculated per one hectare of the afforested areas, to cover costs of maintenance (weed and pathogen control) and of early thinning, paid out once a year for a period of five years following the afforestation.

The ***afforestation premium*** is a flat-rate annual payment as calculated per one hectare to cover loss of income resulting from the conversion of agricultural land to woodland; it is paid out every year for a period of 20 years following the afforestation. The level of afforestation premium has been differentiated into two rates, depending on the participation of the income from farming in total incomes of the beneficiary. The farmers, whose income, coming from agricultural activity exceeds 20% of total incomes in the farm, will receive full payments. On the other hand, the owners of the land with a lower participation of the income will receive the afforestation premium equal to one fourth of the complete premium, in accordance to the relations of the levels of maximum rates, as listed in the Annex to the Regulation 1257/1999. The afforestation premium is inheritable.

²⁵ Payment is calculated as flat-rate payment and considers 80% of the costs connected with the afforestation and protection against animals. The own contribution of the beneficiary constitutes 20%.

Support for the afforestation of agricultural land shall not be granted to farmers benefiting from early retirement support. It shall be also not available for plantations of the Christmas trees and fast-growing trees which reach the felling ability before becoming 15 years old.

Maintenance and afforestation premiums are financed in whole by the EU and national public funds, where the EU contributes 80 per cent and national funds 20 per cent. The maximum support shall not exceed the limits laid down in the Annex to the Council Regulation (EC) 1257/1999.

Calculation of the level of support is based on real costs, connected with the forest planting arrangement and its protection in different regions of the country in 2002, which were collected by the Institute for Forestry Research. As the analysis of the factors, affecting the costs of arranging the cultivation and its treatment have not revealed any significant regional differentiation, the mean costs in the scale of the country have constituted the basis. The justification for the adopted values of the support rates are contained in Annex N.

Table 48. Payments.

	Type of support		
		Coniferous	Broadleaved
1	Afforestation grant	PLN/ha (EUR/ha)	
	Afforestation of areas with favourable configuration ²⁶	4300 (914.33)	5000 (1063.17)
	Afforestation on slopes above 12°	5100 (1084.44)	5900 (1254.55)
	Protective measures against animals - fencing off with 2-metre wire netting	2400 (510.32)	
2	Maintenance premium without repellents	PLN/ha/per year (EUR/ha/per year)	
	areas with favourable configuration	420 (89.31)	
	slopes above 12°	750 (159.48)	
3	Maintenance premium with repellents	PLN/ha/per year (EUR/ha/per year)	
	areas with favourable configuration	700 (148.84)	
	slopes above 12°	1100 (233.90)	
	Afforestation premium	PLN/ha/per year (EUR ha/per year)	
4	farmer (above 20% of income from agriculture) owner of land (above 80% of non-farming income)	1400 (297.69) 360 (77,96)	

9.7.5. Beneficiaries

Support under Measure 5 may be sought by:

- a) a farmer (natural person or collective body) who pursues farming activity on an agricultural holding, which he or she/or spouse owns and from which he or she obtains not less than 20 per cent of his or her income;
- b) an owner (natural person or collective body) of agricultural land, situated within the area of the Republic of Poland, which he or she /or the spouse owns and who obtains more than 80% of his or her income from non-agricultural activities;
- c) a group of at least three farmers or land owners who pursue the agricultural activity on total area of at least 3 hectares.

²⁶ Flat areas with a unified slope not higher than 12 °

9.7.6. Eligibility criteria under Measure 5

Support may be granted to a farmer who:

- obtains a positive decision that the agricultural land concerned is designated for afforestation;
- makes the commitment to observe the conditions and time limits laid down in the detailed afforestation plan;
- submits the statement (declaration) on implementation of the afforestation.

9.7.7. Geographical area

The whole country

9.7.8. Implementation of Measure 5

A farmer or an owner of land will prepare the application for accession to afforestation programme. The application, together with the supporting documents will be submitted to the Poviats Office of the Paying Agency in the period since 1, June till 15, July (beside year 2004). The required supporting documents are as follows:

- excerpt from the local spatial management plan with the information on afforestation possibility or certificate, that destination of the agriculture plot for afforestation is not in opposite with the commune qualifying and directions of spatial management study;
- excerpt from land register for the plots, applied for afforestation;
- graphic document, representing the layout of agricultural plot/s intended for afforestation;
- certificate on the obtained incomes from agricultural activities (commune office) or from another activity, subject to tax (fiscal office).

Beneficiary submits the declaration on afforestation, confirmed by the forestry inspector, to the Poviats Office of the Paying Agency. This is the condition for granting the support. As late as on the fifth year since afforestation arrangement, the beneficiary shall submit the successive certificate on transformation of the agricultural land into woodland, as being certified by the head of the district (starosta).

Table 49. Implementation assumptions to Measure 5.

DECISION UNDERTAKING	
Paying Agency	ARMA
Delegated unit	-
Cooperating institutions	State Forests (forestry advisory work, certification on performing the afforestation) Office of the Head of the District (Starosta) (conversion of the agricultural land into woodland)
Periods of submitting the application for accession to the afforestation programme	Since 01.06 to 15.07
Place of submitting the application and declarations	Poviats Office of ARMA
Modality of application approval	Decision

DECISION UNDERTAKING	
The first instance	Poviat Office of ARMA
The second instance	Regional Division of ARMA
CONTROL	
The level of control on the spot	5%
Institution involved in the control	ARMA
Period of performing control	III - XI

9.7.9. Indicative budget of Measure 5

Table 50. Indicative budget of the Measure 5 (EUR).

Year	Total amount	EU contribution 80 %	Poland contribution 20 %
2004	16 841 818.37	13 451 363.78	3 390 454.59
2005	27 968 203.58	22 374 400.00	5 593 803.58
2006	55 175 807.79	44 116 327.24	11 059 480.55
Total	9 985 829.74	79 942 091.02	20 043 738.72

9.7.10. Relations with other activities

The beneficiaries of Measure 1: Early retirement support shall not be eligible for receiving the support under Measure 5: Afforestation of agricultural land.

9.8. MEASURE 6. MEETING THE EU STANDARDS

Priority 2: Sustainable development in rural areas

Fund: EAGGF Guarantee Section

9.8.1. Legal basis

Council Regulation (EC) No 1257/1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF), as amended.

Commission Regulation 817/2004 of 29 April 2004 laying down detailed rules for the application of Council Regulation (EC) No 1257/1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF).

Commission Regulation (EC) No 141/2004 of 28 January 2004 laying down rules for applying Council Regulation (EC) No 1257/1999 as regards the transitional rural development measures applicable to the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia, as amended.

9.8.2. Objectives of Measure 6

Facilitating the adjustment of holdings to environment protection, public health, and animal health, and animal welfare EU standards.

9.8.3. Description of Measure 6

Standards specifying the conditions of agricultural production, implemented in order to adjust Polish law to EU standards, require additional efforts to be undertaken by Polish farmers. In relation to the low profitability of Polish agriculture, i.e. lack of investment capital, granting the farms with public resources to facilitate the adjustments necessary from the public and legal point of view shall be deemed viable.

Support to help farmers to adapt to demanding standards based on Community legislation shall contribute to the following objectives:

- a more rapid implementation of demanding Community standards by Member States;
- the respect of those standards by farmers.

The assistance may be granted for implementing EU standards of environmental protection, public health, animal health, animal welfare.

The assistance includes adaptation to the herein below standards:

Table 51. List of Standards included in Measure 6

No	Standard	EU legal basis	Polish legal basis	Date and area on which the standard comes into force
1	<p>Furnishing farms with natural fertilizer storage facilities (environmental protection):</p> <ul style="list-style-type: none"> -impermeable manure storage facilities with necessary installation, - impermeable slurry and liquid manure tanks, which allow storing manure for at least 6 months. 	<p>Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy (Water Framework Directive)</p> <p>Art 1 (a) Art. 4 (b) (i) ANNEX VIII (II)</p> <p>Council Directive 91/676/EEC of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources</p> <p>Art 5.4.(a)</p>	<p>The Water Law Act 2001</p> <p>Art. 2 1. Art. 47. 1.</p> <p>Art. 2 1. Management of water resources aims at the satisfaction of the needs of the public and the economy, the conservation of waters and the environment connected with these resources, in particular within the scope of:</p> <ol style="list-style-type: none"> 1) ensuring sufficient quantity and quality of water for the public; 2) protecting water resources against pollution and inadequate or excessive exploitation; 3) maintaining or improving the status of water ecosystems and those dependent on water; <p>Art. 47. 1. Agricultural production shall be carried out in the manner limiting and preventing pollution of waters with nitrogen compounds originating from farming, where nitrogen compounds are understood as any substances containing nitrogen, except for gaseous molecular nitrogen.</p> <p>An Act of 26 July 2000 on fertilisers and fertilisation</p> <p>Art. 18.</p> <p>Art. 18. 1. Manure in solid form should be store in farm building or on impermeable manure slabs, preserved of leakage to the ground and furnished with the draining installation to impermeable container.</p> <p>2. Liquid manure should be store exclusively in impermeable liquid manure and slurry tanks, with capacity witch allows</p>	<p>1st May 2008</p> <p>21 Nitrate Vulnerable Zones</p>

		<p>storing liquid manure for at least 4 months (6 months in NVZ).</p> <p>This article enters into force on 25 October 2008 (art. 30).</p> <p>The Water Law Act 2001 art. 47. 7 For each area referred to in Paragraph 3, the director of a regional water management board shall, within 2 years from its definition, design an action plan aimed at reducing outflows of nitrogen compounds from agricultural sources, referred to in Art. 84 of the Act – the Environmental Protection Law; the plan shall be implemented by way of ordinance of the director of the regional water management board.</p> <p><i>The Regulation of the Minister of the Environment of December 23, 2002 on laying down the detailed requirements for action programmes designed to reduce the nitrogen runoff from agricultural sources</i> (Official Journal 2003 No. 4, Item 44)</p>	
	<p>Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy (Water Framework Directive)</p> <p>Art 1 (a) Art. 4 (b) (f) ANNEX VIII (11) – as above</p> <p>Council Directive 91/676/EEC of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources</p> <p>Art 4.1a (...Code of good farming practices)</p>	<p>The Water Law Act 2001 Art. 2 1. Art. 47. 1. Art. 2 1. Management of water resources aims at the satisfaction of the needs of the public and the economy, the conservation of waters and the environment connected with these resources, in particular within the scope of:</p> <ol style="list-style-type: none"> 4) ensuring sufficient quantity and quality of water for the public; 5) protecting water resources against pollution and inadequate or excessive exploitation; 6) maintaining or improving the status of water ecosystems and those dependent on water; <p>Art. 47. 1. Agricultural production shall be carried out in the manner limiting and preventing pollution of waters with nitrogen compounds originating from farming, where nitrogen</p>	<p>25th October 2008</p> <p>The entire territory of the country</p>

			<p>compounds are understood as any substances containing nitrogen, except for gaseous molecular nitrogen.</p> <p>An Act of 26 July 2000 on fertilisers and fertilisation Art. 18 and 30. – as above</p> <p>Art. 18. Art. 18. 1. Manure in solid form should be store in farm building or on impermeable manure slabs, preserved of leakage to the ground and furnished with the draining installation to impermeable container. 2. Liquid manure should be store exclusively in impermeable liquid manure and slurry tanks, with capacity witch allows storing liquid manure for at least 4 months (6 months in NVZ). This article enters into force on 25 October 2008 (art. 30).</p>	
2	<p>Adjustment of milk farms to the public health EU standard.</p> <p>- furnishing of stands with cooler and milking machine and provision of drinking water for cows (public health - hygienic demands)</p>	<p>Council Directive 92/46/EEC of 16 June 1992 laying down the health rules for the production and placing on the market of raw milk, heat-treated milk and milk-based products. (Annex B)</p> <p style="text-align: center;">Accession Treaty Annex 12 Supplement B</p>	<p><i>Regulation of The Minister of Agriculture and Rural Development of 5 July 2002 concerning detailed veterinary conditions required for the acquisition, processing, storage and transport of milk and milk-based products.</i></p> <p>Chapter 4 Veterinary conditions of farms, purchasing centre, normalization centre, heat treatment plants and dairies.</p>	<p>31st December 2006 (farms on the lists of the Veterinary Office)</p> <p>The whole territory of the country.</p> <p>Farms not included in the lists of Veterinary Office have to comply with the standard on 1.5.2004.</p>
3	<p>Adjustment of egg-laying hen farms (animal health and welfare).</p> <p>- appropriate size and furnishing of boxes (cages).</p>	<p>Council Directive 1999/74/EC of 19 July 1999 laying down minimum standards for the protection of laying hens</p>	<p>Regulation of The Minister of Agriculture and Rural Development of September 2, 2003 on the minimal conditions of keeping the particular species of farm animals. (with changes of Regulation of The Minister of Agriculture and Rural Development of March 8, 2003)</p> <p>Charter 7 Minimum standards for poultry, § 42 – 46 “egg-laying hens”</p>	<p>31st of December 2009</p> <p>The whole territory of the country (44 egg-laying hen farms).</p>

Financial assistance (yearly premium) shall be paid during the period not exceeding two years, although the period of adjustment will be specified for each particular standard. The type of planned adjustment has to be specified by the applicant in the application for support, accompanied by the technical specification, which is accepted, accordingly to the type of standard, by veterinary inspector or agricultural advisory services certifying that standard, that the investment is needed to fulfil the standard given.

9.8.4. Form and amount of support

The financial support covers the necessary costs of investment of adjusting the farm to environmental protection, public health, and animal health and welfare EU standards.

The support shall be in a form of a yearly payment, it comprises investments costs which are necessary for implementation of the standard. The assistance may include all described standards.

The support for the investment cannot exceed 25,000 EUR/yearly per farm. The support shall be paid as a flat rate amount based on standard costs of each standard (project). The support shall be paid in two instalments peer.

The implementation of the standard should not exceed the certain period set up for each type of standard (see: Table 51).

Operational costs have not been taken into account in below mentioned standards, as they are of a little importance. However, there is a possibility to introduce them in future.

Farmers who already meet the standards listed in the table 51 are not eligible for investment support under the RDP measure (Meeting the EU standards).

Types of the EU standards and timescale of their implementation.

1. Furnishing farms with natural fertilizer storage facilities.

The beneficiaries shall be granted with financial assistance to furnish farms with manure storage facilities (plate) and slurry containers along with installations.

Following expenses shall be covered:

- building, re-building and modernizing manure storage facilities (plate);

building, re-building and modernizing the slurry containers

Other investments that the ones mentioned above, as well as complex investments including natural fertilizer storage facilities (as one of several elements of the investment) will only be eligible for support under Chapter 1 (Investment in agricultural holdings of Sectoral Operational Programme *Restructuring and Modernization of Food Sector and Rural Development*).

Adjustment to above mentioned standard shall be completed until December 31st 2007 since the date of decision admitting the support.

Table 52. The capacity required for the natural fertilizer storage facilities, calculated per 1 LU (list of Livestock Units consists Annex I) is

System of breeding	Capacity required in NVZ (for 6 months)	Capacity required outside NVZ (for 4 months)
for maintaining animals in a bedding system	3 m ³ /1 LU for liquid manure	2 m ³ /1 LU for liquid manure
	3,5 m ² /1 LU of manure	2,5 m ² /1LU of manure
	poultry	
	0,25 m ³ /1 LU for liquid manure	0,2 m ³ /1 LU for liquid manure
	1,6 m ² /1 LU of manure	1,1 m ² /1LU of manure
	horses	
	1,5 m ³ /1 LU for liquid manure	1 m ³ /1 LU for liquid manure
	3,5 m ² /1 LU of manure	2,5 m ² /1 LU of manure
for maintaining animals in a non-bedding system	10 m ³ /1 LU for slurry	7 m ³ /1 LU for slurry

Source of data: Polish Code of Good Farming Practice, IUNG, Pulawy 2002

According to Act on fertilizes and fertilization, the capacity required for natural fertilizer storage facilities shall provide storage for 4 months, whereas according to Action programmes, within Nitrate Vulnerable Zones, the capacity shall be sufficient for 6 months.

Table 53. Payments concerning natural fertilizer storage facilities, with regard to the size of the farm per m² or m³.

Type of enterprise	Cost per unit	
Manure storage facilities (size in m²)	Cost per m²	
	PLN	EUR
up to 35	217	46.1
above 35 up to 52,5	215	45.7
above 52,5 up to 70	204	43.4
above 70 up to 87,5	192	40.8
above 87,5 up to 105	177	37.6
above 105 up to 122,5	173	36.8
above 122,5 up to 140	170	36.1
above 140 up to 157,5	165	35.1
above 157,5 do 175	162	34.4
above 175 up to 192	160	34.0
above 192	157	33.4
Impermeable liquid manure and slurry tanks underground, covered (size m³)	Cost per m³	
	PLN	EUR
up to 30	680	144.6

Type of enterprise	Cost per unit	
above 30 do 45	667	141.8
above 45 do 60	641	136.3
above 60 do 75	605	128.6
above 75	574	122.1
Impermeable liquid manure tanks partly underground, opened (size m³) with ground working	Cost per m³	
	PLN	EUR
above 90 up to 110	308	65.5
above 110 up to 165	298	63.4
above 165 up to 220	249	52.9
above 220 up to 275	239	50.8
above 275 up to 330	227	48.2
above 330 up to 385	217	46.1
above 385 up to 440	201	42.7
above 440 up to 495	198	42.1
above 495 up to 550	193	41.0
above 550 up to 605	184	39.1
above 605	180	38.3

2. Adjustment of milk farms to the public health EU standard.

The beneficiaries shall be granted financial assistance for milk farms modernization.

The adjustment of the above mentioned standard shall be completed within 12 months since the date of decision admitting the support.

Support regarding this standard will be eligible only for dairy farms up to 30 stands for which necessary hygiene adjustment was ordered by veterinary service and is to be implemented within existing buildings.

Following expenses of furnishing of stands for public health (hygienic demands) shall be covered:

- walls and floors in raw milk storage spaces (impervious and easily washable surfaces);
- floors and walls in milking spaces or milking stalls (impervious or easily washable surfaces);
- modern milking systems (direct- to- can milking machine and milking spaces);
- milk coolers open and closed;
- wash-basin with water heater.
- farm water intake.

Fully adjusted stand to EU standard is described in Annex Z.

If the adjustment of milk farms concerns other investments than those mentioned above, or if the milk farm has more than 30 stands, or if the investments are related to

increasing or launching the milk production, support will be granted under Chapter 1 of the SOP.

Table 54. Payments for adjustment of milk farms for meeting public health standards

Purpose of EU standard – public health (hygienic demands)		
	PLN/stand	EUR/stand
Adjustment (modernisation) of a tying stall cowshed	350	74.42
	PLN/item	EUR/item
a milk cooler from 400 to 800 l	17 000	3614.79
a milk cooler from 200 to 400 l	12 000	2551.61
a milk cooler till 200 l	8 000	1701.07
a direct-to-can milking machine	6 000	1275.80
wash-basin with water heater	500	106.31
farm water intake	6 000	1275.80

3. Adjustment of egg-laying hen farms to the animal health and welfare EU standard.

The adjustment of the above mentioned standard shall be completed within 8 months since the date of decision admitting the support.

With reference to adjustment of egg-laying hen farms, agricultural producers to be found on the list of farms which have been granted a transitional period of exploitation of the battery boxes (cages) used by them by the European Commission may apply for support (Accession Treaty Annex 12 Supplement B). Farms that are not on the list will be eligible under SOP.

Eligible Investments are listed below. Other investments are eligible under Chapter 1. Beneficiaries will receive financial support consisting of covering of the modernisation costs of farms specialising in production of eggs (egg-laying hen farms).

Financial support will cover modernization or purchasing of boxes with equipment for egg-laying hens, listed in the Annex Z.

Table 55. Payments according to the farm's size by box in the field of adjustments of egg-laying hen farms.

Adjustment of egg-laying hen farms (animal health and welfare)		
Purpose of EU standard - animal health and welfare		
Type of enterprise	Amount of support	
	PLN/box	EUR/box
Modernization of the boxes with equipment	16	3,40
Purchasing of the boxes with equipment	16	3,40

9.8.5. Beneficiaries

The agricultural producer.

9.8.6. Eligibility criteria

Granting the right to obtain support within the framework of *Meeting the UE standards* is conditioned on submitting by the beneficiary an application for financial support together with necessary documents. The application should include a description of the initial state of the farm, the scope of the intended enterprises, the target state. The project should be developed on the basis of guidelines concerning principles of implementation of the planned undertaking and confirmed according to the type of standard, by veterinary supervision services or agricultural advisory services. Whenever required by legal regulations, the applicant should attach a building permit or notification to the application.

The beneficiary who has been affirmed as the one to receive support for the sake of adjustment to the standards of the European Union under Measure 6 of the Rural Development Plan shall not benefit from financial support provided for in Chapter 1 nor other support using public funds for the same investment.

The standards mentioned above may obtain support only under RDP Measure 6, while the others will be eligible under SOP.

Support within the framework of this Measure may be granted if all the conditions listed below are satisfied:

- 1) the applicant carries out an undertaking related to adjustment of agricultural production conditions to EU standards within the scope of one or more types of support specified in Measure 6;
- 2) the farm concerned with a standard given is economically viable or it will achieve economic viability²⁷ when the period of receiving support ends;
- 3) support for standards may be granted to farms which keep at least 5 LU of farm animals;

²⁷ The definition of economic viability is to be based on the ESU. It is determined jointly for this activity as well as *the Support for semi-subsistence farms undergoing restructuring* (Measure 2 of RDP) and *Investments in agricultural holdings and Setting-up of young farmers* (Sectoral Operational Plan).

4) Support may be granted if the farm keeps the number of animals which produces less than 170 kg of nitrogen in natural fertilizers per hectare of agriculture land.

9.8.7. Geographical area

The whole country.

9.8.8. Implementation

A farmer fills out an application for support under Measure 6 (Meeting the EU standards). The technical specification of undertaking, attached to the application, should be authorised by a qualified agricultural advisor or the Poviats Veterinary Officer. The application together with attachments shall be submitted to the Poviats Office of the ARMA all year around.

The necessary attachments to the application are as follows:

- Plan of adjustment to the EU standards;
- Declaration, that the farm does not fulfill minimum standards of the hygiene in the meaning of the legal acts on veterinary requirements for milk and milk products and the decision of the veterinary service refusing emitting of the certificate on fulfilling the hygienic and animal production minimum standards (if applicable);
- The agreement for natural fertilizers sells (if applicable).

Control against overlapping of Measure 6 and Measure under Chapter 1 of Regulation 1257/1999.

In order to ease the qualification of standards for support under one of two mentioned above Programmes, the eligibility criteria have been clearly differentiated. It means that there will be no “double counter“ situation and there will be no possibility to choose support for the same standards from two Programmes.

An ex-ante assessment whether the farmer meets or not the standards in question and the eligibility criteria shall be done in order to determine whether the application should be for RDP support or SOP support.

Nevertheless, in order to avoid overlapping in financing and co-financing UE standard meeting under Chapter 1 and RDP Measure 6 ARMA shall also introduce following prevention actions:

- at the stage of entering into Measure 6 “Meeting the EU standard” under RDP – ARMA will provide cross-checking control for beneficiaries and planned projects, using computer system, which allows excluding overlapping support under both Programmes;
- each undertaking (100%), which cost exceed 10 000 EUR per year, will be controlled on-the-spot.
- during implementation of both Programmes, ARMA will provide on-the-spot checks, based on assessment of the applications and risk analyses. Controls of the beneficiaries using support from both Programmes will be more detailed and more frequent.

Moreover, at the stage of submitting applications beneficiaries shall declare, that they use support under one Programme (e.g. RDP) and shall not benefit from financial support provided for in other Programme for the same investment. During cost

reimbursement made under SOP, all invoices connected to support will be signed (stamped) by an ARMA inspector.

Table 56. Implementation assumptions to Measure 6.

DECISION UNDERTAKING	
Paying Agency	ARMA
Delegated unit	Not applicable
Confirming institution	A person with recognised qualifications, e.g. District Veterinary Officer
Cooperating institutions	Agricultural advisory organisations, agricultural chambers, branch unions/associations
Dates of submitting the application for accession to the programme/measure	The whole year; the application is simultaneously the application for payment
Place of submitting the application for accession to the programme/measure	Poviat Office of ARMA
Modality of application approval	Decision
Modality of application selection	Sequence of submission
The first instance	Poviat Office of ARMA
The second instance	Regional Division of ARMA
CONTROL	
Level of control on the spot	5% and 100% in the case of investment above 10 000 EUR
Institution involved in control	ARMA
Period of performing control	III – X

9.8.9. Indicative budget of Measure 6

Table 57. Indicative budget of the Measure 6 (EUR).

Year	Total amount	EU contribution – 80 %	Poland's contribution – 20 %
2004	296 300 000.00	237 040 000.00	59 260 000.00
2005	253 201 720.00	202 491 720.00	50 710 000.00
2006	81 443 348.00	65 155 000.00	16 288 348.00
Total	630 945 068.00	504 686 720.00	126 258 348.00

9.9. MEASURE 7. SUPPORT FOR AGRICULTURAL PRODUCERS' GROUPS

Priority 1: Increasing the economic effectiveness of agricultural holdings

Fund: EAGGF Guarantee Section

9.9.1. Legal basis

Chapter IX a, Art. 33d of the Treaty of Accession,
Commission Regulation (EC) No 141/2004 of 28 January 2004,
Act of 28 November 2003 on support for the rural development given by funds originated from the EAGGF Guarantee Section,
Act of 15 September of 2000 on groups of agricultural producers and their associations (the act is being amended) and on amendment of other acts with further amendments.

9.9.2. Specific objective

Increasing farmers' incomes through reducing costs.

Improving quality of produce on the market as a result of common production technologies and common product preparing for market.

Concentration of supply.

Better planning and adaptation of production to market demands

9.9.3. Description of Measure 7

Support may be granted for formation and administrative costs of producer groups activity for not longer than 5 years from the day of their set up (60 months since the day of an issue of a marshal of a province's decision on recognition of a group).

Support will be granted to producer groups established in order to adapt production standards by the members of such groups and to develop the system of common sale of their products. Such a system apply to sale concentration, sale preparation, packing, deliveries to wholesale warehouses as well as developing common rules on providing information on production, especially on crops (yields) and availability of certain agricultural products.

The group of agricultural producers may receive the support for foundation of the group only once during a period of its activity, from the national funds as well as from the means, co-financed by the EU (RDP).

9.9.4. Form and amount of support

1. A financial support shall take a form of annual payment granted for five consecutive years following the recognition of the agricultural producer group in the voivode register of groups.

The amount of support shall be calculated on the basis of annual net value of marketed production that is, being produced in holdings of the group's members, and shall not exceed:

(a) 5%, 5%, 4%, 3% and 2% of the production value up to a maximum of EUR 1.000.000, marketed in the first, second, third, fourth and fifth year respectively, and

(b) 2.5%, 2.5%, 2%, 1.5% and 1.5% of the production value exceeding EUR 1.000.000 marketed in the first, second, third, fourth and fifth year, respectively.

2. At any case, the support shall not exceed the amount of:

- 100.000 EUR in the first and second year
- 80.000 EUR in the third year
- 60.000 EUR in the fourth year
- 50.000 EUR in the fifth year.

9.9.5. Beneficiaries

Agricultural producers' groups who started running their activity after the accession of Poland to the UE, during the first five years following group recognition.

The support shall be granted to the agricultural producers' groups formally recognized by a marshal of a province (voivode) competent for the seat of group, in the period between the day of Poland's accession to the EU and the end of the period covered by the Plan, under the regulation on agricultural producers' groups and their associations and the amendment of other regulations.

Based on the rules of the Law of 15, September 2000 on agricultural producer groups and their associations, and on the amendment of other acts, with later amendments, legal and natural persons who run their agricultural activity according to the rules on agricultural tax and the legal and natural persons who run agricultural activity in the field of special sectors, as being given below, may become the members of the group.

The financial support shall be granted to the producer groups, which aim at:

- adaptation of production and the products of the producers - members of the group to market requirements;
- common supplying of the products to the market, including their preparation for sale, concentration of sales and deliveries;
- setting up the common rules regarding production information, with the particular consideration of crops and availability of the products.

The group of agricultural producers may run the activity as entrepreneur, possessing legal personality under the condition that:

- it was created by the producers of one agricultural product or group of products;
- it acts on the grounds of statute or agreement, being called foundation act;
- it consists of the members, shareholders or stockholders, being called hereinafter the members of the group from whom no one may have more than 20% of votes during the general assembly or assembly of the partners;
- incomes from the sale of the group's products, manufactured in the farms of its members reach more than a half of incomes of the group from the sale of products or the group of products, being a title of the group creation;
- determines the principles of production, obligatory in relation to the members of the group, including quality and quantity of the products or groups of the products and the methods for preparation of the products to the sale.

Apart from the requirements, being specified in separate regulations, the founding act of the groups shall contain in particular:

- the principles of admitting the new members to the group and resigning the participation in the group;
- the principles of alienation (transfer) of stocks or shares in the joint stock company or in limited liability company;
- requirement of being a member of only one group in respect of the product or a group of products;
- requirement of selling the whole of the products or a group of the products by the members of the group by mediation of the group and exceptions from this principle;
- the principles of supplying information (by the members of the group) concerning the level of sales and the prices obtained for the products, for which the group was founded and which are sold outside the group;
- sanctions which are imposed on the group's member who does not fulfil his commitments.

9.9.6. Eligibility criteria

The support shall be granted to the agricultural producers' groups formally recognized by the a marshal of a province competent for the seat of group, in the period between the day of Poland's accession to the EU and the end of the period covered by the Plan. The support may be granted for groups founded for following products or groups of products:

- 1) horses (animals), horse meat: fresh, frozen, chilled;
- 2) slaughter beef cattle, beef: fresh, frozen, chilled;
- 3) pigs and pork meat: fresh, frozen, chilled;
- 4) sheep and goats, mutton (lamb) and goat meat: fresh, frozen, chilled;
- 5) poultry, meat and giblets: fresh, frozen, chilled;
- 6) rabbits (animals), meat and haslets: fresh, frozen, chilled;
- 7) nutrias (animals), meat and giblets, raw hide;
- 8) chinchillas (animals and raw hide);
- 9) foxes: popular and arctic, minks, racoon dogs, polecat (animals and raw hide);
- 10) bird eggs;
- 11) milk of cow, sheep and goat;
- 12) honey and other bee products;
- 13) fresh flowers – cut, pot;
- 14) potatoes – fresh or chilled;
- 15) cereal grain;
- 16) seeds of oil plants (oleaginous);
- 17) cereal grain and seeds of oil plants (oleaginous);
- 18) herbaceous plants (medicinal);
- 19) ornamental plants, plant nursery – fruit tree, ornamental plants;

- 20) sugar beet;
- 21) hop cones;
- 22) dried tobacco leaves;
- 23) flax and temp for fibre;
- 24) seed material and planting potatoes;
- 25) plant products for a technical use and for bio-fuels;
- 26) products of organic farming;
- 27) regional products;
- 28) snails;
- 29) red deer and fallow deer.

The support shall be granted on the group’s application. Application is submitted to ARMA, including following attachments:

- a) excerpt from the register of agricultural producer groups – document of the marshal;
- b) declaration of the group on then estimated sale of the products, manufactured in the members’ holdings.

Payment is to be executed upon submission of payment application with following attachments:

- a) chronological list of VAT invoices and the bills, confirming the incomes of the Group, coming from the sale of the products due to which the group was founded;
- b) chronological list of VAT invoices and the bills, confirming value and quantity of the products sold to the group by its particular members.

9.9.7. Geographical area

The entire country

9.9.8. Implementation

A group of agricultural producers, as being recognised by the marshal competent for the place of registration, shall prepare the application. This application together with the attachments shall be submitted to the Regional Department of the Agency for Restructuring and Modernisation in Agriculture (ARMA). Applications are processed according to the sequence of submission. After that the application is to be approved, and as a result, the producers group shall receive an approval.

Table 58. Procedural assumptions of Measure 7.

DECISION UNDERTAKING	
Paying Agency	ARMA
Delegated unit	Not applicable
Confirming unit	Marshal
Periods of submitting the application for accession	To be determined in the national regulation

to the measure	
The first instance	Regional Division of ARMA
The second instance	President of ARMA
CONTROL	
Level of control on the spot	50 - 100%
Institution involved in control	ARMA
Period of performing control	The whole year

9.9.9. Indicative budget of Measure 7

Table 59. Indicative budget of the Measure (EUR).

Year	Total amount	EU contribution – 80 %	Poland's contribution – 20 %
2004	300 000.00	240 000.00	60 000.00
2005	2 300 000.00	1 820 000.00	480 000.00
2006	3 773 266.50	2 996 019.70	777 246.80
Total	6 373 266.50	5 056 019.70	1 317 246.80

9.10. MEASURE 8. TECHNICAL ASSISTANCE

Fund: EAGGF Guarantee Section

9.10.1. Legal basis

Chapter IX (Art. 33 e) for the measure, financed from EAGGF Guarantee Section; Council Regulation (EC) No 1260/1999 laying down the general provisions on the Structural Funds (Article 2 (4) and Article 23); Commission Regulation (EC) No 1685/2000 (Rule 11), as amended by R. 448/2004.

9.10.2. Specific objectives

- Ensuring the support for high quality and cohesion of activities necessary for implementing of the Plan (preparation of the programme, monitoring, control and evaluation).
- Ensuring the effective and efficient system of information and promotion of the Plan.

9.10.3. Description

With a view of ensuring a full compliance of other activities envisaged under the Plan with the *acquis*, it is necessary to support these tasks by Technical Assistance. This measure is the additional tool of financial support which is aimed at strengthening of the process of Plan's introduction under the particular measures, and at ensuring its effective and efficient implementation, being consistent with the Community

legislation and policies, enabling finally the effective use of the assistance funds from EAGGF Guarantee Section. The support under the Technical Assistance is also addressed to Institutions involved in this process, considering also the support for social partners, participating in implementation of the Plan's measures.

The scope and the level of assistance were established on the basis of the Commission Regulation (EC) 1685/2000 which lays down the categories of costs and expenditure eligible for financial support.

These costs include the expenses connected with the preparation, selection, checking and supervision of the support under the Plan, the expenditure connected with the meetings of the Monitoring Committee and of other committees relating to the implementation of the Plan, expenditure connected with audit and control of the Plan's measures, costs of promotion and informational campaign and the expenses connected with the management, monitoring and evaluation of the Plan (Rule No 11, p.2 and 3).

To reach the implementation of the targets, the following schemes shall be effectuated under the technical assistance:

Scheme 1: Strengthening of the system of management, monitoring, control and evaluation of the degree of the Plan's implementation

The best preparation of the staff of units, participating in the process, being capable of efficient and effective implementation of the tasks is the *sine qua non* condition necessary for correct, effective and legally compliant management, monitoring, control and evaluation of the Plan's implementation. Technical assistance for these units, with the simultaneous ensuring of effective and efficient functioning of the *per se* process of management, monitoring, control and evaluation, and ensuring the efficient service of the Committees, acting under the Plan is also the indispensable requirement. To implement these aims, the following types of projects will be supported under this scheme:

1.1 CAPPED EXPENDITURE (*Rule 11.2*):

1.1.1 Studies, expertises and analyses in respect of the degree of utilization of the Plan's means and compliance of the particular measures with the EU legislation and the Community policies, development of the statements concerning indicators for the Plan's monitoring;

1.1.2 Support of the service of Monitoring Committee and Sub-committees and National Steering Committees;

1.1.3 Support of the voivodeship working groups for agri-environmental programmes;

1.1.4 Internal and external audit;

1.1.5 Costs of field control, conducted on different levels of administration;

1.1.6 In case of agri-environmental programmes, development and preparation of the system of nature monitoring and then, running it and keeping it up-to date;

1.1.7 Financing of the remuneration, together with social insurance, of the persons who are directly involved in the implementation of the programme (under the condition that they meet the criteria of Rule 11 p.2.2 . These persons will be completely engaged in the performance of the duties connected with the preparation, selection, evaluation and monitoring as well as with audit and

regional control of the Plan and persons involved in the servicing of the Monitoring Committee and the National Steering Committee;

1.1.8 Support of Managing Institution in respect of preparation and submitting to the Commission, of reports concerning the Plan's introduction;

1.1.9 Other expenditures related to the Plan implementation;

1.1.10 Costs connected with the preparation of the Plan for the next programming period.

1.2 NON - CAPPED EXPENDITURE (*Rule 11.3*):

1.2.1. Expenditures related to the evaluation of the Plan implementation;

1.2.2. Costs connected with the preparation of the Plan for the next programming period – ex- ante evaluation;

1.2.3. Costs related to the professional improvement and training for the persons involved in management, monitoring and evaluation of the Plan implementation;

1.2.4. Creation and keeping the system of the data archivization;

1.2.5. Creation and maintenance of computer system of the Plan's monitoring in the Ministry of Agriculture and in the Paying Agency;

1.2.6. Additional furnishing the Institutions, responsible or involved in the implementation of the Plan, with the equipment necessary for the correct fulfilment of its task;

1.2.7. Leasing, purchase and equipping of real property, necessary for the purposes connected with the Plan's introduction.

Scheme 2: information and promotion activity

Common knowledge of the problems relating to the Plan's measures and the course of their implementation, the knowledge on the possibilities and the methods for gaining the support and a high general awareness about the Plan among the society will considerably affect the favourable image and approval of the Plan and also, will contribute to faster and more effective absorption of the means. This target will be obtained via ensuring the possible best promotion of the Plan, rise of the level of knowledge on the principles of its functioning and on the possibilities of obtaining the support as well as current informing about the run of its fulfilment. The implementation of these aims shall be effectuated by the following types of the projects:

2.1 NON- CAPPED EXPENDITURE (*Rule 11.3*):

2.1.1 Support for elaboration, issuing, printing and distribution of promotion materials;

2.1.2 Promotion and information activity, understood as continuous campaign, aiming at informing of potential beneficiaries, enterprises, commercial, professional and social institutions on the contents of the support as well as on availability of support means and rules of granting support under the Plan measures;

2.1.3 Information - promotion actions concerning a new programming period.

9.10.4. Form and amount of support

Financial support for the actions set out in both schemes described above will be provided in the form of 100% refund of eligible expenditures.

9.10.5. Beneficiaries

Financial support under the Technical Assistance shall be granted to Institutions, who are directly involved in the process of the Plan's implementation and fulfil the specified tasks, resulting from the Plan.

In particular, the beneficiaries of the Technical Assistance will be:

- Ministry of Agriculture and Rural Development as the Managing Authority,
- The Agency for the Restructuring and Modernization of Agriculture as the Paying Agency;
- Other institutions involved in the RDP implementation:
 - Ministry of Finance
 - Agricultural Property Agency;
 - Agricultural Social Insurance Fund (KRUS);
 - Institutions for agricultural advisory activity;
 - Nature Protection Service (NATURA 2000 management services, national and landscape parks);
 - Agriculture and Food Quality Inspection (The Inspectorate of the Commercial Quality of Agricultural Products);
 - Inspectorate for the Environmental Protection;
 - Inspectorate for the Plant Protection and Seed Production;
 - The National Research Institute of Animal Production;
 - The Veterinary Inspection;
 - Voivodeship Offices;
 - Marshall's Offices;
 - The State Forestry Company: State Forestsand other units, involved in the Plan's introduction.

9.10.6. Introduction of Measure 8

The unit entitled to apply for the support under the technical assistance shall submit the respective application together with the attachments (range of the tasks and responsibilities of the project performer, cost calculation, abbreviated description of undertaking together with the justification and anticipated budget) to the Headquarters of ARMA.

Initially verified by ARMA list of applications for granting the support under the *Technical Assistance* shall be transmitted to the Ministry of Agriculture and Rural Development and the list is subjected to substantial treatment and then, the list of

applications is forwarded to the debates of the National Steering Committee (KKS)²⁸; It issues the opinion on financing the applications, being found on the list, especially in case when the sum of the projects is higher than that one available within the framework of the measure in question. The Minister of Agriculture and Rural Development signs the list of applications dedicated for support, having the opinion of KKS.

Based on the above mentioned list, ARMA concludes the agreements with the applicants. The applicant shall commence the implementation of the project, announcing – if required – the invitation to tender as to find the executor of the project, according to the public procurement legislation.

After completing the implementation of the stage/total undertaking, the applicant shall submit the application for payment together with the attachments to ARMA. ARMA shall verify the application in formal aspects and in respect of compliance with the provisions of the agreement.

After verification, ARMA shall effectuate the payment.

Table 60. Implementing assumptions for Measure 8.

DECISION UNDERTAKING	
Name of measure	Technical assistance
Paying Agency	ARMA
The delegated unit	<i>Minister of Agriculture and Rural Development</i>
The scope of delegation	Elements of authorization
Co-operating institutions	Not applicable
Place of submitting the application for support and for payment	Head Office of ARMA
The level of verification of the application for support	ARMA, MARD, National Steering Committee (KKS)
Period of submitting the application for payment	The whole year
The first instance	The President of ARMA
The second instance	The Minister of Agriculture and Rural Development
CONTROL	
The level of control on the spot	5%
Institution involved in control	ARMA
Period of performing control	The whole year

²⁸ KKS – National Steering Committee – advisory body to the Minister of Agriculture

9.10.7. Indicative budget

Table 61. Indicative budget of Measure 8 (EUR).

Capped activities (Rule 11.2)			
Year	Total (MEUR)	EU contribution (80%)	Poland's contribution (20%)
2004	200 000.00	160 000.00	40 000.00
2005	4 800 000.00	3 823 008.85	976 991.15
2006	8 100 000.00	6 435 637.05	1 664 362.95
• Total 11.2	13 100 000.00	10 418 645.90	2 681 354.10
Non-capped activities (Rule 11.3)			
• 2004	300 000.00	240 000.00	60 000.00
• 2005	6 500 000.00	5 176 991.15	1 323 008.85
• 2006	9 924 467.58	7 885 218.68	2 039 248.90
• Total 11.3	16 724 467.58	13 302 209.83	3 422 257.75
• Total(11.2 +11.3)	29 824 467.58	23 720 855.73	6 103 611.85

9.11. MEASURE 9: COMPLEMENTS TO DIRECT PAYMENTS

Fund: The Guarantee Section of the EAGGF

9.11.1. Legal basis

Article 33h of R.1257/1999 as introduced by the Treaty of Accession

9.11.2. Objective of Measure 9

Provide additional resources to fund Complementary National Direct Payments.

9.11.3. Description of Measure 9

Description of the system of area payments is given in a separate document in accordance with the *Council Decision adapting the Act of Accession of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia and the adjustments to the Treaties on which the European Union is founded, following the reform of the common agricultural policy* and with the *Guidelines for granting Complementary National Direct Payments (CNDPs) in the new Member State*.

9.11.4. Form and amount of the aid

As above

9.11.5. Beneficiaries

As above

9.11.6. Eligibility criteria

As above

9.11.7. Scope

The entire country

9.11.8. Introduction of Measure 9

There will be no necessity to submit a separate application for complements of area payments (UPO). The payments shall be effectuated on the basis of the application for granting the area payment. It will be simultaneously the application for payment. On the level of farmer, the payment shall not be differentiated (only the statement of account from the bank will contain different sources of financing).

Table 62. Implementing assumptions of Measure 9.

DECISION UNDERTAKING	
Paying Agency	ARMA
Delegated unit	Not applicable
Scope of delegation	-
Period/s of submitting the application for accession to the Measure	Annual with the application for direct payments
Place of submitting the application for accession to the programme/measure	Poviat Office of ARMA
Period of paying	Since 1 st of December of the year the application was submitted, till 30 th of June next year.
The first instance	Poviat Office of ARMA
The second instance	Regional Office of ARMA
CONTROL	
Type of control	On the spot
Level of control	5% (together with control of area payments)
Institution involved in control	ARMA; charging other institutions with the tasks of control is possible
Period of performing control	VI – VIII

9.11.9. Indicative budget for Measure 9

Table 63. Indicative budget for Measure 9 (in EUR).

Year	Total amount	EU contribution (80%)	Poland's contribution (20%)
2004	246 620 000.00	197 296 000.00	49 324 000.00
2005	236 831 796.42	189 425 600.00	47 406 196.42
2006	194 197 041.00	155 357 632.80	38 839 408.20
Total	677 648 837.42	542 079 232.80	135 569 604.62

10. COMPETENT AUTHORITIES AND BODIES IN CHARGE

10.1. THE MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

The Managing Authority

The Ministry of Agriculture and Rural Development (MARD) shall act as the Managing Authority vis-à-vis the Plan. The main functions of the MARD related thereto (i.e. the programming, management, monitoring, and control) shall be carried out by the Department with the jurisdiction over matters related to assistance programmes.

The primary tasks entrusted to the MARD under the Plan shall comprise the following:

- 1) The coordination of the activities involving the drawing up of the Plan and the holding of consultations related thereto with the European Commission.
- 2) The management and supervision of the implementation of the measures under the Plan.
- 3) The gathering of data in respect of technical and financial indicators essential for the monitoring of the progress in and the course of the implementation of the Plan as well as the forwarding thereof to the European Commission.
- 4) The organising of the making of the *ex -post* evaluation of the results of the implementation of the Plan.
- 5) The presiding over the Monitoring Committee for the RDP and the providing secretarial services needed thereby.
- 6) The assurance of the compliance of the Plan with the policies adopted by the Community.
- 7) The assurance of the adequate promotion and information on the Plan.
- 8) The notifying of and the holding with the European Commission consultations on the amendments to the Plan and the proposals concerning the transfer of appropriations between rural development measures under the Plan, following the approval granted by the Monitoring Committee for the RDP, as well as the

submission thereof to the Committee on Agricultural Structures and Rural Development.

- 9) The drawing up of annual reports and the final report as well as the submitting thereof to the Monitoring Committee for the RDP for its approval.

The Coordinating Unit (CU)

The so called Coordinating Unit has been set up within the structure of the MARD (pursuant to Article 5(1) of the Act on the release of funds from the Guarantee Section of the EAGGF and the Guarantee Fund). The CU shall carry out the following functions in particular:

- the dissemination of the EU texts;
- the promotion of the smooth implementation of the law;
- the forwarding to the Commission of information, as required by the relevant EU regulations.

The CU shall be in charge of the following in particular:

- the gathering of information contained in the reports forwarded by the Paying Agency;
- the verification and analysis of the reports forwarded by the Paying Agency;
- the drawing up and forwarding synthetic reports to the European Commission, pursuant to the Commission Regulation (EC) No 1663/95, Commission Regulation (EC) No 817/2004, and Commission Regulation (EC) No 296/96;
- the forwarding to the Ministry of Finance requests for EU funds, submitted by the Paying Agency.

10.2. THE PAYING AGENCY – THE AGENCY FOR THE RESTRUCTURING AND MODERNISATION OF AGRICULTURE

The Agency for the Restructuring and Modernisation of Agriculture (ARMA) shall be in charge of the implementation of the Plan. The ARMA shall, as from the day of its accreditation, carry out the functions of the Paying Agency. In the context of the implementation of the Plan, the ARMA shall, acting as the Paying Agency, carry out the tasks and duties relating to the granting of the financial assistance (including the receipt and approval of the applications submitted therefore), the effecting of payments related thereto, and the monitoring and supervision of the implementation of the Plan itself. All the functions referred to herein shall be carried out pursuant to the Accreditation Act.

The ARMA has a multilevel structure. At the top of the national level there is the Head Office, which is in charge of the supervision over and the coordination of activities carried out by local units. The ARMA has 16 regional offices and 315 poviát offices.

The detailed list of the tasks relating to the granting of the assistance under the Plan is presented in Annex O.

Inspectorate of the Commercial Quality of Agricultural Food Products (IJHARS)²⁹

IJHARS is the institution in charge for supervision of certified units in scope of organic farming and is an authorized institution by MARD. That institution is responsible for granting attestations to certified units. IJHARS will be also in charge of delegated function in relation to organic farming.

10.3. THE CERTIFYING BODY

Pursuant to Article 3(1) of Commission Regulation (EC) No 1663/95, the issue of the certificate necessary for the implementation of the Plan shall fall within the competence of an authority organisationally independent of both the Paying Agency and the Coordinating Unit, which in case of Poland shall be the General Inspector of the Fiscal Inspectorate. The General Inspector of the Fiscal Inspectorate shall perform this function via the organisational entity set up within the structure of the Ministry of Finance, i.e. the Office for the Certification of EU Funds.

The certificate shall be issued based on the following:

- The examination of the procedures followed by the Paying Agency; and
- A sample of the transactions involved.

The checks shall be undertaken both during and after the end of each financial year and shall be carried out in accordance with the internationally recognised auditing standards.

The General Inspector of the Fiscal Inspectorate shall, by 31 January of the following year, draw up the certificate and the report of the findings, which shall in particular state whether he has gained reasonable assurance that the RDP accounts forwarded to the European Commission are true, complete, and accurate, and that the internal control procedures followed by the Paying Agency operate satisfactorily.

10.4. IN – DEPTH CHECKS OF THE IMPLEMENTATION OF THE PLAN

The checks referred to in Articles 10 and 11 of the Commission Regulation (EC) No 438/2001 of 2 March 2001 shall be carried out by regional offices of The Treasury Control Office (TCO). Such inspections shall involve in particular the following:

- The verifying of the efficiency of the management and control systems applied;
- The checking at the level of individual institutions and at each of their organisational levels of at least 5% of the eligible expenditure.

The checks referred to herein shall be carried out by 16 regional offices of the TCO. The responsibility for the coordination of the activities involved, including the representative sample taking, the use of the standardised control methods, the

²⁹ A concept of organizational changes in IJHARS, that is presently a subject of consideration, will not have any consequences for proper functioning of GIJHARS Division for organic farming inspection. This institution will remain a public inspection, functioning within the same structure and maintaining its main functions. .

recording of the findings in a systematic manner, and their forwarding to the relevant national institutions and to the European Commission shall devolve upon the Office for the International Fiscal Relations, set up within the structure of the Ministry of Finance.

10.4.1. Bureau for International Treasury Relations

Bureau for International Treasury Relations (BITR) shall be in charge of the drawing up of the comprehensive control plans to be carried out by all the regional offices of the TIA. The Managing Authority (MARD) shall be involved in the planning process providing the expertise needed.

Such a comprehensive control plan shall define the scope of the checks to be carried out and lay down the guidelines on the procedure to be followed by the TCO in checking at least 5% of all the eligible expenditure. The checks referred to herein shall be carried out based on the check of the representative sample of operations authorised.

The BITR shall issue to the TCO the order to check at least 5% of all the eligible expenditure and to carry-out on-the-spot checks required. The BITR shall exercise technical supervision over the activities of the TCO related thereto and shall be the recipient of the information obtained as a result of the on-the-spot checks carried out by regional offices of the TCO.

Where a Regional Office of the TCO has a question concerning proper interpretation of the eligibility of the expenditure concerned, it shall refer it to the BIFR. The BIFR shall hold the consultations on the eligibility of expenditure under the Plan with the Managing Authority for the RDP. The information verified shall then be forwarded to all the regional offices of the TCO.

The rule referred to here above has been laid down in order to ensure uniform interpretation of the eligibility by all the regional offices of the TCO.

The BIFR shall forward the information on the irregularities found to the European Commission, pursuant to the rules laid down by the Council Regulation No 595/91 from 4 March 1991. The OIFR shall be responsible for the uniformity of the standards and procedures followed in the exercise of control referred to herein by the TIA and its regional offices.

10.4.2. Treasury Control Office and its regional offices

The functions related to the carrying out of the thorough checks shall be performed by the Aid Fund Control Units. Such a unit shall be set up within the structure of each Regional Office of the TCO.

Due to the fact that all the offices of the central government in charge of the transfer of EU aid funds are located in Warsaw, a special unit has been set up within the structure of the Head Office of the TCO in Warsaw. This unit's sole responsibility shall comprise the exercise of control of the use of EU funds. Any person in charge of the transfer and/or the administration of the structural funds and any other legal entity involved, with the offices outside the Mazowsze Province, shall be subject to checks carried out by the Regional Office of the TCO concerned.

The coordination and supervision of the control related activities (including the standardisation of procedures followed) shall fall within the competence of the BIFR.

Regional offices of the TCO shall check at least 5% of all the qualified expenditure based on the representative samples of the operations authorised, and carry out on-the-spot checks needed. The checking of at least 5% of the eligible expenditure shall be carried out in a systematic manner and take into account the representative sample of the operations concerned so as to ensure the ability to draw conclusions on the entire population of operations concerned.

Individual regional offices of the TCO shall draw up detailed plans of the checks to be carried out at their regional level. Drawing up such a plan, they shall take into account the scope and guidelines defined in the general plan, as been drawn up by the BIFR. Detailed control plans shall, upon the completion of the process of drawing up, be forwarded to the BIFR. Services of the MARD may be involved in the planning process, providing the expertise needed.

Regional offices of the TCO shall perform the tasks delegated to them by the BIFR in accordance with the guidelines defined thereby. Regional offices of the TCO shall draw up control programmes comprising detailed plans of the specific checks to be carried out, setting the goals, defining the scope, and outlining the methods therefore.

The following shall, within the context of the implementation of the RDP, be subject to the control by the Tax Inspection Authority: the Paying Agency, the Ministry of Agriculture and Rural Development, and the beneficiaries.

Regional offices of the TCO shall check at least 5% of all the eligible expenditure by means of the proper sample-taking, paying particular attention to:

- the checking of the efficiency of the management and control systems applied;
- the random sampling, on the basis of a risk analysis and the expenditure certified, at various levels concerned.

While checking the systems referred to herein, regional offices of the TCO shall check whether at all the entities involved in the implementation of the RDP, the procedures essential for the assurance of the efficiency of the management and control have been drawn up, whether such procedures are being followed, whether such procedures are followed properly, and whether such procedures actually ensure the efficiency of the systems concerned.

Each time regional offices of the TCO check at least 5% of the eligible expenditure, they shall check whether extracts from the statements of expenditure cover only the expenditure:

- 1) Which have been actually incurred during the period under application, indicated in the decision concerned, which may be considered eligible, and which are supported by invoices received or other accounting evidence having equal documentary value;
- 2) Which have been incurred in connection with the implementation of the activities selected for the financing under a certain project in accordance with the criteria and procedures laid down for the selection thereof.

10.5. INTERNAL AUDIT

Internal audit units have been set up within the structure of each institution involved in the implementation of the Plan (i.e. the Ministry of Agriculture and Rural Development and the Paying Agency). An Internal Audit Unit may not be involved in any operational activity carried out by a body of the public finance sector. Such a unit

shall play an advisory role and shall ensure the proper functioning of the financial management and control system.

The setting up of the internal audit units is the result of the compliance with the provisions of the internal law, i.e. the Act of 27 July 2001 on the amendment of the *Act on public finances*, the *Act on the organisation of the Council of Ministers* and the procedure to be followed in the carrying out of its functions, and on the scope of the functions to be carried out by the different ministers, the *Act on the departments of the governmental administration*, and the *Act on the civil service*, which has entered into force on 1 January 2002 (Journal of Laws of 2001, No 102, item 1116).

10.6. ROLES TO BE PLAYED BY OTHER INSTITUTIONS IN THE IMPLEMENTATION OF THE DIFFERENT MEASURES UNDER THE PLAN

As it was mentioned in pt. 10.2., an implementing role for all the RDP measures shall play Paying Agency (Agency of Restructurisation and Modernisation of Agriculture³⁰). Only in relation to two measures it is foreseen to delegate some functions of paying agency:

- in Measure 4 - Support for agri-environment and animal welfare (IJHARS);
- in Measure 8 - Technical assistance (MARD).

Remaining institutions presented in the below table in the column called “ Supporting institutions” will be involved in:

- collecting of necessary documents by the applicants;
- preparation of applications and accompanying documents (agri-environmental plan, afforestation plan, farm development plan, etc.).

These institutions will play an advisory role in relation to potential beneficiaries of the Plan, before the application submission to the Agency, or they will fulfil their statutory tasks, resulting from national legal acts.

Table 64. Roles of other institutions in the implementation scheme.

Measure under the RDP	Paying Agency	Delegated Institution	Supporting Institution
Early retirement	ARMA		Agricultural Property Agency ASIF Agricultural advisory institutions ³¹
Semi-subsistence farms	ARMA		Agricultural advisory institutions
Less-favoured areas	ARMA		Agricultural advisory institutions
Agri-	ARMA	Inspectorate of	Agricultural advisory institutions

³⁰ Agency for Restructuring and Modernization of Agriculture shall play a function of Paying Agency, after being accredited by the Ministry of Finance.

³¹ NACARD with its divisions, WODRs subordinated by Voivodeship Office, Agriculture Chambers, National Parks, private companies, NGOs.

environmental programmes		the Commercial Quality of Agricultural Food Products	National Research Institute of Animal Production Environmental protection services: Governor of a Province Minister having jurisdiction over matters related to agriculture The Inspectorate for the Environmental Protection The Inspectorate for the Plant Protection
Afforestation of agricultural land	ARMA		State Forests
Meeting the EU standards	ARMA		Agricultural advisory institutions County Veterinary Officer
Agricultural producer groups	ARMA		Agricultural advisory institutions

The Minister having jurisdiction over matters related to the environment

The Director of a National Park exercising supervision over the NATURE 2000 Network, subordinate to the Minister having jurisdiction over matters related to the environment, shall confirm the compliance of agri-environmental applications, submitted together with the protection plans therefore by operators from the protected areas located within the Priority Zones falling within his territorial jurisdiction. In case of an absence of the protection plan – certificate proving harmless or positive impact on protected species or/and habitats, shall be issued by boards of National parks and Landscape parks or NATURA 2000 network.

Environmental protection services shall carry out activities related to the education, dissemination of information, and training for the beneficiaries of the agri-environmental and afforestation programme.

The Governor of a Province

The Marshal of a Province shall, within the context of the implementation of the Plan, carry out the following functions:

- 1) The review of the compliance of agri-environmental plans concerning areas located within landscape parks with the protection plans adopted therefore, and in case of an absence of the protection plan – check whether planned agri-environmental activities are not in contradiction or are in line with the maintenance or reintroduction of protected species and/or habitats (landscape park services). In case of management of the protected area performed by the manager other than the; landscape park, a certificate shall be issued by the appropriate manager, supervised by the governor of the province on that issue.
- 2) The carrying out of the activities related to education, dissemination of information, and training for the beneficiaries of the agri-environmental and

agricultural-land afforestation programmes (provincial services of nature protection, including landscape park services);

- 3) The carrying out of the activities related to education, dissemination of information, and training for the beneficiaries of the Plan measures (voivodeship advisory service).

Marshal of a Province

The Marshal of a Province shall, within the context of the implementation of the Plan, carry out the following functions:

- 1) The recognition and registration of the different agricultural producer groups;
- 2) The reviewing of the compliance with the conditions of recognition by the producer groups concerned;
- 3) The cooperation with and the involvement in the controls performed by the Paying Agency vis-à-vis agricultural producer groups.

Agricultural advisory institutions³²

Advisory functions shall, within the context of the implementation of the Plan, be carried out by various governmental institutions, such as the National Advisory Centre for Agriculture and Rural Development and the regional offices thereof, the agricultural advisory centres subordinate to the provincial governors, and various agricultural chambers, research laboratories run by national parks, private entities, and non-governmental organisations.

Such institutions will be able to apply for the financial support in respect of the services they provide to farmers under the Sectoral Operational Programme – the “*Support for Agricultural Advisory Services and Training*”.

The agricultural advisory services referred to herein (whether state or private) shall be in charge of:

- (a) The provision of the assistance needed by farmers in:
 - the preparation of an agri-environmental plan (agri-environmental advisers³³);
 - the completion of the form for a farm development plan;
 - the completion of the applications for an early retirement;
 - the completion of the applications for a support for the agricultural producer group;
 - the writing of an application for a support for the adjustment to EU standards;
 - the completion of the applications for a support under the less-favoured-area arrangements;
 - the completion of the applications for payment.

³² Despite of considered organizational changes in advisory system (structure), it is planned to maintain its present functions. NACARD shall maintain coordination functions in case of advisory services in Poland.

³³ Each agricultural advisor will be required to produce a document certifying his taking an agri-environmental course and is being qualified to carry out an advisory activity of such a type.

- (b) The authorisation of certain applications for a support under Measure 6 (Meeting the EU standards, according to the pt 9.8).
- (c) The offering of training courses for the advisors and the farmers.
- (d) The dissemination of information- and training-related material.
- (e) The running of the demonstration agri-environmental holdings.

The Agricultural Property Agency

The Agricultural Property Agency (APA) shall be in charge of the taking over, at the request of the farmer concerned, the land to be included into the Agricultural Property Stock of the State Treasury, for which the farmer applying for the grant of a structural pension did not find a purchaser on the open market. The APA shall function as a supporting institution, outside the procedural system of Paying Agency.

The Inspectorate for the Environmental Protection

The Inspectorate for the Environmental Protection (IEP) shall, within the context of the implementation of the Plan, carry out the following functions:

- 1) The ex-change of information, in respect of matters falling within its competence, with the Paying Agency in the activities involving the checking whether the different farmers adhere to the principles of the Usual Good Farming Practice (UGFP).
- 2) The conducting, ex officio, of relevant proceedings against the beneficiaries suspected of the infringement of the principles of the UGFP.
- 3) The provision of data on the monitoring of the environment to the MARD.

The Inspectorate for the Plant Protection and Seed Production

The Inspectorate for the Plant Protection and Seed Production (IPSP) shall, within the context of the implementation of the Plan, carry out the following functions:

- 1) The ex-change of information in respect of matters falling within its competence, with the Paying Agency in the activities involving the checking whether the different farmers adhere to the principles of the UGFP.
- 2) The holding, ex officio, of relevant proceedings against the beneficiaries suspected of the infringement of the principles of the UGFP, as a result of Paying Agency application.

The National Research Institute of Animal Production

The National Research Institute of Animal Production (NRIAP) in cooperation with National Society of Sheep Breeders, National Society of Cattle Breeders, National Society of Horse Breeders shall carry out the functions related to the coordination of the protection of the animal genetic stock and the offering of training courses on the adjustment of the animal production to EU standards.

The State Forestry Company – State Forests

The State Forests services shall provide farmers with assistance in the completion of the applications for the acceptance into the afforestation programme, together with the afforestation plans, as well as confirm the regularity of the implementation of the afforestation projects concerned. The afforestation plans referred to herein shall be drawn up by forestry advisers, trained in the agricultural land afforestation procedures.

The Veterinary Inspectorate

Pursuant to the Act of 21 August 1997 on the protection of animal (Journal of Laws of 1997, No 111, item 724, as amended), the County Veterinary Officer shall, within the context of the implementation of the Plan, be in charge of the authorisation of the plans for some of the projects to be implemented under Measure 6 (Meeting the EU standards). The list of the types of the projects, for which the approval by the veterinary services shall be required, shall comprise the investment projects aiming at the affecting of the structural changes in the milk-producing holdings.

11. PROVISIONS ENSURING EFFECTIVE IMPLEMENTATION OF THE PLAN, INCLUDING THOSE RELATED TO THE MONITORING AND THE EVALUATION OF THE RESULTS THEREOF; DEFINITION OF THE QUANTITATIVE INDICATORS ESSENTIAL FOR THE EVALUATION; CONTROL AND SANCTIONS; PROMOTION

11.1. MONITORING

In order to obtain data on the course and effects of the implementation of the Plan, the implementation shall be the subject of the ongoing monitoring, pursuant to Article 61 of Commission Regulation (CE) No 817/2004.

The monitoring shall be carried out in accordance with the established procedures and based on the physical, financial, and result indicators defined therefore. Such indicators shall reflect the specifics of the assistance granted, its goals, the social and economic conditions, and the structural and environmental conditions, which shall be the subject of the evaluation at the national and regional level.

The monitoring indicators needed have been defined in accordance with the guidelines laid down in the working documents on the monitoring indicators (VI/43512/02 and VI/43507/02), issued by the Committee on Agricultural Structures and Rural Development on 26 February 2002 pursuant to Commission Regulation (EC) No 438/2001. Data essential for monitoring shall be gathered at the level of the different measures under the Plan.

The involvement of men and women in the implementation of the different measures under the Plan shall be the subject of the monitoring as well.

11.2. MONITORING PROCEDURES

Information shall be gathered at the Paying Agency level, based on the documents submitted by the beneficiaries (such as applications for assistance and applications for payment, as well as other documents). Data gathered shall be transmitted to the Managing Authority (the MARD) in accordance with the procedures established therefore.

Pursuant to Article 61 of Commission Regulation (EC) No 817/2004, the data compiled shall form an integral part of each annual report on the progress towards the objectives of the Plan. In addition, such a report shall contain information on the manner in which the Ministry of Agriculture and Rural Development has applied the results of the monitoring of the implementation of the Plan in the context of the process of the evolution of the Plan and the alteration of the implementation arrangements, at the national and regional level.

11.3. IT MONITORING SYSTEM

In order to ensure the effective management of the assistance granted under the RDP, the monitoring of the progress made, and the objective evaluation of the results of measures taken, the comprehensive database, compatible with the Integrated Administration and Control System, being established at the Paying Agency.

The database shall be operated by the Paying Agency under the separate, closed data transmission and access system, which shall ensure the maximum protection against the unauthorised access to and use of the data transmitted and stored. The system for the transmission of relevant data to the European Commission shall be conducted by the Ministry of Agriculture and Rural Development.

Access to the system shall be restricted to a certain number of properly trained users at the Managing Authority (the MARD) and the Paying Agency level.

The Paying Agency shall enter into the system data on the different measures under the Plan and the beneficiaries thereunder, with a view to their verification and registration, and for the reporting purposes related thereto. On the other hand, various services of the MARD shall be allowed access to the data stored within the system and permitted to generate aggregated datasets.

The IT system shall be used to gather the data regarding:

- applications for assistance submitted under the Plan;
- applications refused;
- beneficiaries;
- values of the monitoring indicators reflecting the progress achieved in the implementation of the different measures under the Plan;
- expenditure incurred;
- payment verifications carried out and the payment authorisations given;
- control findings and the sanctions imposed in relation thereto.

The system applied shall ensure the compliance with the reporting requirements, permitting the drawing up of reports such as the following:

- obligatory reports to be submitted to the European Commission;
- information reports;
- notification reports;
- *ad-hoc* reports.

11.4. BASIC MONITORING INDICATORS

Pursuant to Article 36 of Council Regulation (EC) No 1260/99, the Managing Authority and the Monitoring Committee for the RDP shall carry out the monitoring of the implementation of the Plan by reference to the physical and financial indicators defined therefore. Such indicators shall serve the quantity evaluation of the progress in the implementation of the measures thereunder, as well as their effectiveness expressed in physical and financial terms and the effects thereof on the conditions prevailing in rural areas.

Indicative values of the implementation indicators defined in respect of the Plan have been presented in detail in Table 65. Basic indicators defined in respect of the different measures under the Plan have been presented in the Annex P.

Table 65. Indicative values of the physical indicators defined in respect of the Plan (beneficiaries/area).

Measure	2004-2006 + 2 years	Number of New beneficiaries or the area covered by Measure (ha) /per year	Number of New beneficiaries or the area covered by Measure (ha) in total
Early retirement	2004	1800	1800
	2005	11 000	12 800
	2006	12 000	24 800
	2007	13 000	37 800
	2008	14 600	52 400 beneficiaries
Support for semi-subsistence farms	2004	10 000 farms	10 000 farms.
	2005	30 000	40 000
	2006	33 000	73 000
	2007	29 000	102 000
	2008	24 000	126 000 beneficiaries
LFA	2004-2006	9 386 427 ha	9 386 427 ha
Producer groups	2004	28 groups	28 groups
	2005	30	58
	2006	36	94
	2007	38	132
	2008	40	172 groups
Meeting the EU standards	2004	10 000	10 000
	2005	12 000	22 000

	2006	14 000	36 000
	2007	15 000	51 000
	2008	14 500	66 500 beneficiaries
Support for agri-environment and animal welfare	2004	84 000 ha	84 000 ha
	2005	192 000	276 000
	2006	312 000	588 000
	2007	324 000	912 000
	2008	324 000	1 236 000 ha
Measure	2004-2006 + 2 years	Number of New beneficiaries or the area covered by Measure (ha) /per year	Number of New beneficiaries or the area covered by Measure (ha) <i>in total</i>
Afforestation of agricultural land	2004	3000 ha	3000 ha
	2005	9 000	12 000
	2006	9 000	21 000
	2007	13 000	34 000
	2008	13 000	47000 ha

11.5. THE MONITORING COMMITTEE

Pursuant to Article 48(3) of Council Regulation (EC) nr 1257/99, the Monitoring Committee has been set up to serve RDP monitoring needs. The composition of the Monitoring Committee has been based on the composition of the Monitoring Committee for the SAPARD Programme.

The Monitoring Committee has been set up following the consultations of the MARD with social partners. The Committee shall carry out its functions in accordance with the relevant EU provisions and its own Rules of Procedure.

The tasks entrusted to the Monitoring Committee shall comprise the following:

- The consultation of any adjustment to the Plan,
- The examination of the results of the implementation of the Plan, in particular in respect of the attainment of the targets set for the different measures thereunder;
- The approval of annual reports and the final report on the implementation of the Plan, prior to their being sent to the European Commission;
- The consideration and approval of any proposal to amend the European Commission decision on the financing of the different measures under the Plan;
- The approval of the reallocation of appropriations for rural development between the different measures under the Plan.

The Rules of Procedure for the Monitoring Committee shall be laid down by members of the Committee in agreement with the Managing Authority (the MARD). The Monitoring Committee shall be comprised of the representatives of:

- The Managing Authority of the RDP (the MARD);
- The Ministry of Finance;
- The Ministry of the Environment;
- The Paying Agency (without the right to vote);
- The central and regional administrations;
- Social partners, including agricultural organisations and organisations involved in the protection of the environment.

Pursuant to Article 35(2) of Council Regulation (CE) No 1260/99, the representative of the European Commission shall participate in the work of the Monitoring Committee in an advisory capacity (i.e. without the right to vote).

The Chairman of the Monitoring Committee shall have the right to invite to the meetings of the Committee experts from and representatives of other institutions.

The Managing Authority (the MARD) shall provide the Monitoring Committee with the secretarial services needed.

Meetings of the Monitoring Committee shall be convened at least two times a year.

11.6. EVALUATION

The Rural Development Plan shall be subject to periodic evaluations.

The ex-ante evaluation has been prepared by the independent evaluating institution, which pursuant to the provisions of the *Act on public procurement* has been selected therefore under the existing tender procedure. A report on the findings of such an evaluation contains, *inter alia*, the description of the initial conditions in respect of the adjustment of agriculture and rural areas to changing conditions after Poland's accession to the EU, the development potential of Poland as well the consistency of the strategy adopted with the development requirements of and the goals set up for the Plan. Furthermore, such a report reflects the degree of the consistency of the Plan with the common agricultural policy and other Community policies, as provided for in Commission Regulation (EC) No 817/2004.

Pursuant to Article 65 of Commission Regulation (CE) nr 817/2004, the mid-term evaluation of the operational programmes in EU Member States shall be completed by 2003. Due to the fact that the Plan is to be implemented during 2004-2006 period, the mid-term evaluation shall not be required.

The effectiveness and efficiency of the assistance granted under the Plan shall be the subject of the ongoing evaluation, to be carried out by the Monitoring Committee for the RDP, and of the *ex-post* evaluation.

The ex-post evaluation shall be carried out in accordance with the *Guidelines for the Evaluation of Rural Development Programmes for 2000-2006 supported from the European Agricultural Guidance and Guarantee Fund*, as drawn up by the European Commission. Furthermore, this evaluation shall take into consideration issues mutually agreed upon by the European Commission and Poland. The *ex-post* evaluation shall show the results of the implementation of the Plan based on the

indicators reflecting the attainment of the goals set for the Plan, and carry out an analysis of impact of the Plan on rural areas.

The evaluation of the results of the implementation itself and the assessment of the effects of the assistance measures concerned shall be carried out in accordance with Articles 62 to 65 of Commission Regulation (EC) No 817/2004, subject to Articles 40 to 43 of Council Regulation (EC) No 1260/99.

The report on the *ex-post* evaluation shall be forwarded to the European Commission following its acceptance by the Monitoring Committee, which shall however be not more than two years after the expiry of the programming period in question.

11.7 REPORTING

Pursuant to Commission Regulation (CE) No 963/2003, the Managing Authority shall, by 30 June of each year, submit to the European Commission an annual report on the implementation of the Plan. Such a report shall contain information required pursuant to Article 61 of the Commission Regulation (EC) No 817/2004. The first of such report shall be submitted in 2005.

11.8 FINANCIAL PROVISIONS FOR THE IMPLEMENTATION OF THE PLAN

The Rural Development Plan for 2004-2006 period has a form of an interim measure supported by the Guarantee Section of the EAGGF, the implementation of which shall be supervised in accordance with certain transitional provisions³⁴. Pursuant to these provisions, matters related to commitments and payments shall be governed by the rules laid down for the intervention under the common structural policy, which shall involve the following in particular:

- the application of the principle of automatic decommitments (n+2 principle);
- the automatic fulfilment of commitments in respect of assistance to be granted during the programming period in question, which is divided into annual periods, pursuant to a Commission decision on the payment of EU financial contribution to the Plan.

Matters related to the activity of the Paying Agency (i.e. the accreditation and accounting, the regularity of the settlement of the accounts, the financial and other control of expenditure, exercised by Poland) shall be governed by the rules on the financing of the Common Agricultural Policy.

The contents of the Plan and the procedures for its submission to and its approval by the Commission, as well as the supervision and the evaluation of the results of the implementation of the Plan shall be based on the principles and the rules laid down for the granting of the support for rural development by the Guarantee Section of the EAGGF.

Detailed rules for the application of the principles referred to here above will be adopted by the Commission in accordance with the procedures followed by the Management Committee.

³⁴ Commission Regulation (EC) No 27/2004 of 5 January 2004 laying down transitional detailed rules for the application of Council Regulation (EC) No 1257/1999 as regards the financing by the EAGGF Guarantee Section of rural development measures in the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia .

11.8.1 Financial control

The difference between the rules governing the implementation of the SAPARD Operational Programme and the rules governing the implementation of this Plan lies in the introduction, pursuant to Commission Regulation (CE) No 448/2001 relating to the assistance granted under the Structural Funds, of the system of financial corrections, which shall replace the account settlement system applied under the SAPARD Operational Programme. This Regulation requires the Member States to make financial corrections in connection with any individual or systematic irregularity found, following which the Commission shall carry out the verification thereof.

Where there is a need to recover any granted amount due to the cancellation referred to in Article 39(1) of Council Regulation (EC) No 1260/99, the competent authority shall institute recovery proceedings and notify the Paying Agency to that effect.

11.8.2 Financial management of the Plan in Poland

EU funds

Financial transfers of funds from the Guarantee Section of the EAGGF shall require the setting up of the accredited Paying Agency by the Member State concerned, for the purposes related to the effecting of payments under the Plan. Each rural development measure under the Plan shall be identified in accordance with the budgetary nomenclature of the Guarantee Section of the EAGGF as a separate budgetary item.

The Minister of Finance shall be responsible for launching funds from the Guarantee Section of EAGGF. Relevant amounts to cover expenditure to be incurred during the successive settlement periods shall be transferred by the financial services of the European Commission to the account held by the Ministry of Finance with the Polish National Bank (PNB) in euro. The conversion of the euro amounts to the PLN shall be done at the PNB level. The Paying Agency shall receive the relevant amounts in PLN. All the payments due to the beneficiaries shall be effected by the Paying Agency in PLN. The system set up for the transfer of funds from the European Commission via the MF to the Paying Agency shall be transparent, and its description shall be provided in the relevant books of procedures. Such arrangements shall ensure the timely administration of funds, the separation of the flow of UE and Polish public funds, up to the lowest likely level (with the exception of payments due to the beneficiaries), and the fulfilment of the accreditation criteria laid down.

National co-financing

Minister of Finance transfers Polish financial means dedicated to the RDP measures co-financing to the Minister of Agriculture. Then, the funds are transferred to Paying Agency.

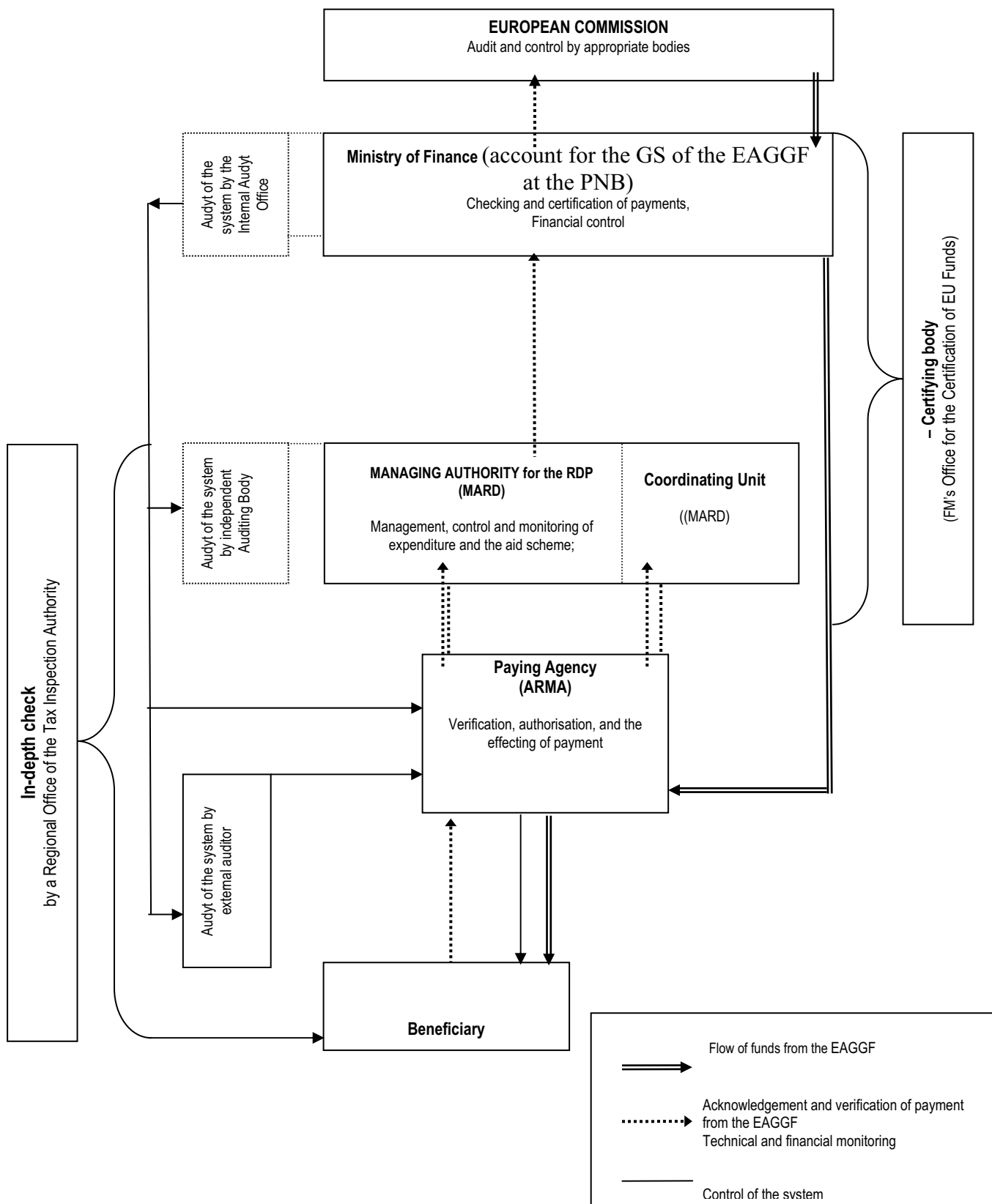
Payments due to the beneficiaries (farmers) shall be effected in the form of a single payment comprising UE and Polish public funds.

Funds for the Plan in the Polish public finance system

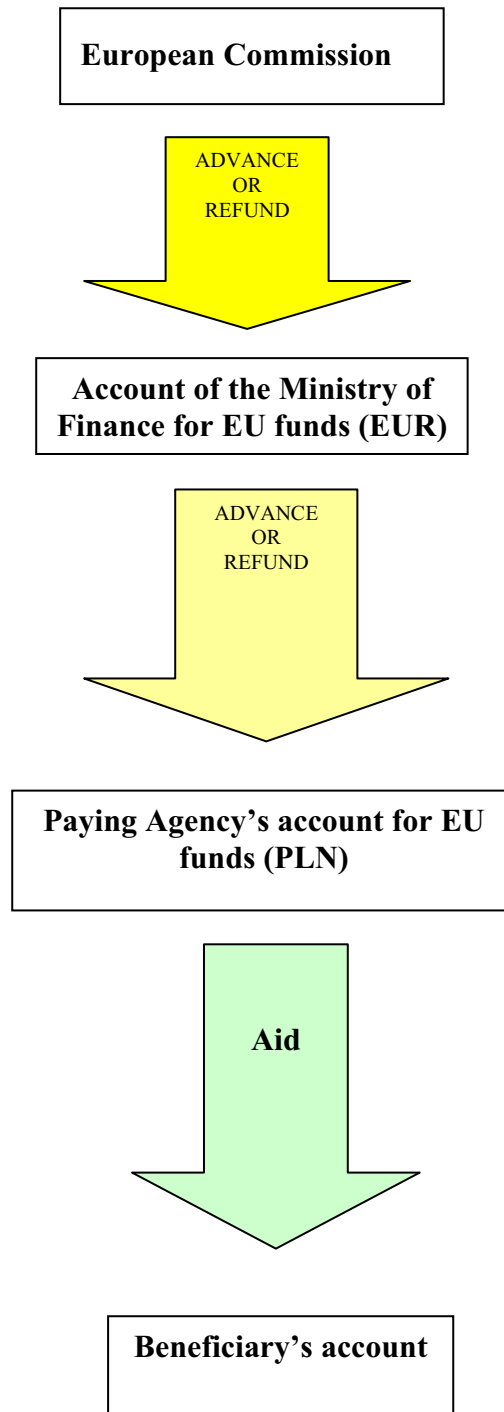
1. Pursuant to the Act of 26 November 1998 on public finances (Journal of Laws of 1998, No 155, item 1014, as amended), hereinafter referred to as the Public Finance Act, the status of the aid funds referred to herein shall be as follows:
 - funds from the Guarantee Section of the EAGGF shall be considered public;

- settlements related to such funds shall be analogous to the settlement related to the aid from the Budget;
 - such funds shall be kept in separate bank accounts, which, pursuant to the relevant agreements, will be opened with the Polish National Bank.
2. The supervision over the use of funds from the Guarantee Section of the EAGGF shall be exercised by the Minister of Finance, pursuant to the Public Finance Act.

Simplified diagram of the financial management and control of expenditure co-financed by the EAGGF under the Plan.



Model of the flow of funds provided by the EAGGF under the Plan.



11.8.3 Basic elements of the system

The European Commission shall take a decision on the approval of assistance and the provision of funds under the Plan (see Article 44(2) of Council Regulation (EC) No 1257/99.

The funds shall be paid into the EUR account of the Ministry of Finance, which has been opened with the Polish National Bank (NBP) for funds from the Guarantee Section of the EAGGF.

The Minister of Finance shall, acting on a request submitted by the Minister of Agriculture, order the transfer of the relevant amount from the account of the Ministry of Finance to the PLN account held by the Paying Agency. This account shall be separate from the account opened for the accumulation of funds from the Budget. The legal bases for the holding of separate accounts for the amassing of moneys from the rural development funds are stated in the Public Finance Act.

Funds for Polish co-financing, on the basis of the request of the Paying Agency, submitted to the Minister of Agriculture (and then transmitted to Minister of Finance), shall be transferred by Minister of Finance to Minister of Agriculture's account. Subsequently, funds shall be transferred to the Paying Agency bank account.

The Paying Agency shall, acting through the Coordinating Unit, regularly notify the European Commission of the expenditure incurred on and the estimate of expenditure for each measure under the Plan. Accounts of the Ministry of Finance shall be kept in euro. All the settlements vis-à-vis the European Commission shall be denominated in euro, pursuant to Article 5 of Commission Regulation (EC) No 27/2004.

Funds from the EAGGF for the attainment of the objectives related to the implementation of the different measures under the Plan shall be transferred to the different beneficiaries via the Paying Agency.

11.8.4 Starting point for the eligibility of expenditure

According to the Accession Treaty, art. 47b of the Council Regulation 1257/99 by the derogation of Article 30 (2) of Council Regulation (EC) No 1260/99 it is stated that the day of the receipt by the European Commission of an application for assistance submitted by the Member State concerned shall constitute the starting point for the eligibility of the expenditure concerned under the Plan. In the case of Poland, this date has been stated as for the 8th of January 2004. However, Poland has its own schedule of the RDP implementation. Final date of the eligibility of expenditure is set up in the decision approving the RDP and granting the EU contribution.

11.9 INFORMATION AND PROMOTION

Pursuant to Article 49 of Commission Regulation (EC) No 817/2004, the document containing the Plan must be made available to the public.

In Poland, the responsibility for the dissemination of information related to the Plan devolves upon the Minister of Agriculture and the Paying Agency (ARMA).

The tasks in this context shall comprise, inter alia, the informing potential aid recipients of the scope of support provided for in the Plan via:

- the publishing of the text of the Rural Development Plan;
- the producing of informational material on all the measures under the Plan, the relevant eligibility criteria, etc.;
- the publishing of information on any amendment to the Plan;
- the dialog with social partners concerned.

General information on the Plan shall be disseminated via mass media. Furthermore, the Minister of Agriculture and the Paying Agency shall cooperate with the governmental administrations, provincial self-governments. The Agency shall cooperate with local organisations and institutions, including non-governmental organisations.

The Minister of Agriculture shall set the framework of cooperation between the MARD, the Paying Agency, and various institutions operating on the regional and/or local level. This framework shall determine the forms of and define the scope for the dissemination of all the detailed information on the Plan among the inhabitants of rural areas. Such information shall be disseminated by institutions and organisations having direct contact with the potential recipients (farmers), such as the following: local self-government bodies (i.e. their county, municipal, and commune offices), the Provincial Agricultural Advisory Centres, non-governmental organisations, regional and poviát offices of the Paying Agency, the Regional Advisory Centres for Agriculture and Rural Development, local institutions, and the Marshals of the Provinces, in charge of the coordination of the aid programmes implemented in the Provinces concerned.

The public shall be informed of the role played in the implementation of the Plan by the European Community via:

- 1) The placement in the informational materials of data on its involvement in the implementation of the Programme.
- 2) The indication in all the informational materials, including those addressed to the beneficiaries, of the percentages of the financial contribution from the Guarantee Section of the EAGGF towards the cost of the implementation of the measures under the Plan.
- 3) Informational activities devoted to the results of the implementation of the Plan.

11.10 CONTROL OF THE IMPLEMENTATION OF THE PLAN

Methods followed by the beneficiaries in their compliance with commitments given under the Plan shall be subject to the administrative and on-the-spot checks.

The body responsible for a proper implementation of the RDP, inter alia by execution of the administrative control and on the spot checks will be the Paying Agency. The principle of separation of above mentioned two functions shall be observed: on-the-spot checks will be

performed by a different unit of the Agency (On the Spot Control Office) than those who carry out administrative checks.

The Paying Agency shall, acting in cooperation with the MARD, draw up detailed control procedures for the different measures under the Plan, including check lists.

Administrative checks shall be exhaustive and shall include cross-checks wherever appropriate, inter alia with data from the integrated administration and control system, as stated in the Regulation (EC) No 817/2004, Art. 68. Such checks shall focus on the areas and animals covered by a particular measure under the RDP in order to avoid making any undue payment. The checks carried out will be documented on a detailed and standardised check lists.

Under the general rule applying to all the measures under the Plan, any payment unduly received must be repaid by the beneficiary concerned. With regard to some of the measures, such as for example agri-environmental or afforestation ones or those for less-favoured areas, or to some degree, those related to the meeting the UE standards, the rules governing the exercise of control shall be those of the Integrated Administration and Control System (IACS). On the other hand, measures under which payments are not calculated directly per ha of the utilised agricultural area or per livestock unit (i.e. early retirement, the support for semi-subsistence farms, the support to agricultural producer groups, and to some degree, the meeting the EU standards) shall be governed by separate provisions.

The beneficiary shall not be obliged to repay any amount unduly received in the following cases only:

1. *Force majeure*;

Pursuant to Article 39 of Commission Regulation (EC) No 817/2004, the following categories shall be recognised as *force majeure* (preventing the compliance with the commitments given without there being any need to reimburse the support granted or to impose additional financial penalties):

- death of the farmer;
- long-term professional incapacity of the farmer;
- expropriation of a large part of the holding if this could not have been anticipated on the day on which the commitment was given;
- a natural disaster having a noticeable effect on the land on the holding;
- the accidental destruction of livestock buildings on the holding;
- an outbreak of an epizootic disease affecting all or part of the farmer's livestock.

2. Land consolidation.

3. Unforeseen and unintended change in the ownership relations.

4. Unintended renouncement the rent agreement by the renter without fault of the occupant.

Where the beneficiary, due to the unintended renouncement the rent agreement by the renter is unable to take over the LFA commitment, the Paying Agency may choose not to require the reimbursement of the support granted.

Where, due to the circumstances referred to here above, the beneficiary concerned has been unable to comply with the commitments given under the Plan, the Paying Agency may take a decision on the adaptation or expiry thereof.

Where the beneficiary, who has already honoured a significant part of the commitment given, definitely ceases agricultural activity for duly justified reasons related to his living conditions and his successor is unable to take over the commitment, the Paying Agency may choose not to require the reimbursement of the support granted.

On-the-spot checks

On-the-spot checks shall be carried out pursuant to Commission Regulation (EC) No 2419/2001 laying down detailed rules for applying the integrated administration and control system for certain Community aid schemes. Each year, such checks shall cover at least 5% of all the beneficiaries under the Plan.

The Agency shall carry out checks on the granting and use of aid in the context of the compliance with the law and the determinations made under the RDP, executing the control plan, as adopted. Checks shall cover all the commitments and obligations of a beneficiary which can be checked at the time of the visit

The Paying Agency shall draw up the control plan which shall lay down the following parameters:

- the level of control (in %);
- the control schedule;
- the parameters for risk analysis, the proportions between checks by remote sensing and on-the-spot checks.

The contracting of on-the-spot checks to outside contractors shall be allowed. Supervision over the performance of controls by external contractors shall be exercised by the Head Office of the Paying Agency (i.e. The On-the-Spot Control Office).

The principle of the separation of function on the spot-check will be performed by different body than those who carried out administration checks.

The responsibility for the exercise of supervision over the making of on-the-spot checks shall devolve upon the Head Office of the Paying Agency, within the structure of which the On-the-Spot-Control Office (OSCO) has been set up. The OSCO is engaged in the working out of control methods, the preparing of the issue of instructions for the inspectors, the drawing up of check lists, and the determining specimen form for a report of findings. Furthermore, the OSCO shall be in charge of the organising of trainings for trainers (who shall train the inspectors) and of the monitoring of the quality of on-the-spot checks made.

Methods of control

The compliance with commitments given in the context of different measures shall be verified by means of:

- on-the-spot checks; and
- the remote sensing (area-based subsidies).

Each year, the Paying Agency shall carry out a risk analysis for the entire country and for all the measures under the Plan, taking into account the risk factors specified in the relevant Community regulations and the control results obtained during the previous years (after

2005), as well as the specific risk factors relevant for the different measures under the Plan (e.g. agri-environmental projects).

The checks referred to herein shall focus on all the commitments given by the beneficiaries in the context of their implementing on their holdings various measures under the Plan and under the common agricultural policy. Such checks may involve on-the-spot checks (integrated control) carried out in accordance with Article 17 of Commission Regulation (EC) No 2419/01.

The selection of the holdings to be checked shall be made pursuant to the provisions of Article 19 of the Commission Regulation (EC) No 2419/01.

Approximately 75 - 80% of the holdings shall be selected for the checking, based on a risk analysis. On the other hand, the selection at random shall result in the checking of 20 - 25% of the holdings. On-the-spot checks shall have the form of an inquiry, the examination of the records required, and the checking of the actual conditions prevailing on at least 50% of the area of land farmed by the farmer concerned. As for the environmental issues, the exercise of control shall involve the carrying out of the visual inspections and shall be based on the written declarations lodged by the beneficiaries. As regards commitments given in the context of agri-environmental measures, detailed rules governing the exercise of control shall be laid down in various acts of the internal law and in internal rules of procedure on the exercise of control. The relevant acts of the internal law (i.e. the ordinances implementing *the Act on the granting of support for the development of rural areas supported by the Guarantee Section of the EAGGF...*) shall lay down detailed conditions for the granting of support under the different measures under the Plan. The necessary control procedures, including instructions for the performance of control, is being worked out pursuant the provisions of these acts.

Inspectors shall have at their disposal all the equipment and access to all the documents needed for the performance of the relevant checks.

Rules governing the exercise of control

The beneficiary shall be notified of the inspection planned no more than 48 hours in advance. His presence (or his/her plenipotentiary) during the visit of the inspector shall be obligatory. The inspector shall have the right to:

- (1) Enter onto the land and into the buildings and structures used for the carrying out of the activity supported;
- (2) Request any written and oral information relating to the subject of the checks carried out;
- (3) Examine any document relating to the subject of the checks carried out, make extracts and copies thereof, including xerox ones, as well as to secure documentary evidence as needed;
- (4) Make photographic record of the checks carried out;
- (5) Collect samples to be checked.

The inspector shall draw up the report on the findings. This report shall be signed by both parties, i.e. the beneficiary and the inspector concerned.

Beneficiary or his/her plenipotentiary may present his remarks directly at the protocol.

Where the control results are positive, the payment due shall be effected pursuant to the Plan. Otherwise, the sanctions corresponding to the type of the failure concerned shall be imposed.

11.11 SANCTIONS

11.11.1 General rules

According to article 72 of the Commission Regulation (EC) No 817/2004 the reimbursement of support granted may be required of the beneficiary, where the failure on his part has been intentional or the result of a serious negligence.

Any beneficiary, who has made a false declaration as a result of a serious negligence shall be excluded from the Plan for the calendar year in question.

Where a false declaration has been made intentionally, the beneficiary concerned may not receive any support under the Plan for the following year as well.

Furthermore, relevant provisions of internal law (such as for example relevant provisions of the Penal Code, etc.) shall apply herein.

I. Wrong declaration of an eligible area

In case of wrong declaration of an eligible area by the beneficiary, the rules of the Council Regulation 2419/2001 (regarding size of the error - <3 %, 3-20 %, > 20 % of the area) apply directly. Subsequently, in case when the area declared is larger than area eligible, sanctions presented in art. 32 of aforementioned Regulation shall be imposed.

Respective sanctions are not imposed when a farmer is able to prove that he had used official information, coming from the competent authorities (eg. register of land and buildings) during defining the area eligible. In that case a farmer is obliged to verify the area, as well as documents referring to that subject.

Sanctions shall be imposed also if areas declared (and their utilisation) do not meet the eligibility criteria:

- Areas being subject of application for payments are not in good agricultural conditions (complements to area payments);
- Activities are implemented on non-eligible lands and crops (complements to area payments, agri-environment, afforestation, LFA).

II. Submission of application after the deadline (art. 13 Reg. 2419/2001)

Except in case of *force majeure* and exceptional circumstances within the meaning of art. 48 of Commission Regulation 2419/2001, submission of an area aid application or its correction (under Plan) after the time limits laid down in procedures shall lead to 1 % reduction per working day in the amounts to which the farmer would have been entitled if the aid application had been lodged within the time limit.

Submission of an agri-environment application or its correction (under Plan) after the time limits laid down in procedures shall lead to 0,5 % reduction per working day in the amounts to which the farmer would have been entitled if the aid application had been lodged within the time limit.

III. Cessation and return of payment

- Not meeting conditions and deadlines of realization of particular measures (eg. 5 years for agri-environment and for LFA);
- Lack of taking up or fulfilling in total commitments foreseen by particular measures (agri-environment, afforestation).

Sanctions may be imposed on beneficiary as a result of control, that proves neglecting or lack of performance, serious lack of documents (invoices, breeding books, organic farming certificate, etc.).

Director of the Regional Division of ARMA, and in some cases, the President of the Paying Agency (ARMA) are responsible for determining the sanctions for irregularities and for executing the sanctions.

11.11.2. Detailed rules for sanctions in measures of Plan

Semi-subsistence farms

If a beneficiary does not reach declared milestones after 3 years from the date of granting support for semi-subsistence farms, a further execution of payments shall be stopped.

Early retirement

A control exercise shall concern a person who is benefiting from an early retirement payment, together with a spouse, as well as persons who overtaken a farm of beneficiary.

In relation to that measure, sanctions may be imposed on transferor and a transferee.

1. Sanctions for transferee:

The payment of early retirement pension is suspended in total if the entitled person undertakes the employment subject to the duty of social insurance, irrespectively of the level of the obtained income due to this activity, except for running the economic activity outside agriculture.

Payment shall be suspended until the date of termination of such employment.

The right to obtain payment shall be lost, if a beneficiary continues or takes up an agricultural activity.

2. Sanctions for transferor:

In case, when the control proves that a transferor does not conduct agricultural activity (land is not in good agricultural conditions) within 5 years since the land was transferred, a transferor shall lose right to area payments for the period of 1 year (if applicable). Control of the transferor shall be done under a regular area payment control in the form of on-the-spot-checks.

Lack of fulfilling commitments by the transferor in relation to the utilization of overtaken land does not influence the rights of beneficiary (transferee) to obtain an early retirement payment.

Support for agri- environment and animal welfare

If a control gives a base for suspicion that a beneficiary does not comply with UGFP rules, then that fact shall be notified by Paying Agency to the competent authorities. Subsequently, they shall conduct their procedure, defined by the law. In case, when the same irregularity

happens for the second time, a payment under all agri-environmental packages implemented in the farm given shall be withheld in the year in question.

When a control proves that agri-environmental commitments, resulting from certain packages, are not fulfilled, a financial sanctions shall be imposed. They will have a form of deduction expressed in % of payment for a package in question. A detailed list of sanctions will be given in the regulation of the Council of Ministers.

When a beneficiary does not observe the recommendations of a control protocol and he continues to disobey commitments, he may lose the right for all agri-environmental payments in a year in question.

Support for less favoured areas (LFA)

The loss of right to grant LFA payments and a necessity to return payments already granted shall have place if a beneficiary gives up farming activity on parcels declared for LFA payments within a period of 5 years since the first LFA payment was granted.

If a control of UGFP shows suspicion of lack of its obeying, then a sanction shall be imposed on the basis of a respective law. In case, when the same irregularity happens for the second time, a payment shall be withheld in the year in question.

Utilisation of forbidden beta – thyreostatic substances shall result in withholding the LFA payment in a year given.

Afforestation of agricultural land

Apart from sanctions typical for area-based instruments, in relation to that measure some additional sanctions resulting from:

- on –the spot-check;
- assessment of effectiveness of plantation, that is to be conducted in 4th or 5th year since the date of its establishment (it shall cover 100 % of beneficiaries).

A level of sanctions related to irregularities in the way of performing afforestation, resulting from Measure 5 rules, shall be proportional to a size of an irregularity. They will have a form of a financial sanction expressed in % of a payment reduction. A detailed list of sanctions will be given in the regulation of the Council of Ministers.

Meeting the EU standards

When the undertaking aiming at compliance with a standard given does not fulfil the technical criteria, required by law, or the undertaking is not completed on time (without any justification), then payments execution shall be stopped and funds already granted to be returned.

Support for producers groups

When any irregularities in functioning of the producer group would be proved, financial sanctions shall be imposed, including termination of payments execution and necessity of funds return.

Technical assistance

When any irregularities in spending funds granted to beneficiaries for Technical assistance projects would be proved, sanctions shall be imposed, including termination of payments execution and necessity of funds return.

Complements to area payments

Sanctions regarding this Measure are the same as for the area payments (Council Regulation No 2419/2001). They will be imposed in following cases:

Areas being subject of application for payments are not in good agricultural conditions;

Areas being subject of application for payments are not utilized for farming in a year given.

12. PROCESS OF THE CONSULTATIONS ON THE PLAN

The draft of the Plan has been prepared following several seminars and workshops, the participants of which concentrating their attention, in particular on the selection of the measures to be implemented under the Plan, the likely scope of support to be granted under the different measures, the financing level, and the system of the implementing institutions involved.

Among those taking part in the consultations were the representatives of:

- The Ministry of Agriculture and Rural Development;
- The Ministry of Environment;
- other ministries;
- The Agency for the Restructuring and Modernisation of Agriculture;
- The Foundation of Assistance Programmes for Agriculture;
- research institutes subordinated to the MARD, and of the Polish Academy of Sciences;
- The National Advisory Centre for Agriculture and Rural Development;

The guidelines for the Plan have been presented during numerous meetings, which have been held at the Ministry of Agriculture and Rural Development, at the other ministries of the Polish Government , and throughout the country.

12.1. COURSE OF THE SOCIAL CONSULTATIONS ON THE PLAN

The Rural Development Plan for the 2004-2006 period has been the subject of the wide social consultations held at each stage of the programming process with the first draft of October 2002 serving as the starting point therefore. The first draft (October 2002) has been the subject of the social consultations, which were held throughout the country, and of the consultations with the European Commission. The observations submitted in respect of this versions have been taken into consideration during the preparation of the second draft, the work on which has been completed by March 2003. Subsequently the wide social consultations have been held mainly in order to hear opinions of the social partners and of the circles involved in agriculture, allowing for the formulation of the best possible operational programme for rural areas of a strategic character.

Many persons taking part in the social consultations stressed in particular the need for the following:

- the more thorough analysis of statistical data, essential for the forming of strategic conclusions;
- the setting out of the grounds for the objectives set and the giving of clear reasons for the priorities chosen;

- the making of the conditions for the implementation of the different measures under the Plan more detailed, and the alteration thereof;
- the simplifying of the guidelines for and the rules governing the implementation of the measures under the Plan, taking into account the experience gained in the implementation of the SAPARD Programme;
- the increasing of the access of potential beneficiaries to the measures under the Plan (including simplifying access criteria for particular measures – details are provided below):
- the making of the requirements of the Usual Good Farming Practise less stringent, as the Polish UGFP standards are often more rigorous than the EU ones;
- the information on the links with other programmes;
- the need of country-wide information campaign for the public.

The Plan has been the subject of the consultations held with the institutions named here above and the institutions listed in the Annex R. The findings of the consultations on and the *ex-ante* evaluation of the results of the implementation of the Plan have been taken into consideration during the follow up.

The findings of the public participation process concerning the Support for Agri-Environmental Schemes and Animal Welfare Measure is listed in Annex R.

The consultations have also been extended into the World Wide Web where the page devoted to the Plan has been added to the pages of the Ministry of Agriculture and Rural Development, which allows other organisations (i.e. those which are not listed in the Annex R) to acquaint themselves with and submit their observations on the Plan.

The list of RDP consulting meetings.

A. Consulting meetings with representatives of Marshal Office, Voivodeship Office, Poviát Office, Gmina Office and agriculture organizations were conducted on following places and dates:

1. Pomorski Marshal Office, 14th July 2003,
2. Kujawsko-pomorski Marshal Office, 14th July 2003,
3. Łódzki Marshal Office, 16th July 2003,
4. Śląski Marshal Office, 17th July 2003
5. Zachodniopomorski Marshal Office, 18th July 2003,
6. Mazowiecki Marshal Office, 18th July 2003,
7. Podkarpacki Marshal Office, 21st July 2003,
8. Lubelski Marshal Office, 22nd July 2003,
9. Małopolski Marshal Office, 23rd July 2003,
10. Świętokrzyski Marshal Office, 24th July 2003,
11. Podlaski Marshal Office, 28th July 2003,
12. Warmińsko-mazurski Marshal Office, 29th July 2003,

13. Dolnośląski Marshal Office, 30th July 2003,
14. Opolski Marshal Office, 31st July 2003,
15. Lubuski Marshal Office, 4th August 2003,
16. Wielkopolski Marshal Office, 5th August 2003.

The aim of the meetings was to provide basic information about a RDP assumptions and proposed measures and as well to receive a feedback concerning the RDP proposal. The number of participants varied from 100 to 400.

In general, the most common recommendation proposed by participants was to simplify requirements for beneficiaries. E.g. the minimum eligible farm size should be of area 1 hectare UA, as a result of structure of farm holdings in Poland.

Participants were the most interested in three RDP's measures: *LFA*, *semi-subsistence* and *early retirement*. Moreover *agri-environment* and *meeting standards* were very positively perceived. In case of measure "*meeting standards*" the most important point for farmers and agriculture organizations was possibility to grant a support for modernization or construction of manure storage.

B. Consulting meeting on *Agri-environmental measure*.

1. The Ministry of Agriculture and Rural Development, 10th February 2003,

The *Voivodeship Working Groups (under Marshal Office)* participated in the conference.

2. The Institute for Land Reclamation and Grassland Farming at Falenty, 15th and 16th May 2003,

Representatives of Marshall Offices, *Voivodeship Working Groups and NGOs* participated in the conference.

3. The Ministry of Agriculture and Rural Development, 18th September 2003,

The *Voivodeship Working Groups*, Ministry of Environment, Agency for Restructuring and Modernization of Agriculture (ARMA) and National Foundation for Environmental Protection participated in the meeting.

4. Agriculture Advisory Office in Koszalin, 30th October 2003,

Agriculture advisors and farmers participated in the meeting.

5. Agriculture Advisory Centre in Barzkowice, 6th November 2003,

Agriculture advisors and farmers participated in the meeting.

The main objective of all meetings was development of assumptions, spatial conception and regional implementation of *Agri-environmental measure*.

Number of participant depended on presents various agriculture organizations and farmers (80-120 persons). The main desire for farmers was possibility to take advantage in *agri-environment*, by including as much as possible number of beneficiaries and provide more agri-environmental packages. Other suggestion, similar as in other measures, was decreasing minimum farm area to a level of 1 hectare.

C. Other RDP consulting meetings.

1. The Ministry of Agriculture and Rural Development, 15th April 2003,

Representatives of ARMA, ASIF (KRUS) and Ministry of Finance participated in the meeting on early retirement measure. Number of participant: 30 persons. The objective of the meeting was to analyze and discuss possibility of delegation some Paying Agency functions to ASIF (KRUS).

2. Training Centre “Leśnik” in Jarnołówek, 5th June 2003,

(Ministry of Environment, “National Forests”) The meeting was organized to discuss possibility of realization main objectives of National Programme of Afforestation (KPZL) using RDP’s measure: *Afforestation of agriculture land* and to use “National Forests” employee experiences in spatial implementation of *afforestation*.

13. STATE AID FOR AGRICULTURE AND PROCESSING SECTORS

13.1. LEGAL BASIS

- Regulation EC No 659/1999: on notification of state aids;
- Community Guidelines for State aid in the agricultural sector.

13.2. SCOPE OF STATE AID IN POLAND IN YEARS 2004 – 2006

State assistance in the area of Agriculture over the years 2004-2006 will comprise subsidies and interest support for agricultural credits.

13.2.1. Subsidies

Subsidies for specific agriculture-related measures are granted pursuant to the ordinance of the Minister of Agriculture and Rural Development of 22 May 2002 on subsidy rates for operators implementing tasks for agriculture (Official Journal – No. 65, item 595 as amended). This ordinance was adopted in accordance with the authorisation given to the Minister under article 72 (5) of the law on public finances of 26 November 1998. The types of measures eligible for subsidy and the sources of funds for subsidies are provided for in the budget law for the year concerned.

The following measures will be subsidised from 2004 to 2006:

1. Biological progress in vegetable production

Subsidies will be granted, among others, for:

- implementation of tasks related to horticultural and agricultural plant production;
- maintenance of seed orchards, orchards and elite plantations;
- production and maintenance of virus-free nursery material;
- protection of plant gene resources.

2. Biological progress in animal production

Subsidies will be granted for tasks related to:

- farm animal breeding;
- assessment of production and breeding value of cattle bred through controlled reproduction, horses, sheep, goats, poultry, fur animals and bees;

- the keeping and making of entries into books and registers;
 - collection and testing of blood samples to check origin;
 - the keeping of bulls or their seed under bull assessment and selection programmes;
 - the keeping of boars under boar assessment and selection programmes;
 - the keeping of populations enjoying protection under programmes for protection of genetic resources of fish and farm animals.
3. Combating infectious diseases in animals, monitoring tests of chemical and biological residues in animal tissues and in animal origin products, including tasks related to protection against bovine spongiform encephalopathy (BSE).

Subsidies will be granted, among others, for:

- preventing, detecting and suppressing animal diseases, including tasks related to protection against bovine spongiform encephalopathy (BSE);
- purchase of pharmaceutical and disinfection agents;
- surveillance and vaccination of animals suspected of rabies;
- damages paid to animal owners in respect of animals killed on orders of the voivodeship veterinary doctor;
- tests to detect various chemical and biological residues in foodstuffs of animal origin and in tissues and body fluids of slaughter animals.

4. Plant protection

Subsidies will be granted, among others, for:

- paying the costs of forecasting and advertising the dates for combating crop plant diseases and pests;
- quality control concerning plant protection agents and their residues in agricultural crops;
- paying the costs of testing harmful organisms which are obligatorily to be combated and of combating such organisms.

5. Organic farming

Subsidies will be granted to operators implementing the programme of converting their agricultural holdings to organic production and to operators producing organic products in organic farms, which have a certificate of compliance. Support will not cover issues supported by the RDP.

6. Monitoring of the access of Polish agri-food products to foreign markets and of import volumes.

Subsidies will finance the costs of preparing reports concerning the economic analysis of agricultural and trade policies, monitoring foreign agricultural markets and import volumes and prices.

Apart from the subsidies the rates of which and rules of granting are provided for in the above-mentioned ordinance of the Minister of Agriculture and Rural Development, state assistance will also be targeted at tasks for agriculture concerning:

1. Land survey and management for the purposes of agriculture. Subsidies will be granted, among others, for land consolidation and exchange, updating and control of land records, modernising record maps in the IT system, soil re-classification of drained, reclaimed and improved land, map-making for the purpose of renewing land records, preparation of agriculture management plans for municipalities, villages and agricultural holdings that take into account requirements related to the protection and improvement of natural environment and landscape and the protection of agricultural land.
2. Maintenance of water land improvement facilities. Subsidies will finance the maintenance and operation of basic water land improvement facilities.
3. Subsidising water companies implementing land improvement tasks.

13.2.2. Interest rate support for agricultural credits

A provision of interest rate support in the years 2004-2006 for certain credits granted pursuant to the ordinance of the Council of Ministers of 30 January 1996 laying down detailed guidelines for action of the Agency for the Restructuring and Modernisation of Agriculture (Official Journal – No. 16, item 82 as amended) in respect of the investments in agriculture will be continued.

14. BALANCE BETWEEN VARIOUS MEASURES ENVISAGED UNDER THE PLAN

The measures envisaged under the Plan were selected based on the existing agriculture and rural development strategy as well as taking into account the economic, social and environmental impact of particular measures on rural areas. Within the framework of both national goals and CAP priorities, the main emphasis was put on sustainable rural development and an improvement in competitiveness and economic situation of Polish rural areas.

Sustainable agricultural development is a key factor contributing to economic development of Polish rural areas. Hence the sustainable development of agricultural sector, both in environmental and economic terms, is a principal condition for developing rural areas with regard to other aspects and types of activities. For a considerable time now in Poland there has been a decline in demand for workforce in agriculture, a tendency which is made even worse by the fact that it is not offset by economic growth in other areas of activity. This decline is expected to continue.

In general, the RDP measures are intended to facilitate adjustment of Polish farms to the requirements of operating on the Community market. Combined with other programmes to be implemented after accession, this should ensure a coherent and complex approach to the problems of agriculture and rural areas.

In accordance with the orientations for agricultural policy adopted by the Polish Government, the main goal should be to support the agricultural sector in return for producing numerous common goods and services, of which at least some have no chance of

being remunerated by the market. The RDP measures intended to implement these national policy goals include agri-environmental projects and support for less-favoured areas.

A significant emphasis is also on social and structural measures. One of these is early retirement support (structural pensions) whose aim is to improve or ensure the economic viability of agricultural holdings and thus to provide farmers – both transferors and transferees – with decent living and working conditions.

The measures such as *Agri-Environmental Projects*, *Afforestation of Agricultural Land* and *Adjustment to EU Standards* correspond to the directions of CAP reform under which non-production functions of rural areas have become increasingly pronounced. In a majority of Polish regions, the natural conditions for farming are such as to create a need to combine market production with a wide application of measures supporting rural development, including agri-environmental measures.

As a programme addressing Poland's forestry needs, the National Forestry Development Programme provides a strategic background for the Polish forestry sector and afforestation policy. Additionally, *Afforestation of Agricultural Land* under the RDP will help ensure an alternative source of income for farmers.

A scheme for compensating differences between regions affected by natural handicaps (less-favoured areas) represents a significant part of the RDP budget. This measure is intended to help maintain the agricultural character of less-favoured areas and prevent their depopulation. Like support for semi-subsistence farms, the measure in question will facilitate or enable farmers to continue agricultural activity.

Budgetary funds earmarked for the RDP have been distributed in line with identified needs at the national and regional levels as well as taking into account the capacities of implementing agencies in the first programme period of less than three years. Commensurately with the scale of needs, structural pensions and support for less-favoured areas have the biggest share in the RDP budget. It has been revealed in the course of social consultations that these measures attract the most interest. While drawing as much interest and raising social expectations, the agri-environmental programme is much more difficult to implement due to its innovative character and complexity of procedures. For this reason and in view of a limited area on which the programme can be implemented (5 percent of agricultural land), the agri-environmental programme has been allocated a smaller budget than the two first mentioned measures.

Another important measure is *Meeting EU Standards*. Faced with a need to comply with a variety of requirements concerning environmental protection, livestock well-being and occupational health and safety (to mention but a few), many Polish farmers will be unable to operate on the single market. To comply with standards envisaged for agricultural holdings, farmers must make significant investments and need public support to do so.

A new form of support is envisaged for *Agricultural Producer Groups*. However, for reasons ranging from historical to the lack of managerial skills among farmers, this support has been used to a very limited degree in the pre-accession period. A rather low allocation of funds for this measure compared with other measures can be explained by the fact that the three years of RDP implementation are expected to constitute a preparation for the next programming period.

The three years of RDP implementation may be perceived as a pilot phase for the next programming period. During this time, actual needs will be identified and the assumptions made on the basis of various knowledge sources, statistics, analyses and social consultations

will be put to a test. This “pilot” phase will result in preparing the next rural development programme for the years 2007-2013.

14.1. COVERAGE BY AGRI-ENVIRONMENTAL PROGRAMME

Agri-environmental schemes financed under the RDP will be implemented throughout the entire country. Some packages, e.g. ecological farming or preservation of genetic resources, fall within the framework of horizontal measures. The other measures will be implemented in what are called Priority Zones in the years 2004 – 2006. These zones are designated in each voivodeship, covering 5 percent of the voivodeship’s agricultural land. A reason for limiting the scope of implementation in case of some agri-environmental packages was a need to focus on the areas where a risk of the occurrence of environmental problems was high or those characterised by high natural values.

The packages selected to be implemented in the Priority Zones respond to local needs and environmental agendas as well as taking into account the impact of agriculture on the environment in the area concerned. For instance, the measures aimed to prevent erosion will be widely implemented throughout the country because the problem of erosion has a priority status in Poland. An important issue, reflected by the choice of packages for implementation, is the preservation of traditional techniques of grassland farming (“meadow packages”). It is expected that the scope of implementation of agri-environmental programmes under the RDP will be systematically increasing in the next programming periods. A target area for implementation of agri-environmental programmes is estimated at 40 to 50 percent of agricultural land in Poland. A higher number of agri-environmental packages will be released as the implementing authorities and consultancy systems acquire more experience.

15. COHERENCE AND COMPLIANCE WITH EU POLICIES

15.1. COMPETITION POLICY

The Rural Development Plan was devised taking into account the provisions of the Accession Treaty and Community policies governed by EU law. Accordingly, measures implemented under the Rural Development Plan should in particular comply with competition, environmental protection and equal opportunities rules as well as ensuring proper and transparent administrative procedures.

Rules concerning public procurements, social and economic coherence and employment were also taken into account.

Measures implemented under the RDP correspond to the rules laid down in Council Regulation (EC) 1257/1999 and thus are compliant with articles 87 - 89 of the Treaty concerning competition policy. If any additional instruments are implemented using state aid, the requirements arising under article 51 and article 52 of Council Regulation (EC) 1257/1999 will be complied with as will be the *de minimis* principle laid down in Council Regulations (EC) 69/2001 and 70/2001.

15.2. PUBLIC PROCUREMENT RULES

The projects financed under Measure 8: *Technical Assistance* will be implemented subject to Community and national rules relating to public procurement of goods and services. Notices of procurements will be published together with information that projects are co-financed from Community funds.

15.3. ENVIRONMENTAL PROTECTION POLICY

Measures implemented under the RDP are compliant with the assumptions of Community policies on environmental protection and sustainable development, including those presented in the documents referred to in points 5.2.7 – 5.2.9, “The Sixth Environment Action Programme” (including “Strategy on Soil Protection”) and the following directives:

- Council Directive 80/68/EEC of 17 December 1979 on the protection of groundwater against pollution caused by certain dangerous substances (agri-environmental programmes, support for less-favoured areas);
- Council Directive 91/271/EEC of 21 May 1991 concerning urban waste water treatment (agri-environmental programmes, support for less-favoured areas);
- Council Directive 86/278/EEC of 12 June 1986 on the protection of the environment, and in particular of the soil, when sewage sludge is used in agriculture (agri-environmental programmes, support for less-favoured areas);
- Council Directive 91/676/EEC of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources (agri-environmental programmes, support for less-favoured areas, adjustment of farms to EU standards);
- Council Directive 91/414/EEC concerning the placing of plant protection products on the market and a strategy for a sustainable use of pesticides (agri-environmental programmes, support for less-favoured areas);
- Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (agri-environmental programmes, support for less-favoured areas);
- Council Directive 79/409/EEC of 2 April 1979 on the conservation of wild birds (agri-environmental programmes, support for less-favoured areas);
- Council Directive 75/442/EEC of 15 July 1975 on waste (agri-environmental programmes, support for less-favoured areas).

Owing to the character of measures adopted within its framework, the Rural Development Plan will have a beneficial influence on the natural environment.

The measures aimed at, among others, protecting and improving the natural environment will be co-financed under agri-environmental programmes and those designed to adjust farms to EU standards.

Furthermore, a condition for participation in agri-environmental programmes and support programmes for less-favoured areas is compliance with Common Good Agricultural Practice, which lays down basic legal requirements with regard to environmental protection.

The nature of projects implemented under the RDP indicates that, in general, the environmental impact assessment procedure will not be required. An essential element of that procedure is the preparation of an environmental impact report. An obligation to prepare such reports arises under the Environmental Protection Law of 27 April 2001 (Official Journal – Dz. U. of 2001 No. 62, item 627 and No. 115, item 1229 and of 2002 No. 74, item 676, No. 113, item 984 and No. 153, item 1271).

It is provided under the Ordinance of the Council of Ministers of 24 September 2002 (Official Journal – Dz. U. 02. 179. 1490) that an environmental impact report is required if a breeding investment concerns more than 240 large livestock units (LLU). Sometimes such

report is also required in case of projects concerning:

- afforestation of more than 20 hectares of land (Measure 5: *Afforestation of Agricultural Land*);
- livestock breeding if the number of animals is not lower than 50 LLU (Measure 6: *Meeting the EU Standards*).

15.4. SOCIAL AND ECONOMIC COHERENCE

One of the indirect goals of the Rural Development Plan is to enhance social and economic coherence, particularly through the implementation of Measure 3: *Support for Less-Favoured Areas*. This measure is intended to ensure the continuity of farming and the economic viability of rural areas with low economic potential so as to equalise their opportunities with regard to those of agricultural holdings situated in areas with better farming conditions

Measures envisaged under the RDP, notably *Support for Semi-Subsistence Farms*, *Early retirement* and *Support for agri-environment and animal welfare*, will provide direct and indirect support to rural communities by creating conditions for increasing revenues, improving living and working conditions and promoting rural areas. As a result, the opportunities available to rural areas will improve with regard to those of urban areas.

15.5. EQUAL OPPORTUNITIES BETWEEN MEN AND WOMEN

Measures envisaged under the RDP will be compliant with EU laws concerning equal opportunities between men and women.

Criteria for aid eligibility under the RDP have been devised to neither discriminate nor favour either of the sexes. Aid is granted subject to the fulfilment of relevant conditions. This principle will be applied while preparing detailed rules for programme implementation. Detailed guidelines for programme implementation will be consulted with the Secretariat of the Government Plenipotentiary for Equal Status of Women and Men in order to ensure that the principle of equal treatment of men and women is respected.

Data showing a share of men and women in projects implemented under the RDP will be used while monitoring the Plan. The participation of both sexes will be monitored with regard to the following measures:

- early retirement;
- support for semi-subsistence farms;
- support for farming in less-favoured areas;
- support for agri-environment and animal welfare;
- afforestation of agricultural land;
- meeting the EU standards;
- support for agricultural producers' groups.

15.6. EMPLOYMENT POLICY

Measures envisaged under the Plan are compliant with EU and national policies on labour market.

Increasing employment is Poland's priority goal which will be indirectly implemented under Objective 1. *Increasing the Competitiveness of Agri-Food Economy*.

Three measures will play a particularly important role in this respect. These are *Structural Pensions*, *Support for Semi-Subsistence Farms* and *Agricultural Producer Groups*. The structural pension scheme will seek to promote the transfer of agricultural holding to young successors, thus providing them with an opportunity to enter the labour market. Since the transferees will hold higher qualifications and will often have good professional background, they will be capable of improving the viability of agricultural holdings, thus contributing to the generation of new jobs.

Aimed at, among others, promoting environmentally-friendly farming systems and thereby maintaining biodiversity and improving a traditional agricultural landscape, the *Agri-Environmental Programme* may contribute to creating what are called “green jobs”. These will emerge mainly in connection with tourism, including farm tourism, and the promotion of organic food and local foodstuffs.

Revenues from various measures envisaged under the Plan will generally help stimulate economic activity in rural areas (including commerce and services), thus indirectly resulting in stabilisation and the growth of employment.

15.7. COMMON AGRICULTURAL POLICY INSTRUMENTS

In accordance with Council Regulation (EC) 1257/1999, aid granted under the Plan cannot apply to measures envisaged under the Common Agricultural Policy and in particular to instruments forming part of the Common Market Organisations (CMO).

Furthermore, in line with article 37 of Council Regulation (EC) 1257/1999, measures supported under the CMO, such as research projects and projects to combat animal diseases and promote agricultural products, are not eligible for aid under the Plan.

As regards Measure 7: *Agricultural Producers’ Groups*, there is a link with agricultural producer groups supported under the CMO. It is assumed that support obtained for five years under the RDP will enable the groups of producers who may be eligible for future support under the CMO due to the profile of production or industry they operate in (producers of fruit and vegetable) to initiate activity and enlarge production. This is intended to guarantee a smooth transition to another method of obtaining financial support.

Other links between payments under, respectively, the RDP and the CMO include a possibility to allocate some of the RDP funds (20% of annual allocation or, respectively, 25%, 20% and 15% over the next years) towards Measure 9: *Complements of Area Payments*. The maximum amount of supplementation is stipulated in the Accession Treaty.

15.8. OTHER STRUCTURAL MEASURES AND STATE AID

As an authority in charge of the RDP, the Ministry of Agriculture and Rural Development will ensure that the opportunities for funding projects from different sources will not overlap. Coherence in this respect will be guaranteed with regard to other programmes implemented within the framework of state aid.

Support under Measure 2: *Support for Semi-Subsistence Farms* can be obtained for various types of projects falling within the scope of agricultural and non-agricultural activity. Leading to an improvement in the financial liquidity of agricultural holdings, support under Measure 2 of the RDP may help farmers to benefit from assistance under other programmes, e.g. the Sectoral Operational Programme (*Investments in Farms, Diversification of Farming and Related Activities*). This will not, however, mean a possibility of obtaining funds for a given project from different support schemes or programmes.