



Ministry of Agriculture and Rural Development

**RURAL DEVELOPMENT PROGRAMME
for 2007-2013
(RDP 2007-2013)**



Warsaw, July 2007

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1. TITLE

Rural Development Programme for 2007-2013

2. MEMBER STATE

The Republic of Poland

2.1. Geographical area covered by the Programme

The Programme will be implemented between 2007 and 2013 across the whole country. Rural area development measures under four priority axes will provide a basis for the implementation of the Programme strategic objectives described in the National Strategic Plan for Rural Development for 2007 – 2013. All these measures will be co-financed from the European Agricultural Fund for Rural Development and from national resources allocated for this purpose in the budget act.

2.2. Regions classified as the Convergence objective

The entire territory of the country has been classified as the Convergence Objective area.

3. ANALYSIS OF STRENGTHS AND WEAKNESSES, CHOICE OF THE STRATEGY AND EX-ANTE EVALUATION

3.1. Analysis of strengths and weaknesses

3.1.1. General socio-economic context of the geographical area

As a result of World War II Poland has suffered great losses in population (about 6 million), property and lost part of its territory. Despite the fact that Poland was among the winning countries, it remained under the influence of the Soviet Union, which for dozens of years had determined directions and possibilities of economic and social development.

To this day Poland has been making up for the economic lags and lack of democratic freedoms, among other things by implementing a number of European Union strategies and policies, above all in the field of industry, transport, infrastructure, agriculture and environmental protection, and also in matters relating to strengthening social structures based on democratic foundations. It should at the same time be emphasized that changes relating to transformation are viewed positively by the majority of the society, but to some they are associated by a number of alarming phenomena, such as poverty, necessity to adjust to the changing cultural and social circumstances, which is especially difficult for the elderly people and among the rural population.

The Republic of Poland is a lowland country. Nearly 96% of its territory is located lower than 350 meters above the sea level, and only 2.9% is located above 500

meters. Additionally, Poland is a country with spatially diversified natural and climatic conditions, economic development, including leading economy sectors which affect the quality of life of its inhabitants as well as prospects of their functioning. Numerous regions have agricultural character, and the basic economic activity is associated with the agricultural sector.

Disproportions in the local rural development resulted in drawing instruments for proper description and classification of rural areas. The basic and well established definitions of rural areas use the demographic criterion and are based on the number of inhabitants of a given area, and on the criterion of population density or simple administrative division into cities and rural areas.

Rural areas in the Republic of Poland cover 93.2% of the country, and are extremely important from the economic, social and environmental point of view.

The rural areas in the Republic of Poland are defined as those situated out of the cities' administrative boundaries which means that they are rural gminas or parts of urban-rural gminas¹. The separation of a part of urban-rural gminas, i.e. a city and a rural area, which have different territorial identifiers, allows to collect and present statistical data broken down into city and rural areas. The definition of rural areas may in justified cases be extended to small urban localities with close functional links to rural areas.

Though this definition is based on the administrative division of Poland, in Polish conditions, it largely corresponds to the OECD² or Eurostat³ definition of rural areas. Using such approach would mean that rural areas in Poland cover 91.0% or 85.7% of the country (Table 1).

Table 1. Rural areas in Poland in 2005.

Rural areas according to the classification of:	Share of rural areas in the total area [%]	Share of rural population in the total population [%]
TERYT	93.2	38.6
OECD	91.0	34.4
Eurostat	85.7	29.3

Source: Description of rural areas in 2005, Central Statistical Office, 2006.

It should be stressed that due to the occurrence of economic, functional and social relations of rural areas with urban areas, the above definitions constitute only a theoretical context and they need to be treated rather as an indicator.

¹ The selection criterion has been elaborated on the grounds of territorial division in accordance with TERYT register (National Official Register of the Territorial Division of the Country).

² OECD criterion – rural areas are those with population density up to 150 persons/km².

³ Eurostat criterion – classifying an area as rural area, where the population density amounts to 100 persons/km².

Rural areas under Rural Development Programme include small towns and villages located within administrative boundaries of:

- 1) rural gminas;
- 2) urban-rural gminas, with the exception of towns with population exceeding 20 thousand residents;
- 3) urban gminas, with the exception of towns with population exceeding 5 thousand residents;

For some measures of the Programme, territorial restrictions have been introduced, consisting in the implementation possibilities of some of the projects.

Demographic situation

The population of the Republic of Poland is 38,157 thousand persons, i.e. 8.3% of the total population of the European Union (EU - 25). The rural areas are inhabited by 38.6% of the total population, i.e. 14,733 thousand people, out of which 7,334 thousand are male and 7,399 thousand are female. It is worth emphasising that Poland is of a high population potential, being the sixth biggest country in EU in terms of population.

Rural localities are highly diversified in terms of the size of the population:

- 15% of all localities are inhabited by less than 100 people;
- 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 over 1000 people.

The share of rural population depends on the region: from 21.4% in Śląskie voivodship to 59.6% in Podkarpackie voivodship (Table 2). A traditional rural family is usually multigenerational. Households with five or more family members constitute 24.5% of all rural agricultural holdings, whilst in towns the figure is only 9.0%.

Table 2. Population of the Republic of Poland – as on 31 December, 2005.

Specification	Population		
	Total in thousands	Per 1 km ²	In rural areas as % of total population
Dolnośląskie	2,888	145	28.9
Kujawsko-Pomorskie	2,068	115	38.5
Lubelskie	2,180	87	53.3
Lubuskie	1,009	72	35.9
Łódzkie	2,577	141	35.4
Małopolskie	3,266	215	50.4
Mazowieckie	5,158	145	35.3
Opolskie	1,047	111	47.4

Podkarpackie	2,098	118	59.6
Podlaskie	1,200	59	40.8
Pomorskie	2,199	120	32.7
Śląskie	4,686	380	21.4
Świętokrzyskie	1,285	110	54.6
Warmińsko-Mazurskie	1,429	59	40.0
Wielkopolskie	3,372	113	42.9
Zachodniopomorskie	1,694	74	30.8
Total	38,157	122	38.6

Source: Central Statistical Office, 2006

In 2005, average population density in the Republic of Poland amounted to 122 persons per km² while in the cities the index was 1098 persons per km² and in rural areas it was 51 persons per km² (data of CSO, 2006).

Polish countryside that was shaped historically characterizes by dispersed settlement network, thus there are about 53 thousand of rural localities, including 42.8 thousand of villages and 10.2 thousand of settlements and colonies. The average size, in terms of population, is 277 inhabitants per one rural locality; for many localities, this number does not exceed 100 persons. Such conditions are unfavourable for maintaining their social viability. The large number of small localities characterised usually by dispersed housing pattern results in a significant increase of the construction costs and costs of technical infrastructure use, accessibility of public facilities and does not contribute to their social and cultural viability. The highest dispersion of rural settlement network - less than 120 localities per 1000 km² – characterizes north-eastern and south-eastern regions as well as opolskie voivodship. The highest density is observed in the central part of the country – more than 225 localities per 1000 km². More than 80% of rural localities have less than 500 inhabitants, of which 15% have less than 100 inhabitants.

In comparison to other European countries, the population of Poland is still young (in a demographic sense), however, the median age becomes higher every year; at the beginning of the 1990s it was 34 for women and 31 for men; in 2005 - it was approximately 39 and 35, respectively.

The average age of rural inhabitants is almost 35. The ratio of persons of non-working age to persons of working age amounts to about 65 (52 in urban areas).

Between 2000 and 2005 the percentage of rural residents in working age increased⁴ - from 56.8% to 60.7% (in cities from 63.3% to 66.1%). The total population in this age increased by about 7% (in cities by about 3%), and the factors which contributed to faster increase in the rural areas included higher number of children per one family and reduced migration to towns in the last 15 years. It is estimated that within the next few years the percentage of persons in the working age in rural

⁴ Males aged 18-64, females aged 18-59.

areas will increase, so that in 2015 it will amount to 63.7%. In urban areas, though, the percentage of persons of working age will decline. It is estimated, that it will total 63.2% in 2015 (CSO forecast, 2003).

At the same time, between 2000 and 2005, the decline in the share of persons of pre-working age⁵ - from 27.6% to 23.8% (from 22.4% to 18.5% in urban areas), mainly due to the decline in birth rate. At the same time, CSO forecasts imply that the forthcoming years will face a further decline in the percentage of persons of pre-working age, both in rural and urban areas, and in 2015 will amount to 17.2% and 15.2%, respectively.

The percentage of persons of post-working age⁶ did not change between 2000 and 2005, though, and in 2005 it amounted to 15.4% (in urban areas it increased from 14.3% to 15.4%), and the difference results from the generations who experienced mass migration to urban areas entering the post-working age. CSO forecasts imply, that the forthcoming years will face the increase in the percentage of persons of post-working age, both in rural and in urban areas. It is estimated, that in 2015 the index will amount to 19.1% in rural areas and 21.6% in urban areas.

In regards to the fact, that the percentage of persons until 35 years of age in Poland is significant, it is predicted that between 2007 and 2013 the number of persons above 18, potentially able to begin the labour market participation will amount to nearly 3,531 thousand, 1,598 thousand of which in rural areas (Table 3).

Table 3. Age and gender structure of the population – as of 31 December 2005.

Age groups	Total	Urban areas			Rural areas		
		Total	Male	Female	Total	Male	Female
In thousands							
Total	38,157.1	23,423.7	11,119.5	12,304.2	14,733.4	7,334.4	7,399.0
0-17	7,863.8	4,354.1	2,230.1	2,124.1	3,508.9	1,798.4	1,711.2
18-19	1,194.7	707.2	358.8	348.3	487.5	251.7	235.8
20-24	3,316.0	2,055.3	1,034.6	1,020.8	1,260.7	652.4	608.3
25-29	3,108.3	1,994.2	996.1	998.1	1,114.1	580.3	533.8
30-34	2,754.5	1,730.2	867.4	862.8	1,024.4	527.6	496.8
35-39	2,381.6	1,434.8	713.2	721.5	946.8	490.8	456.0
40-44	2,495.8	1,505.2	730.0	775.1	990.6	522.7	468.0
45-49	3,008.4	1,919.3	907.8	1,011.5	1,089.1	578.5	510.6
50-54	2,990.8	1,996.8	928.4	1,068.4	994.1	519.9	474.2
55-59	2,483.3	1,673.2	769.8	903.4	810.1	404.5	405.6
60-64	1,484.0	975.3	434.0	541.2	508.7	237.6	271.2
65 and above	5,075.7	3,078.3	1,149.2	1,929.1	1,997.6	770.0	1,227.5

Source: Central Statistical Office data, 2006

⁵ Population aged 0-17.

⁶ Males aged 65 and over, females aged 60 and over.

The Republic of Poland witnesses migration, which has significant impact on the situation of rural areas. Greater influx of people from the cities to the rural areas than migration from the rural areas to towns has been noted since 2000 (Table 4). The phenomenon was especially noticeable in 2002. According to CSO estimations this tendency will remain within the next few years (the share of rural residents, in 2002 amounting to 38.3%, may increase to as many as 42.6% persons in 2030)⁷. The phenomenon results from numerous factors, including city dwellers settling down in rural areas, a decrease in the number of people migrating to cities for work, return to the countryside of persons who lost their jobs, change of the status of towns/villages.

It may be noted that a new category of persons living in the rural areas appeared, i.e. those who become residents or rural entrepreneurs. They represent the affluent group of the population. Most often they settle around large urban areas and along main communication routes. They bring the new anonymous (city) type of human relationships. The arrival of new rural residents is often a factor, which significantly changes the structure and interrelations of the typical rural communities.

Table 4. Internal migrations for permanent residence between urban and rural areas and foreign migrations of the rural population between 1995 and 2005

Year	Internal migrations			Foreign migrations		
	for permanent residence		balance for rural areas in thousands	for permanent residence		balance for rural areas in thousands
	from rural to urban areas in thousands	from urban to rural areas in thousands		from rural areas to foreign countries in thousands	from foreign countries to rural areas in thousands	
1995	118.5	91.6	-26.9	4.3	1.8	-2.5
2000	99.0	103.2	4.2	5.5	2.2	-3.3
2001	92.4	98.9	6.5	5.2	1.9	-3.3
2002	96.5	114.1	17.6	5.5	2.0	-3.5
2003	99.7	130.1	30.4	5.1	2.1	-3.0
2004	96.6	138.2	41.6	5.0	2.8	-2.2
2005	97.6	130.2	32.6	5.1	2.7	-2.4

Source: Central Statistical Office data

As opposed to internal migrations, external migrations played a role of a factor decreasing the number of the rural population. Between 2000 and 2005 migrations from the rural areas for permanent residence in other countries was net – 17.7 thousand persons (emigration 31.4 thousand, immigration 13.7 thousand). Despite fears, until 2004 the number of persons emigrating for permanent residence declined.

⁷ LEADER + initiative in Poland, research ordered by the Office of the Committee for European Integration, Warsaw 2005.

Opening of labour markets of certain EU Member States, high wage differentials between Poland and EU-15, higher qualifications of the young people have become incentives to take decisions concerning emigration. It is difficult today to determine which part of migrants will treat its foreign country stay as temporary, and which part will stay there permanently. In addition it should be indicated that on the one hand, supply of capital by migrants and their experience from working in a foreign country may be counted on, and on the other, there is risk of the phenomenon commonly known as brain drain (Operational Programme Human Capital).

Problems resulting from suburban and peripheral areas pressure

Rural areas location is one of the factors influencing their competitiveness in terms of distance to urban areas, main road networks, including international and national roads.

It is characteristic of rural areas located in proximity to urban areas (especially the large ones) to indicate a higher development level in comparison to other areas. Usually, the large urban areas function as development poles, which leads to a situation where in rural areas located in proximity to big cities agriculture plays a smaller part, whereas non-agricultural functions, such as trade and services, gain importance. It leads to the vanishing of the traditional landscape and architecture. Thus, the development of housing and other commercial functions drives agriculture from suburban areas towards peripheries.

Intense commercial activity of the areas neighbouring on the cities and the dynamic development of housing in these areas translates into relatively higher own revenues of gminas in comparison to peripheral gminas.

In the Republic of Poland, the suburbanisation process gains higher importance and leads to the increase of housing function in rural areas. The phenomenon becomes more intense in suburban areas of big cities, therefore the housing development dynamics is the highest. Because of this, the rural areas neighbouring on large urban areas or located close to main traffic routes face the construction of housing areas or single-family houses. Construction of new houses or housing areas often triggers the upsetting of the traditional architecture in these areas.

The suburbanisation process usually concerns the educated and well-off persons, who often move their business headquarters to such areas. Therefore, new inhabitants in these areas trigger the improvement of technical and social facilities conditions.

Moreover, suburban areas are experiencing the fast development of local, non-agricultural labour market, and make use of the neighbouring city market's capacity. The similar development of non-agricultural labour market in rural areas can be observed along main traffic routes (international, national, and voivodship roads).

The increase in population (mainly resulting from the migration from urban to rural areas) or the fast development of business sectors providing services to the neighbouring city are the main characteristics of these areas. It concerns both the agricultural function (production for the needs of urban market, including fruit and vegetables) and non-agricultural function (warehouses, customs warehouses, services to businesses, shopping centres, construction materials warehouses etc.) On the other hand, the areas located peripherally to urban centres and main traffic routes, are characterised with a poor development of non-agricultural labour markets⁸.

Dynamic development of enterprise, services in particular, is impossible in peripheral areas, mainly due to the lack of consumers. Some degree of competitiveness of these areas in terms of prices can be observed, therefore, their role extends above the local level, especially in the fields of renovations and construction.

The characteristic features of the peripheral areas of the Republic of Poland are usually stagnation and decline in population. Since 1990s, peripheral areas faced the significant migration of young population but this trend stopped due to the labour market limitations and migration of the mobile population from these areas. Currently, the characteristics of peripheral areas are a natural decline in population and a slight migration of youth. As a result of previous migrations, the demographic structure of peripheral rural areas has been upset and is characterised by a relatively high percentage of elderly population and overrepresentation of males in the gender structure⁹.

High percentage of agricultural land where the agricultural activity has ceased can also be observed in peripheral rural areas. The main factors behind the exclusion of the land from agricultural production in these areas are: improper relations between water and air (troublesome and unreliable at cultivation and yields especially during excessive rain or the lack of it), distance to agricultural buildings, or the lack of suitable access roads designed for heavy machinery.

It is worth emphasising, that in terms of pressure of urban areas on rural areas, the proximity of metropolitan areas or urban areas to small and medium-size towns or rural areas surrounding the urban areas, which are functionally closely connected to each other, is significant. It especially concerns e.g. communication, information technology, economic, service and cultural relations. In accordance to National Strategic Reference Framework 2007-2013, such relations lead to spreading of the economic growth onto neighbouring areas and utilising the relative advantages of a big city – creating new jobs, economic cooperation, participation in social and

⁸ Rosner A., 2005: Zróżnicowanie przestrzenne obszarów wiejskich w Polsce [in: Uwarunkowania i kierunki przemian społeczno-gospodarczych na obszarach wiejskich].

⁹ Bański J., 2005: Przestrzenny wymiar współczesnych procesów na wsi. Studia Obszarów Wiejskich. Vol. IX.

cultural infrastructure. Moreover, bearing in mind the suburbanisation process, alongside with balancing development opportunities in rural areas, there is a need for increasing the availability of development centres to rural areas inhabitants, via enabling them a fast access to these centres (up to 90 minutes). Above all, it should follow the creation of investments aiming at the increase in pendulum spatial mobility of the rural areas inhabitants and enabling them to find jobs in the largest development centres without having to change homes.

Factors stimulating the economy

In accordance with National Development Strategy (NDS), after the period of significantly less dynamic economic growth between 2001 and 2002, the year 2003, and especially 2004, brought a noticeable improvement of economic situation. In 2004 GDP increased by 5.3%, which was the highest index after seven years, which was mainly a result of “integration impulse” and the increase in related internal and external demand.

In 2005 economic growth rate amounted to 3.5% and in 2006 another recovery was experienced, alongside with reinforcement of the increase trends. GDP growth reached the highest level since 1997 and totalled 5.8%. Since 2002, economic growth rate of Poland (average for years 2002-2006 – 3.9%) is twice as high as the EU-25 average (1.9%). However, GNP per capita, accounted on a basis of purchasing power parity in 2005, amounted to only half of the EU-25¹⁰ average and was 49.7% (Figure 1) [(on the grounds of the National Strategic Reference Framework (NSRF)).

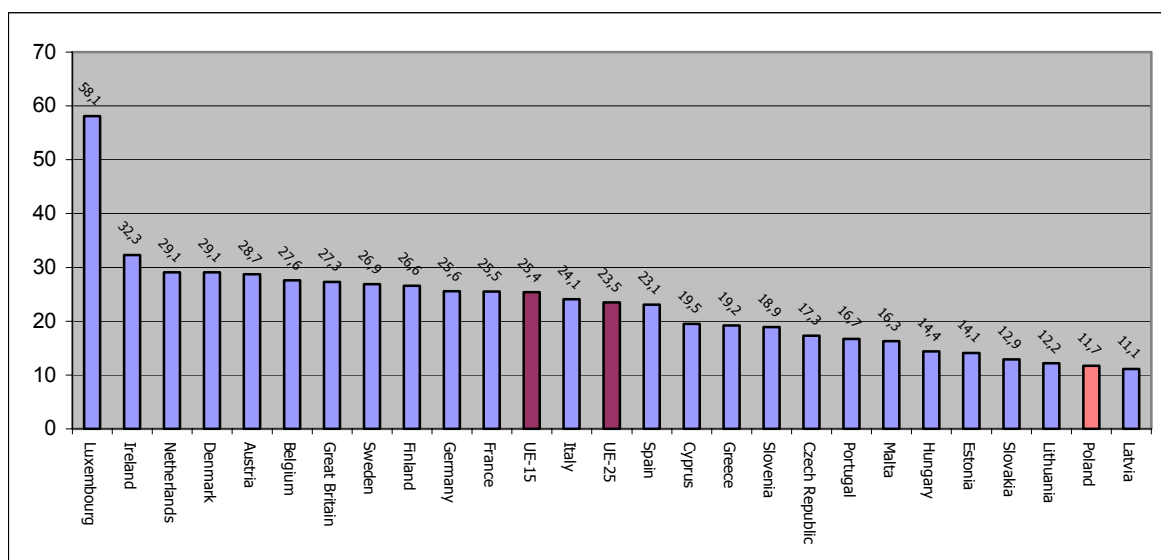


Figure 1: GDP per capita in EU-25 countries in 2005. [according to purchasing power, in thousand EUR]

Source: National Development Strategy

¹⁰ Taking Bulgaria and Romania into consideration, this index amounted to 52% of EU-27 in 2005.

Moreover, National Development Strategy indicates the recovery of Polish economy in 2006. In the first half year of 2006 GDP increased by 5.4%. The highest development level, measured with GDP per capita, is observed in Mazowieckie Voivodship (155% of the country's average in 2003). GDP per capita of this voivodship amounts to 72.8% of the EU-25 average and is similar to the level of European countries' poorest regions – e.g. some parts of Eastern Germany or southern Italy. The lowest GDP per capita covers five voivodships in the northeast and southwest Poland: Lubelskie, Podkarpackie, Podlaskie, Świętokrzyskie, Warmińsko-Mazurskie. GDP per capita of the economically weakest voivodships amounts to 33-37% of EU-25 average. The level of their economic development is significantly lower than the level of the poorest regions of Greece, Portugal and Spain observed at the moment of their accession to the European Union.

According to NDS, the year 2005 was second successive year of increase of the investment's role as a GDP dynamics shaping factor. Gross fixed capital formation expenditure increased by 6.5%, whereas the national economy investment rate amounted only to 18.2%, compared to 23.7% in 2000. An intense investment revival can be observed at the moment. In the first half year of 2006 the expenditures increased by 11.4% in comparison to the first half year of 2005, i.e. by the highest scale since 1998. It is worth paying attention, while evaluating the dynamics of investment processes, to the fact, that many industrial processing enterprises, including agri-food enterprises, intensified the pro-development undertakings in the pre-accession period and straight after the accession (total investment growth in this sector between 2003 and 2004 in enterprises employing more than 49 workers amounted to almost 34%), which enabled the enterprises to adjust to EU norms and standards and meet the higher demand, mainly of EU countries, after the accession. In 2005, the investment growth rate in these enterprises declined to approximately 4.5%.

According to NSRF, in 2005 foreign trade remained the significant economic growth factor, while – despite the adverse currency exchange rate and economic conditions – the export of goods grew faster than import. Thus, a further reduction of negative trade balance took place. It was accompanied with beneficial changes in the structure of the goods exported. In 2005, compared to 2004, export (in material approach, in EUR) increased by 19.6%, whereas import increased by 13.8%. Between 2001 and 2005 export increased more than twice, whereas import increased by half, while the average increase of both export and import in EU-25 amounts to more than 60%. Negative merchandise trade balance in 2005 amounted to EUR 9.7 billion and was lower by EUR 1.9 billion (16.4%) than a year before and by almost EUR 9 billion (almost a half) lower than in 2000. Export revival resulted mainly from restructuring actions undertaken in the last few years, which influenced the competitiveness growth of Polish product offer on foreign markets. The high

export dynamics remained also the following year. However, towards the end of 2006 - as a result of economic revival, and in consequence – the increased demand for imported goods, especially supply goods – the dynamics of import increased, and it grew by 23.2% on an annual basis, with export increasing by 22.6% at the same time. Deficit in goods exchange grew to EUR 12.5 billion as a result.

At the same time NDS indicates, that the average annual inflation rate amounted to 2.1% in 2005, compared to 3.5% in 2004. On the first half year of 2006 basis, it amounted to 0.7%.

With a significant influx of young persons into the labour market in the last few years (number of persons of productive age increased by more than 165 thousand in 2005, the highest among European countries) and the increase in labour demand, both labour participation and employment remained on a low level, alongside with high, however declining, unemployment.

In Poland, agriculture has a decisive impact not only on the social and economic situation of rural area inhabitants, but also on the environment, landscape structure and biodiversity of the country. The influence of agriculture on macroeconomic indicators, including above all its share in GDP, is in turn relatively small. In 2004 GDP *per capita* was PLN 24,153, and the share of agriculture in GDP was around 4.5%.

Labour market

The situation on the labour market in the Republic of Poland has been gradually improving; there has been an observable reversal of adverse tendencies, particularly with regard to the increase in unemployment, decrease in employment and the vocational activity. However, despite the improvement of the results, the situation of Poland among the EU countries has not changed significantly. Taking into account the unemployment rate for the EU Member States, the Republic of Poland is at one of the last places. The unemployment rate is twice as high as the average for the whole EU (Table 5).

Table 5. Unemployment rate among the population aged 15 or more in 1995-2005¹¹ [%]

Specification	1995	2000	2003	2004	2005
Unemployment rate					
Total	13.1	16.1	19.6	19.0	17.7
including urban areas	13.7	17.0	20.8	19.8	18.7
Rural areas	12.2	14.6	17.8	17.6	16.1
EU – 15**	-	7.8	8.0	8.1	7.9
EU – 25**	-	8.7	9.0	9.1	8.7

*Source: CSO, Poland 2006. Report on the labour market and social insurance (**)*

¹¹ Data in 1995, for November, in 2002, 2003, 2004, 2005, year averages.

Regional diversification of the labour market

The labour market in rural areas is regionally diversified. In the northern and western regions of Poland (Warmińsko-Mazurskie, Zachodniopomorskie, Pomorskie and Lubuskie Voivodships) state sector agriculture had dominated until the beginning of the 1990's. Due to the liquidation of State Farms, those regions witness local, extremely high unemployment. On the other hand, considering the number of persons employed in agriculture per 100 ha of utilised agricultural area, the northern and western voivodships, due to the structural conditions, experience relatively low employment in this sector. The situation differs in southern and eastern regions of Poland (Małopolskie, Podkarpackie, Świętokrzyskie and Lubelskie Voivodships), where the structure of agriculture is highly fragmented and employment in agriculture as compared to the areas of utilised agricultural area is very high (Figure 2).

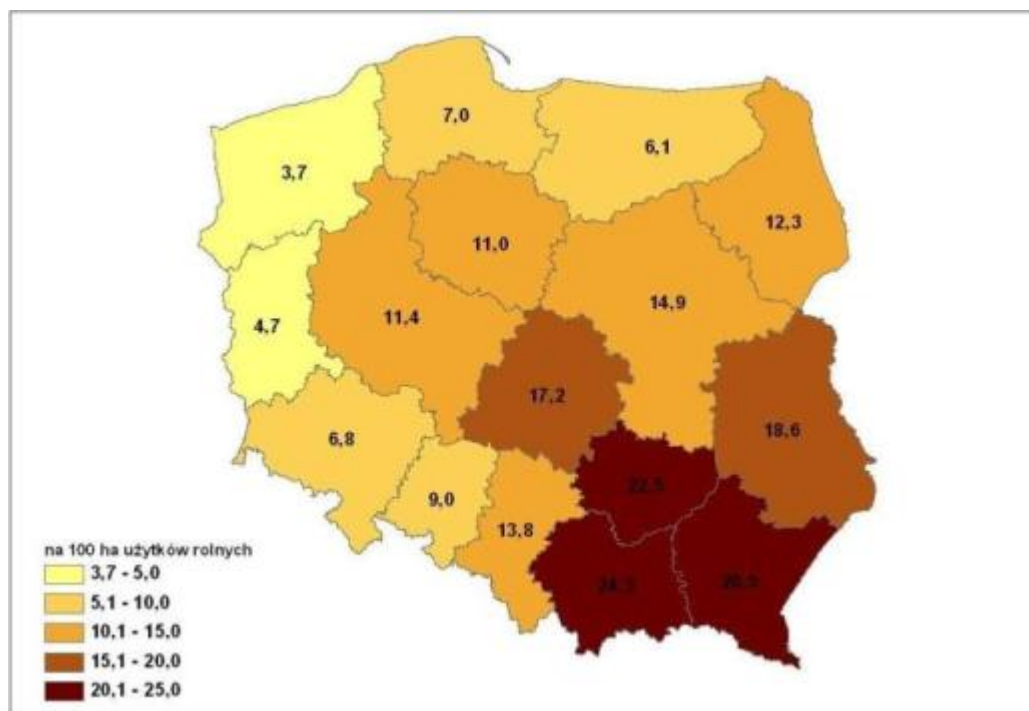


Figure 2. Persons employed in agriculture broken down into voivodships [per 100 ha of utilised agricultural area]

Source: CSO

The employed

Number of persons employed in 2005 amounted to 12,890.7 thousand. In the same year the number of unemployed persons registered in labour offices amounted to 2871.2 persons, of which 41.9% (1202.2 thousand) were rural residents (CSO, 2006).

The changes to the employment structure are observed now in Poland. The percentage of people employed is increasing in the services sector, as well as in the

industry and construction sector, but it is decreasing in agriculture, hunting, forestry and fishery (from around 19% (46% in rural areas) between 1998 and 2002 to 17.4% in 2005 (40.9% in rural areas)). Despite a visible decrease in the percentage of people employed in sector I, it is still much higher in Poland than in other EU Member States where this ratio is estimated at 4.9% (Figure 3).

The percentage of persons employed only in agriculture has been falling systematically, beginning from political transformation, when about 27% of the total number of persons was employed in this sector of economy. In 2004, the percentage of persons employed only in agriculture was ca. 16.5% of the total number of the employed, i.e. 2,094,200 persons (CSO, 2005).

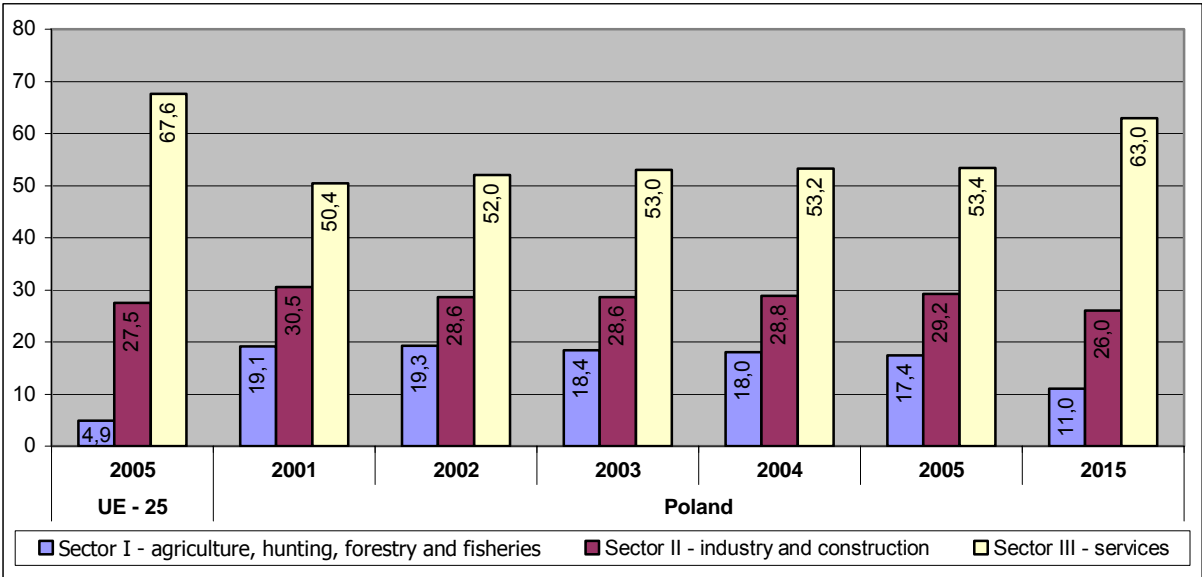


Figure 3. Employed persons¹² broken down into the main sectors of economy in the European Union and Poland¹³

Source: National Development Strategy, Poland 2006, Report on the condition of the economy

It should be emphasized that the share of people who run their own business in the rural population employed outside agriculture amounts to 11.3% and is much lower (in the scale of the whole country) than in the Republic of Greece (29.6%), the Republic of Italy (25.6%), the Republic of Portugal (18.7%) and the Czech Republic (17.1%). In the Kingdom of Belgium, the Kingdom of Spain and Ireland it is by 2-3 percentage points higher than in the Republic of Poland and in the remaining states it is either very similar or lower by 5 percentage points at most (data from Polish Rural Areas, FDP A 2006).

¹² Aged 15 and more.

¹³ Table 1 presents the target value of the indicator based on the analyses conducted for the purposes of the National Development Strategy. Owing to considerably wide time limits, all the 2015 values are only of target nature and enable the estimation of possible range of changes in the period 2007-2013.

Considering the indicator concerning economic activity of persons aged 15 and older, despite the decreasing tendency, its value in rural areas is higher than in urban areas (Table 6).

Table 6. Economic activity of persons aged 15 or more in 1995 – 2005¹⁴ [in %]

Specification	1995	2000	2003	2004	2005
Activity rate					
Total	58.4	56.6	54.7	54.7	54.9
including urban areas	57.2	56.1	54.1	54.0	54.2
rural areas	60.5	57.4	55.8	56.0	56.0
Employment rate					
Total	50.7	47.5	44.0	44.3	45.2
including urban areas	49.3	46.6	42.9	43.3	44.1
rural areas	53.1	49.0	45.9	46.1	47.0

Source: CSO

The employment rate is higher as well, which is due to the inclusion of persons from farms to the group of active and employed persons, even if they are employed on those farms only to a limited extent. The total employment rate in rural areas (persons aged 15 and older) in 2005 amounted to 47.0%, after a fall from 53.1% (1995) to 45.9% (2003) - in towns respectively – increase to 44.1% after a fall from 49.3% to 42.9% (Table 6). Especially fast increase of employment rate in the rural areas was noted for persons aged 25-54: from 68.7% in 2003 to 70.7% in 2005 (in urban areas from 66.9% to 68.3%). As far as young persons aged 18-24 are concerned, the employment rate in rural areas decreased from 32.3% in 2003 to 31.7% in 2005 (in urban areas it increased slightly from 21.0% to 21.2%). Rural employment rate decreased also among persons in pre-retirement age: from 37.7% to 36.9% (in urban areas it decreased from 30.8% to 31.8%); and over working age: from 11.1% to 9.9% (in urban areas it increased from 4.6% to 5.0%). The total employment rate among persons aged 15-64 in 2005 amounted to 52.8%, with 46.1% in rural areas. The rate is estimated to increase within the next few years to reach the total value of 58.0% in 2013, and 53.0% in rural areas (NSRF forecast). The greatest increase of the total rural employment rate has been noted especially within the last few years among persons with basic vocational education: from 61.5% (in 2003) to 64.4% (in 2005) (in urban areas it remains at the steady level of 46.5%) and the greatest decrease was noted for persons with general secondary education: from 47.2% to 42.4% (in urban areas an increase was noted from 33.9% to 34.5%).

Employment in agricultural holdings

In 2005 the number of persons employed on farms amounted to 5,111.5 thousand¹⁵. Due to the large variation of the time spent by respective family members on work in

¹⁴ Data in 1995, for November, in 2000, 2003, 2004, 2005, year averages.

their own holding, the number of the employed expressed in full-time equivalents was lower and reached 2,291.9 thousand persons¹⁶, including about 5.7% of hired employees. It is estimated that within the next few years the employment in agriculture will decrease, which to a large extent will be related to changes in the area structure and the modernisation of agricultural activity, and at the same time the abandonment of agricultural activity by the population will be faster than the improvement of area structure and methods of production. The pace of changes in agriculture and the scale of the decrease in the number of persons employed at individual holdings will be influenced also by the increasing migration of the Polish population. Considering the structural changes in agriculture to date and those expected it is estimated that by 2015 the number of people employed full-time in agriculture will decrease by about 35% and will amount to 1,490 thousand persons. In addition, according to the assumptions of the National Development Strategy, the percentage of people employed in the agricultural sector will decrease in 2015 from the current rate of 17.4% to around 11% of the total number of the employed. Taking into account the above changes in rural areas, ensuring the employment and income through development of non-agricultural activities, including supporting initiatives of agricultural producers and rural inhabitants, is a very important part of programming under the Structural Funds as well as the Rural Development Programme.

Employment in forestry

The recent years saw significant changes to the number of the employed in forestry, which were related to the rationalisation and the introduction of new management methods in the units of State Forests. With the general decrease in the employment in the state sector, the employment is increasing in the private sector which took over the services concerning the performance of all servicing works in the forestry concerning the cultivation, protection, arrangement and utilisation of forests (Table 7).

¹⁵ The group included all persons aged 15 and over, contributing to individual holdings and persons employed in holdings periodically and those having an employment contract.

¹⁶ Work input expressed in AWU (Annual Work Unit).

Table 7. Employment in forestry

VOIVODSHIPS	2000	2001	2002	2003	2004		
					Total	public sector	private sector
					number of people		
POLAND	57,277	52,600	51,734	49,087	44,832	25,067	19,765
Dolnośląskie	5,760	5,000	5,206	4,948	4,384	2,495	1,889
Kujawsko-pomorskie	2,647	2,477	2,351	2,227	1,998	1,079	919
Lubelskie	2,607	2,563	2,552	2,415	2,111	1,195	916
Lubuskie	4,423	3,922	3,731	3,441	3,276	1,956	1,320
Łódzkie	1,931	1,784	1,851	1,753	1,621	882	739
Małopolskie	2,438	2,199	2,176	2,121	1,923	988	935
Mazowieckie	3,270	3,219	3,056	2,885	2,557	1,627	930
Opolskie	2,111	1,949	1,890	1,741	1,641	830	811
Podkarpackie	4,282	4,080	4,048	3,802	3,262	1,818	1,444
Podlaskie	2,943	2,908	2,981	2,871	2,478	1,386	1,092
Pomorskie	3,994	3,722	3,758	3,602	3,376	1,855	1,521
Śląskie	2,998	2,823	2,659	2,466	2,271	1,216	1,055
Świętokrzyskie	1,930	1,874	1,627	1,530	1,379	769	610
Warmińsko-mazurskie	5,271	4,847	4,707	4,614	4,330	2,397	1,933
Wielkopolskie	5,327	4,653	4,648	4,279	4,073	2,146	1,927
Zachodniopomorskie	5,345	4,580	4,493	4,392	4,152	2,428	1,724

Source: Forestry 2005. CSO, 2006.

It should be emphasized that productivity in agriculture in terms of gross value added per annual work unit is very low in Poland and amounts only to 14% of the EU indicator. Such a low indicator value is caused by strong fragmentation of agriculture, adverse structure agricultural system, small economic potential of agricultural holdings, high open and hidden unemployment rate in agricultural holdings, low education level of farmers as well as insufficient equipment of agricultural holdings with modern machines and facilities.

Productivity in food industry, measured by means of gross value added per one worker is three times lower in Poland than the European Union average. However, its value is systematically rising in Poland. The improvement of that indicator is a result of enterprise restructuring, which i.a. consists in the reduction of production costs and reduction of employment, technical and technological improvements of production process, decreasing the prices of agricultural raw materials and greater degree of processing of those products, which means the increase of final product's added value.

Unemployment

The situation on the labour market in Poland is gradually improving. Following a very high rate, i.e. 20.6%, of registered unemployment recorded at the beginning of

2003, the figure systematically decreases. In October 2006, the registered unemployment rate amounted to 14.9% (Poland 2006, Report on the labour market and social insurance). Despite favourable trends observed in the recent years the unemployment rate on such a high level is a very disadvantageous phenomenon both for economic and social reasons. Such situation results mainly from the existing demographical structure which for dozens of years has been shaped by two post-war baby booms. Moreover, the unemployment in Poland is influenced by negative features concerning education level and place of residence.

According to the Report on the condition of the economy Poland 2006, the research confirms that the situation of young persons in the labour market is particularly difficult. The most important reasons for low demand for employing young persons are: little professional experience (or lack of it), high labour costs and low level of work discipline. In 2005 the unemployment rate for persons aged 15–19 and 20-24 amounted 30.7% and 38.5% respectively. Similarly, high unemployment rates were recorded among young persons inhabiting rural areas (Table 8).

Table 8. Unemployment rate by the age of the unemployed in 2005

Specification	Total	The unemployed aged						
		15-19 years	20-24	25-29	30-34	35-44	45-54	55 and more
Total	17.7	30.7	38.5	21.2	15.3	14.1	15.2	9.5
including rural areas	15.7	27.5	31.1	18.9	15.8	13.1	11.5	5.2

Source: Central Statistical Office

It should be emphasized that the share of the unemployed living in rural areas in the total number of the unemployed increased from 41.7% in 2002 to 41.9% in 2005. The share of the unemployed rural residents aged under 35 decreased from 60.3% at the end of 2002 to 55.9% at the end of 2005, and from 31.8% to 26.9% as regards persons aged under 25 (and in urban areas from 51.6% to 46.8% and from 25.0% to 19.4% respectively). Simultaneously, the share of the unemployed aged 45 and over increased in the rural areas from 17.9% to 23.6% (in urban areas from 25.5% to 32.9%).

The situation of persons in the labour market considerably depends on their level of education. In Poland the situation of persons with the lowest level of education is particularly adverse. It is influenced by individual conditions (lower motivation to obtain additional qualifications, lower spatial mobility) as well as institutional conditions (features of the tax and social security systems which result in the reduction of work activity, high labour costs). Persons with lower education level and lack of professional experience are the most threatened by unemployment both in

rural areas, and in urban ones (Poland 2006, Report on the condition of the economy).

In 2005 the highest unemployment rate (36.7%) was recorded among persons with lower secondary education, primary and incomplete primary education. High unemployment rate was also recorded among persons with basic vocational education (21.5%) and general secondary education (21.2%). Taking into account rural areas, most unemployed were among persons with general secondary, lower secondary, basic and incomplete basic education (Table 9).

Table 9. Unemployment rate by the level of education of the unemployed in 2005

Specification	Total	Education of the unemployed				
		Higher	Post-secondary and secondary vocational	Secondary general	Basic vocational	Lower secondary, primary and incomplete primary
Total	17.7	7.1	15.7	21.2	21.5	36.7
including rural areas:	15.7	10.1	13.6	21.8	15.9	18.8

Source: Central Statistical Office

In accordance with the statistical data, the unemployment rate in rural areas is lower than in urban areas (Table 5). It is said that such situation originates first of all from the manner of data presentation (i.e. persons owning over 2 equivalent ha are not considered unemployed).

Forecasts of the National Strategic Reference Framework reveal that within the next seven years the value of the total unemployment rate and unemployment rate in rural areas will decrease to 10% and 13.5% respectively.

As a result of structural changes and transformations, rural areas in Poland have been affected by the problem of unemployment. In Poland the farm owners and farm holders with over 2 equivalent ha of land cannot be registered as unemployed – hence, according to the estimates¹⁷, from 0.5 to 1.4 million individual farmers cannot find a job and are referred to as 'the hidden unemployed', while some 70% of people have only part-time employment.

¹⁷ Because of the difficulty in estimating hidden unemployment, the issue was provided as value from 0.5 to 1.4 million persons – the scope is a result of different methods used by Institutions or research. In the NSRF, the value was estimated at the level of ca. 1 million, which – taking account of different research methods and assumptions, may also be considered correct.

Education

A positive phenomenon observed in recent years is the constant growth of the level of education of Poles, living both in rural and urban areas, as the result of growing educational aspirations. Since 1988 the number of people who completed higher education and secondary education has increased (by 52% and 23%, respectively), while the number of people with primary and incomplete primary education has decreased (by 34%) [Operational Programme "Education and competence" National Development Plan 2007-2013].

However, in 2002 the percentage of people with higher education was lower and the percentage of people with secondary education was higher in Poland as compared to the average for the European Union (Eurostat, 2005).

The difference between the education level of the rural and urban population is still large, even though the situation has been systematically improving (Table 10¹⁸).

Table 10. Educational structure of the population (13 years of age and more) in % (2004).

Specification	Higher	Post-secondary and secondary	Basic vocational	Lower secondary	Primary and incomplete primary
Urban areas	17.5	38.0	21.3	4.4	18.8
Rural areas	5.4	24.5	29.4	5.8	34.9

Source: Report of the results of the National Population and Housing Census (NSP) 2002, Demographic Yearbook 2005, CSO

The level of education of rural residents is still too low and is often an obstacle to initiating activity outside agriculture, including self-employment. Young rural residents choose vocational schools far more often than their urban counterparts, which is motivated mainly by economic reasons (more difficult income situation of the rural population, costs of transport, etc.).

Simultaneously, the education level of the working age population and education opportunities for persons in pre-working age are more limited in rural areas than in cities. This is a result of not only finishing education at lower level (mainly basic vocational education), but also, in general, of lower school and pre-school education level¹⁹.

¹⁸ It is estimated that the percentage of people (aged 15 and more) with higher education will amount to around 6.4% in rural areas in 2015.

¹⁹ Research suggests that the question of preschool education is of crucial importance for the perspective of further education. According to NSP the total percentage of children aged 3 to 5 that underwent preschool education in 2005 amounted to 38 %, whereas in rural areas only to 17.5 %. At the same time it is predicted that in the following years the percentage of children that undergo preschool education will increase (in general as well as in rural areas) and in 2005 it will amount to 55 % and 35 % respectively.

The educational conditions in rural areas are significantly worse than in urban areas, and the average level of education in rural areas is usually lower, as well. Less favourable educational possibilities of children in rural areas include a number of barriers related to the functioning of the educational system within rural areas e.g. limited access to nursery schools, unqualified teachers, lower standards of education at secondary schools and the lower financial standing of rural families.

The educational level of farmers and rural inhabitants is improving systematically. However, as much as 35% of rural population still has only complete primary education and only 24% of farmers (agricultural holdings users) have primary education. For the sake of comparison, the percentage of farmers who finished their education at level of the primary school amounts only to 16.9% in the countries of the 'old' European Union (the so-called EU-15). The low level of the Polish farmers' education hampers their social and professional activity, search for alternative non-agricultural jobs, and is the cause of low incomes.

Low education level of the rural population, along with adverse impact on the modernisation of agriculture, decreases also the potential for wider development of non-agricultural business activities in rural areas as an alternative employment for the existing labour surpluses.

It must be stressed that improvement of rural inhabitants qualifications is crucial for the development of rural areas, including changes on the labour market. Therefore, it may be stated on the basis of the data available (Table 11) that it is advisable to undertake activities for long-life education of adults. According to CSU, low level of life-long education in rural areas concerns the age group 25-64 and in 2006 (Q3) it amounted to 0.61% of persons participating in the lifelong learning programmes.

Table 11. Persons aged 15 and more who continue education, divided into age and place of residence categories, in 2002.

Age	Total	Urban areas	Rural areas
	[% of the total population in a particular age group]		
Total including persons aged:	15.8	17.1	13.6
15-17	95.8	95.7	96.0
18-19	75.3	79.3	68.7
20-24	43.9	52.2	29.0
25-29	12.7	16.0	6.9
30-39	4.5	5.8	2.5
40-49	1.5	1.8	0.8

Source: CSO

General land use

The average area of the Republic of Poland amounts to 31,268.5 thousand ha, out of which over a half is agricultural land which covers the area of 19,148.2 thousand ha

(61.2%). A significant area is covered by forests and wooded land, i.e. 9,338.5 thousand ha (29.9%) (Table 12).

Table 12. Geodesic area²⁰ of Poland by type of land use in 2005

Specification	in thousand ha	% of the total area
Total area	31 268.5	-
including:		
Agricultural lands	19 148.2	61.2
including:		-
arable land	1 4074.4	-
orchards	296.5	-
permanent meadows	2 352.8	-
permanent pastures	1 694.6	-
built-up agricultural land	527.3	-
land under ponds	50.5	-
land under ditches	152.1	-
Forests and wooded land	9 338.5	29.9
including forests	9 106.4	-
wooded land	232.1	-
Waters	636.2	2.0
Land intended for mines	32.6	0.1
Areas, including transport areas	896.9	2.9
Estate	546.3	1.7
Wasteland	497.9	1.6
Various	171.9	0.5

Source: Statistical Yearbook of Agriculture and Rural Areas, CSO 2006

Structure of agricultural land use and ownership

In 2005 the area of agricultural land used by agricultural holdings amounted to 15,906 thousand ha (50.9% of the country area). Arable land and permanent grassland had a dominant role among agricultural land and covered over 39% and 10.8% of the country area, respectively, i.e. 12,222.0 and 3,387.5 thousand ha, respectively (Table 13).

²⁰ Due to the fact that the area of utilised agricultural land is not updated according to the actual method of its use, data pertaining to the geodesic area are not compliant with the data pertaining to the actual use of e.g. utilised agricultural land or forest land.

Table 13. Area of agricultural land and other land on farms by use and ownership in 2005

Specification	Total	Individual holdings
in thousand ha		
By ownership		
	19,148.2	15,979.6
By use		
Agricultural lands	15,906.0	14,005.4
including:		
arable land	12,222.0	10,685.3
orchards	296.5	289.7
permanent meadows	2,529.2	2,298.4
permanent pastures	858.3	732.0
Forests and forest land	1,157.7	1,082.7
Other land	1,278.1	891.5

Source: *Characteristics of agricultural holdings in 2005, CSO, Statistical Yearbook of Agriculture and Rural Areas in 2006, CSO.*

Taking into account the ownership structure of land utilised for agricultural purposes, the dominant position belonged to the private sector, including individual holdings which owned the area of 15,979.6 thousand ha, out of which over 87% was agricultural land. In addition, individual holdings covered almost 7% of forests and forest land and over 5% of the remaining land which was related to the conducted activity (e.g. land under the buildings, roads, peat bogs, gravel facilities).

Average size of agricultural holdings

The average area of land owned by single agricultural holding in 2005 amounted to 6.71 ha (in the case of individual holdings 5.86 ha), including agricultural land – 5.82 ha (in the case of individual holdings – 5.13 ha). The average size of land owned by a holding with area exceeding 1 ha agricultural land totalled 9.93 ha (in the case of individual holdings 8.63 ha), including agricultural land – 8,69 ha (in the case of individual holdings –7.65 ha) (CSO 2006).

As for agricultural holdings which carry out agricultural activity, the average size of agricultural land there in 2005 amounted to 6.19 ha. As regards the situation in individual voivodships, the largest average size of agricultural land in agricultural holdings which carried out agricultural activity both in total and in areas exceeding 1 ha of agricultural land was recorded in northern and western voivodships, i.e. the Zachodniopomorskie Voivodship and the Warmińsko-Mazurskie Voivodship, while the smallest size was recorded in southern voivodships, i.e. the Małopolskie Voivodship and the Podkarpackie Voivodship (Figure 4).

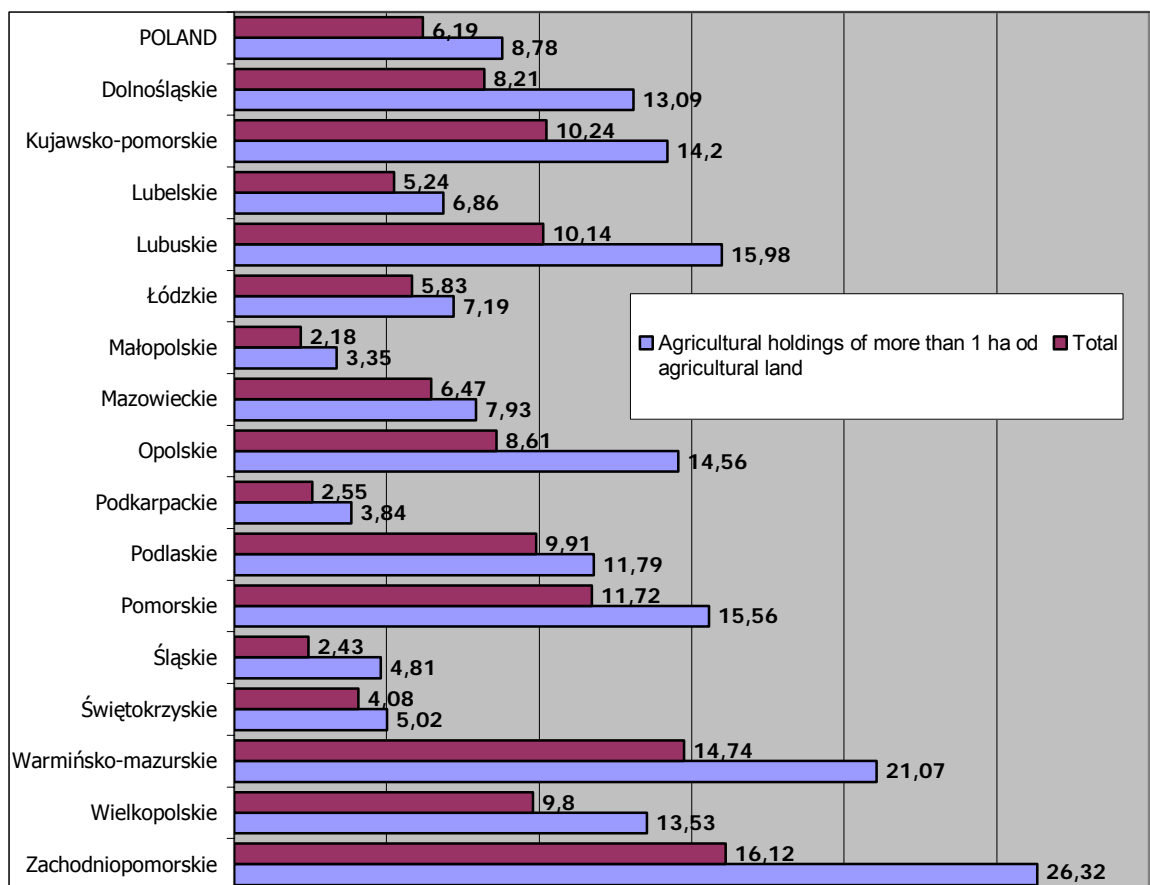


Figure 4. Average size of agricultural land in agricultural holdings carrying out agricultural activity in 2005.

Source: *Characteristics of agricultural holdings in 2005*, CSO

Structure of forest land use and ownership

There are 9,000,500 ha of forests in Poland (according to the actual use), i.e. the forest cover amounts to 28.8% (Figure 5) and is systematically increasing.

It is estimated that the forest cover should increase to 30% in 2020 and 33% after 2050 as a result of the consistent implementation of the objectives of the national forestry policy (National Programme for Increasing the Afforestation, 2003).

The increase of the country afforestation rate is important for the improvement of the process of carbon dioxide binding (currently forests bind 8% of the total emission of greenhouse gases), soil and water protection and strengthening of the spatial cohesion of the landscape, including ecological corridors.

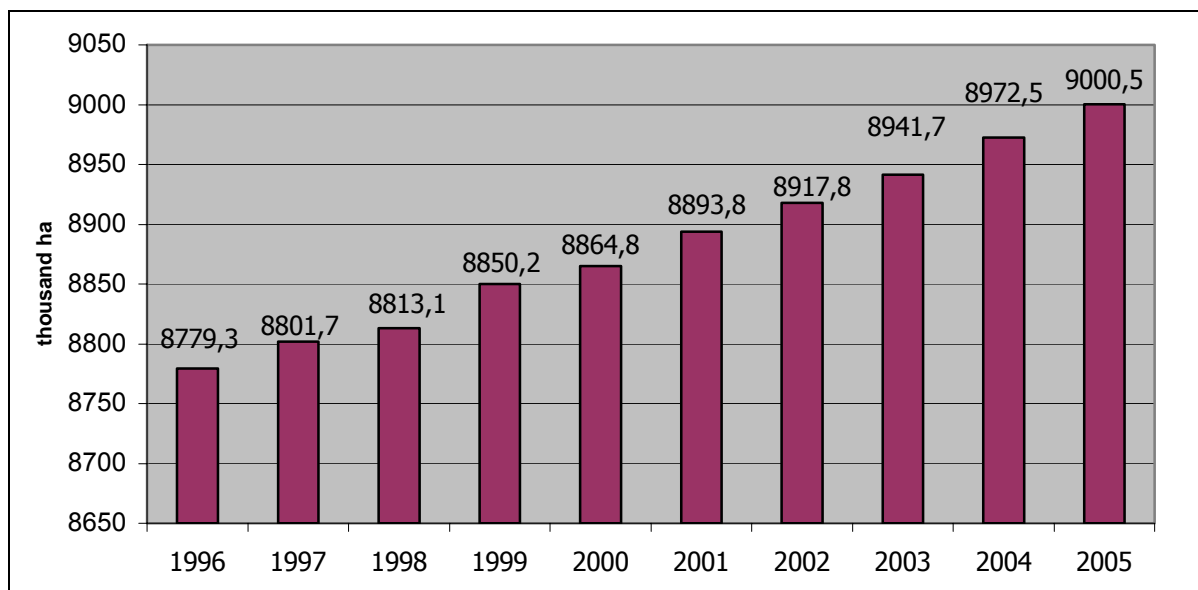


Figure 5. Forest area in 1996 - 2005 *Source: Forestry 2006, CSO*

Public forests prevail in the forest structure (82.3%, including 81.4% belonging to the State Treasury and 0.9% to gminas). Private forests constitute 17.7% of the forest area (Fig. 6).

In 2004 global forestry production amounted to PLN 5649 million; the share of the private sector reached the level 23.1%, which was less than in the previous year (28.7%) (CSO, Forestry 2005).

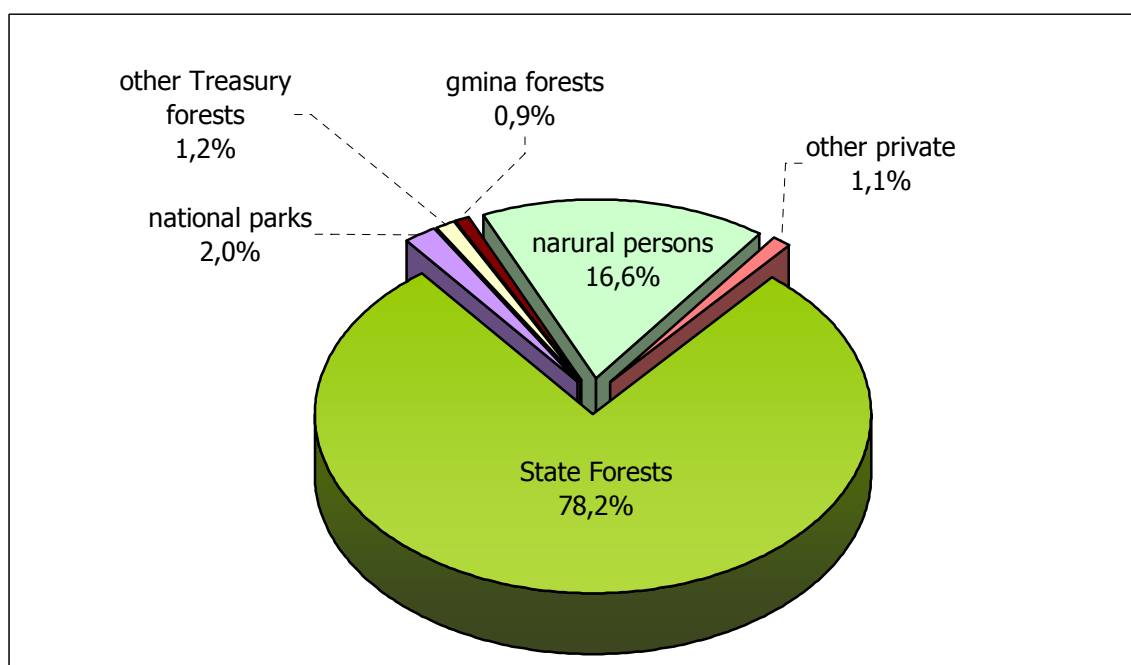


Figure 6. The forest ownership structure in Poland

Source: Forests in Poland 2005, State Forest Information Centre

Afforestation rate is differentiated according to region - it ranges from 20.7% in Łódzkie voivodship (central Poland) to 48.7% in Lubuskie voivodship (western Poland).

Forest area per inhabitant is 0.24 ha in Poland, which is one of the lowest indicators in Central Europe. Coniferous forests are dominant in Poland (75.8%).

Private forests are highly fragmented. The afforested area per one owner is 1.28 hectare on average. The average tree stand abundance in private forests is low – 119 m³/ha as compared to 222 m³/ha in the State forests.

The share of private forests increases due to the systematic process of agricultural land afforestation. The largest area of such forests is in Mazowieckie, Lubelskie, Podlaskie and Małopolskie voivodships, where 58% of the total area of private forests is located (Table 14).

Table 14. Private forests area by voivodship

VOIVODSHIPS	Total	Natural persons	Land property communities	Cooperatives	Other ²¹	Forests with establishment documentation ²² (total %)
POLAND	1,589,909	1,492,080	67,508	7,181	23,140	56.8
Dolnośląskie	14,004	12,335	-	681	988	63.6
Kujawsko-Pomorskie	44,210	42,131	584	336	1,159	76.7
Lubelskie	220,679	210,388	9,411	232	648	76.7
Lubuskie	8,176	7,276	9	69	822	80.5
Łódzkie	123,025	115,944	6,164	189	728	78.2
Małopolskie	187,500	168,907	14,397	479	3717	21.4
Mazowieckie	332,909	320,000	10,163	443	2,303	42.5
Opolskie	10,943	9,972	5	701	265	89.2
Podkarpackie	97,287	87,292	7,064	477	2,454	60.4
Podlaskie	189,786	184,346	4,070	475	895	59.9
Pomorskie	69,563	68,209	63	114	1,177	69.1
Śląskie	78,409	69,121	7,838	443	1,008	49.8
Świętokrzyskie	87,159	79,108	7,037	272	742	70.6
Warmińsko-mazurskie	37,225	35,046	19	197	1963	43.7
Wielkopolskie	77,994	73,853	684	1,483	1,974	68.8
Zachodniopomorskie	11,042	8,152	-	592	2,298	61.3

Source: Forestry 2006, CSO

²¹ Churches, religious and professional associations, social organisations, private companies, etc.

²² Simplified forest management plans and forest inventory.

Land property communities

Land property communities are a characteristic and historical form of common forest management, particularly in the voivodships of southern and eastern Poland. According to a study conducted by Forest Research Institute (FRI) in 81% of gminas in Poland, i.e. in 447 gminas, there are 1588 land property communities (agricultural, agro-forest and forest) – in 13 voivodships and 158 powiats. As far as all the registered communities are concerned, almost 19% of them (300 communities covering an area of more than 10 200 thousand ha) are forest communities, which do not include agricultural land, while 197 communities are agricultural communities (almost 2 500 thousand ha agricultural land), which do not include forests.

It should be emphasized that in total in 8 voivodships (Lubelskie, Mazowieckie, Małopolskie, Podlaskie, Świętokrzyskie, Łódzkie, Podkarpackie and Śląskie) there are 1529 communities (96% of all registered communities in the country) with the total area of 77.5 thousand ha (94.6% of the area), including 47 thousand ha of forests (97.6% of the area of forests in the communities) (Table 15)²³.

Table 15. The number and area of land property communities listed according to voivodships²⁴

Voivodship	Powiats	Gminas	Communities	The area of communities according to land use [ha]		
				Total	forests	agricultural
Mazowieckie	32	80	298	12,168.61	6,539.51	5,629.10
Lubelskie	20	90	362	15,610.75	7,009.35	8,601.39
Podkarpackie	18	29	138	9,452.89	6,414.51	3,038.38
Łódzkie	17	48	156	6,163.96	4,093.55	2,070.41
Małopolskie	17	56	157	11,650.75	8,986.31	2,664.44
Podlaskie	14	55	169	8,336.22	3,383.06	4,953.16
Świętokrzyskie	12	37	168	8,279.78	6,072.10	2,207.68
Wielkopolskie	11	17	38	3,116.68	512.66	2,604.02
Śląskie	10	29	81	5,786.12	4,701.61	1,084.51
Opolskie	3	2	10	1,007.36	492.85	514.51
Warmińsko-Mazurskie	2	2	9	163.37	75.37	88.00
Kujawsko-Pomorskie	1	1	1	54.21	18.54	35.67
Pomorskie	1	1	1	84.73	39.74	44.99
Total	158	447	1,588	81,875.43	48,339.17	33,536.26

Source: Analysis of private agricultural and forest holdings and forest holdings in Poland - project of a network of test holdings. Forest Research Institute, 2006

Forest area including forest areas that are not listed in land records (forest area after natural succession)

In the FRI national research in 2004, in 520 agricultural holdings that have a forest, 37.7% of the holdings polled estimated their land area which will remain agricultural

²³ Analysis of private agricultural and forest holdings and forest holdings in Poland - project of a network of test holdings. Forest Research Institute, 2006

²⁴ The information is based on questionnaire surveys conducted between 2003-2005 by FRI in 2006 gminas (81% of all gminas in the country)

land in further records, although forest is already growing there which appeared as a result of self-seeding. The estimated area of land categorized in this way in Poland is around 317 thousand ha. It is around 21.5% (1476 thousand ha - latest count in 31.12.2005) of the private forest area (that belongs to natural persons). Taking this area into consideration, we can estimate that by listing it in the land records under "forests", the area of private forest would grow to 1,800 thousand ha.

3.1.2. Performance of the agricultural, forestry and food sector

Characteristics of land use structure of agricultural holdings

In 2005, a total of 2,733,363 agricultural holdings operated in Poland, out of which 2,732,270 operated in the private sector²⁵, and 1,094 in the public sector²⁶. In 2005, there were 1,786.7 thousand agricultural holdings with the area of more than one hectare of agricultural land, including 1,782.3 thousand of individual holdings.

As far as agricultural activity is concerned, in 2005, 2 476 474 agricultural holdings were conducting agricultural activity, including 1 708.1 holdings with the area of more than one hectare of agricultural land (Table 16).

Table 16. Number of agricultural holdings broken down into area groups of agricultural land

Specification	Total	Area groups of agricultural land in ha					
		0 - 1	1 - 5	5 - 10	10 - 20	20 - 50	More than 50
Holdings in total	2,733,363	946,679	1,032,441	388,513	245,038	99,156	21,536
including holdings conducting agricultural activity	2,476,474	768,375	961,606	383,265	243,388	98,665	21,175
Individual holdings	2,728,909	946,577	1,031,965	388,182	244,695	98,728	18,761
including holdings conducting agricultural activity	2,472,830	768,293	961,305	383,039	243,142	98,359	18,692

Source: *Characteristics of agricultural holdings in 2005, CSO 2006*

²⁵ The basic forms of proprietorship in the private sector are as follows: domestic private property (individual holdings, cooperative holdings, and private companies), foreign property and mixed property.

²⁶ The public sector comprises state-owned holdings (owned by the State Treasury and state legal persons), holdings owned by local governments (gminas) and holdings constituting mixed property (companies with majority of state-owned property).

It is estimated that by 2015 there will be a net reduction of holdings by 10.4%, and consequently the number of holdings will decrease by 187 thousand and it will amount to 1600 thousand.²⁷

Area structure of agricultural holdings in Poland is varied in terms of percentage share of farmland (Table 17).

Table 17. Area structure of agricultural holdings

	Agricultural holdings broken down into area groups of agricultural land [ha]					
	<1	1-5	5-10	10-20	20-50	>50
Percentage of farmland	2.4	15.9	17.4	21.2	18.0	25.2

Source: Characteristics of agricultural holdings in 2005, CSO 2006

The small holdings with the area to 5 ha are the most numerous (more than 72.5% of the total number of holdings) and use about 18.3% of agricultural land. The holdings with an area exceeding 20 hectares of agricultural land, including the largest ones, account for only 4.3%, but they utilise about 43.2% of agricultural land. The share of medium-sized holdings (5-20 ha of agricultural land) runs at 23.4% of the total number of holdings. These holdings use 38.6% of agricultural land.

At the same time, since 1996, there has been a reduction of land used by agricultural holdings. This may be attributed inter alia to transfer of land to entities other than agricultural holdings, for garden plots, the construction of roads and other facilities. Moreover, since 1996 the number of agricultural holdings has decreased, and at the same time the holdings' determination to enclosure has been more and more visible. Consequently, the concentration has led to an increase in the number of the largest holdings (over 20 ha) and the smallest holdings (less than 5 ha), and a decrease in the number of holdings of 5 - 20 ha (Table 18).

It must be stressed that the majority of individual holdings with an area exceeding 1 ha of agricultural land have a chess-board-like structure, and over 18.1% of holdings are split into six or more parcels. Moreover, in some cases the distance between the parcels and the agricultural holding exceeds 10 km (in the case of 4.6% of holdings).

²⁷ The number of holdings will decrease in area groups from 2 to 20 ha of utilised agricultural area, and this process will be fastest in the case of entities with area from 10 to 15 ha of utilised agricultural area. At the same time, the number of the smallest holdings (1-2 ha) and holdings of 30 ha and more will increase. The process of enlargement of entities of 30 ha and more will be more than two times faster than in the case of entities having less than 2 ha. Thus, spatial polarisation of holdings will become more visible. Moreover, about 90 thousand of holdings will have their size reduced by 2015, adjusting the area of utilised agricultural area used to the needs of the family, mainly subsistence-related ones. At the same time, about 240 thousand of holdings will enlarge their areas. This will be possible mainly because of the land originating from exchange between neighbours and, in some areas, demand for land from the resources of the Agricultural Property Agency and holdings owned by individuals. As a result, the average area of agricultural land per 1 holding will increase by about 6.7% and in 6,7% it will amount to 201. ha of agricultural land (forecast of the Institute of Agricultural and Food Economics, 9,5).

Considerable fragmentation of parcels in individual agricultural holdings constitutes one of the serious problems of agriculture, which translates into low income of farmers. The instrument allowing to improve this structure is land reparcelling which contributes to permanent development of rural areas, including the creation of favourable conditions for management in agriculture and forestry by the improvement of land distribution and furnishing the arranged areas in technical and social infrastructure systems. It contributes therefore contributes to the improvement of economic effectiveness and productivity of agricultural holdings and the increase of income in agriculture. In the Polish conditions land reparcelling works are performed in areas where there is the appropriate potential for agricultural production, and reparcellings contribute to the lowering of production costs, including especially transport. Within reparcelling, post-reparcelling development works will include the requirement of natural environment, including the assessment of environmental impact. It is estimated that approx. 3 million ha of agricultural land in Poland needs reparcelling.

Table 18. Agricultural holdings broken down into the area of agricultural land (in %)

Agricultural holdings broken down into the area of agricultural land (in %)							
Years	Total	Area of agricultural land in ha					
		0-1	1-5	5-10	10-20	20-50	>50
1996	100.0	33.3	36.9	17.0	10.0	2.4	0.4
2000	100.0	34.0	37.2	15.7	9.4	3.2	0.5
2001	100.0	35.5	36.4	15.6	9.1	2.9	0.5
2002	100.0	33.3	39.1	14.6	9.1	3.2	0.7
2003	100.0	34.8	38.3	14.4	8.7	3.1	0.7
2004	100.0	34.7	38.0	14.2	9.0	3.3	0.8
2005	100.0	34.7	37.8	14.4	9.0	3.6	0.7

Source: *Characteristics of agricultural holdings in 2005, CSO 2006*

Individual regions of Poland vary to a great extent both in economic and social terms. Having regard to rural areas, including agricultural production, and basing on data concerning inter alia the area of agricultural land (in thousands of hectares), the SGM (Standard Gross Margin) coefficient per 1 ha of agricultural land, average size of a holding, the following four agricultural regions were identified in Poland:

- Region I (Pomerania and Mazuria);
- Region II (Great Poland and Silesia);
- Region III (Mazovia and Podlasie);
- Region IV (Lesser Poland and Pogórze).

Density of population ranges between 16.57% (Region I) and 29.73% (Region IV), with the highest percentage of rural population living in Region IV. The four agricultural regions of Poland are characterised in the table below.

Specification	Poland	Region I (Pomerania and Mazuria)	Region II (Great Poland and Silesia)	Region III (Mazovia and Podlasie)	Region IV (Lesser Poland and Pogórze)
Area of utilised agricultural area (in thousands of hectares)	16,899	3,492	4,524	6,118	2,765
The stock of cattle per 100 ha of utilised agricultural area	32.7	21.3	28.8	41.9	30.3
Average area of agricultural holding (utilised agricultural area)	7.3	13.9	8.9	7.6	3.1
Average LSU per 1 ha of MFA (main fodder area)	1.2	0.76	1.50	1.31	0.9
Standard Gross Margin coefficient in 2002 per 1 ha of utilised agricultural area	1400	1201	1378	1282	1498
Standard Gross Margin coefficient in 2002 per 1 LSU	1543	1451	1597	1616	1316
Standard Gross Margin coefficient in 2002 per 1 LSU for fattening	802	786	974	748	604

In the Lubuskie, Pomorskie, Warmińsko-mazurskie i Zachodniopomorskie voivodships (the Pomerania and Mazuria region), the average area of agricultural holdings is relatively large as for Polish conditions. However, this region is characterised by the lowest production intensity in the country. This region has a high share of cereals in the crop structure and low stocking density. These conditions are conducive inter alia to implementation of agri-environmental projects.

The Dolnośląskie, Kujawsko-pomorskie, Opolskie and Wielkopolskie voivodships (the Great Poland and Silesia region) are characterised by agricultural holdings whose size is slightly larger than the national average, but whose production is more intensive. The latter can be proved by the highest level of mineral fertilisers use in Poland (including lime fertilisers) per 1 area unit and purchases of nutritious feed per 1 livestock unit. The region is characterised by high stocking density of pigs. Thus, the region, which occupies the second place as regards utilised agricultural area, has the first place in terms of commercial production. Favourable effects of farming in this region are attributable neither to a large scale of production nor solely to favourable natural conditions. They follow to a large extent from high qualifications of farmers.

On the one hand, these factors influence the possibility of making efficient use of measures related to investments and restructuring of agricultural holdings; and on the other, pro-environmental measures (including investments in environment protection infrastructure, agri-environmental programme) should be promoted in these regions in order to decrease the excessive pressure exerted by agriculture.

In the Lubelskie, Łódzkie, Mazowieckie and Podlaskie Voivodships (the Mazovia and Podlasie region), the average size of holding is close to the national average. The intensity of agricultural production is low although there are some areas conducting very intensive production, such as the Grójec-Warka region of fruit production, the podwarszawski region of vegetable production. This region is characterised by high stocking density, mainly cattle, but the vast majority of holdings have small herds, which reduces efficiency of this production. Nevertheless, there is quite large concentration of pig breeding.

In these voivodships, there are good conditions for measures of investment-like nature, for improvement of agricultural holdings infrastructure, and – owing to high stocking density – for the adjustment of agricultural holdings to the EU standards.

The Małopolskie, Podkarpackie, Śląskie and Świętokrzyskie Voivodships (the Lesser Poland and Pogórze region) form a region which has the smallest average area of agricultural holdings in terms of utilised agricultural area, i.e. ranging from 3.17 ha to 4.67 ha. High quality of soil helps to obtain good yield despite agroclimate and physiography, which are frequently unfavourable. This region is characterised by the greatest farm fragmentation and, even with very high involvement of intensifying factors, it has the lowest scale of production in the country. This region has also the highest stocking density in the country, but livestock production is carried out at a very small scale and limits production efficiency. Production conditions are favourable for development of production of soft fruit, field-grown vegetables and forced vegetables (grown under cover). These factors provide a good basis for implementation of instruments conducive to establishment of producers' groups, improvement of food quality and vocational training.

At the same time, these voivodships are characterized by the lowest in the country level of artificial fertiliser use per 1 hectare of utilised agricultural area, which allows for development of production using organic methods. On the other hand, the exceptional landscape and environmental conditions are conducive to development of non-agricultural branches (e.g. farm tourism) and market in traditional (regional) products.

Determination of the Standard Gross Margin and economic size allows for calculation of the number of agricultural holdings in terms of economic size classes. The classification of agricultural holdings based on these two indicators allows for good characterisation of the production structure and economic power of holdings.

Agricultural holdings broken down according to the economic size classes

The definition of holding size using economic size confirms significant fragmentation of the Polish agricultural sector. It is proved by the fact that out of 2,476,474 holdings which conducted agricultural activity in 2005 over 69% are holdings characterised by very small economic size class – to 2 ESU (Table 19). Almost 12% of holdings belonged to group 2-4 ESU, half of that number was classified in the range 4-6 ESU. Very large holdings, i.e. holdings of economic size exceeding 100 ESU, account for 0.15% of the entities conducting agricultural activity.

Table 19. Number of agricultural holdings broken down into economic size classes

Total	2,476,474
0 - 2 ESU	1,718,803
2 - 4	291,738
4 - 6	144,310
6 - 8	84,288
8 - 12	96,978
12 - 16	50,855
16 - 40	72,853
40 - 100	12,832
100 - 250	2,649
250 ESU and more	1,168

Source: Characteristics of agricultural holdings in 2005, CSO 2006

From the regional point of view, the greatest number of holdings of economic value not exceeding 2 ESU is located in Śląskie, Podkarpackie and Małopolskie Voivodships. The largest holdings in terms of economy (over 100 ESU) are located mainly in Dolnośląskie, Kujawsko-Pomorskie, Wielkopolskie and Zachodniopomorskie Voivodships.

Agricultural holdings by agricultural types

According to CSO data, in 2005 the largest percentage of holdings specialised in field cultivation (Table 20). The share of this group in the structure of holdings conducting agricultural activity amounted to 28.0%, their largest number is located in Podkarpackie and Małopolskie Voivodships. Also holdings with varied production defined as "various cultivations and animals, together" constituted a significant proportion. The percentage of these holdings amounted to 19.3% and their greatest number was registered also in the voivodships mentioned above.

Among specialised holdings over 13% are holdings "specialising in "the breeding of animals fed on grazing system" and 11% are holdings of the agricultural type "various animals".

Almost 9% of holdings conducting agricultural activity does not have channeled plant production, therefore they are defined as the agricultural type "various cultivations"

It must be noted that in the classification of holdings according to agricultural types insignificant share had holdings specialising in horticultural cultivation (2.1%).

Table 20. Number of agricultural holdings according to agricultural types

Total	2,476,474
specialising in field cultivation	693,912
specialising in horticultural cultivation	51,211
specialising in permanent cultivation	140,553
specialising in the breeding of animals fed on grazing system	330,028
specialising in the breeding of animals fed with nutritious feed	137,767
various cultivations	219,832
various animals	275,005
various cultivations and animals, together	478,072
unclassified	150,094

Source: Characteristics of agricultural holdings in 2005, CSO 2006

Educational level of the managers of agricultural holdings

According to CSO, in 2005 61.5% of holdings were managed by people without any agricultural education, whereas 22.2% by people who finished an agricultural course as their highest level of agricultural education (Figure 7).

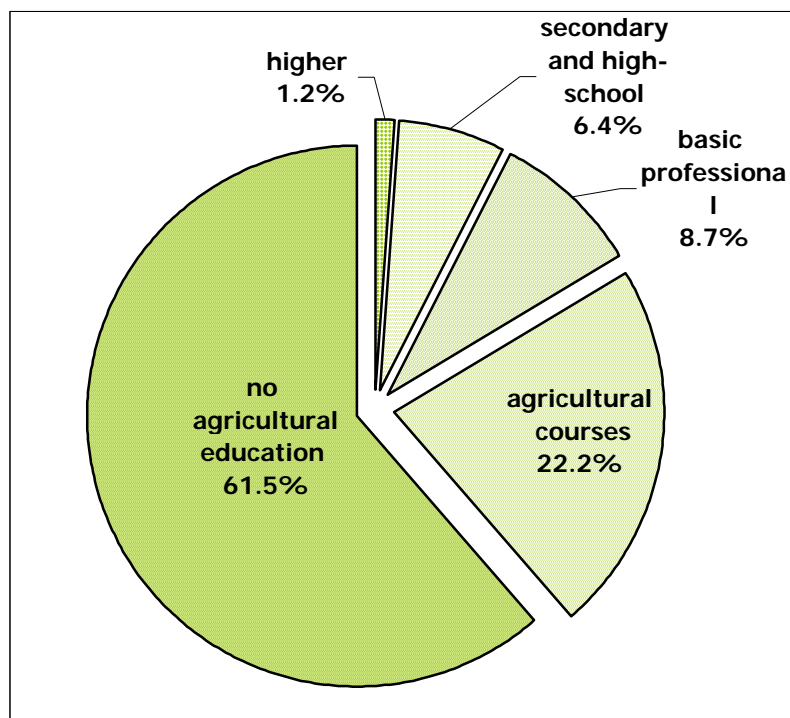


Figure 7. The share of agricultural holdings in the total number of holdings according to the level of agricultural education of the holding manager in 2005.

Source: Characteristics of agricultural holdings in 2005, CSO 2006

Moreover, in the structure of agricultural holdings those managed by people with basic vocational education of non-agricultural character (28.7%), whereas only a small proportion (4.3%) are people with higher studies diploma of non-agricultural character. Among holding managers, only 1.2% have the diploma of agricultural studies (CSO 2006). Bearing the above mentioned facts in mind, in order to increase social and professional activity of agricultural holding managers, professional qualifications of these people should be perfected and instruments facilitating the initiation of agricultural activity by educated people should be introduced. Due to the general low level of education of the rural population training assistance is of special importance to the development of agricultural and forestry sectors.

Consultancy plays an important role as farmers do not have knowledge about modern management methods, the cross-compliance principle, market niches etc. The measures to date, which were conducted in consultancy for the farmers and rural population, focused mainly on the preparation of farmers for the integration with the EU and the making it possible to make use of aid from Community funds. The needs in this respect concern all active farmers, approx. 1.5 million people. Therefore, each agricultural producer will use the offered form in training and consultancy at least once.

Age of the managers of agricultural holdings

According to CSO data, in 2005 the age structure of the users of agricultural holdings shows that approx. 12.5% are people aged under 35, whereas over 34.2% are people over 55.

A similar tendency may be observed when the ARMA data is taken into account which considers the age of people applying for direct payments to agricultural land²⁸, i.e. groups of farmers who actively use support within Common Agricultural Policy. Almost 300,000 (20%) holdings are managed by people aged over 55 (Figure 8).

It must be stressed that in the age structure of people conducting agricultural activity the largest share constituted people aged 35-55 according to both CSO and ARMA.

Nevertheless, the group of holdings owned by people aged 55 and more is of no little importance. These are holding which will be handed over to their successors within the next few years. In order to stimulate the transfer of these holdings to the young and educated owners and facilitate undertaking investment activity by young farmers, support in the form of a premium is necessary. It should be emphasized that the aid is only addressed to the group of the holding above average size at the regional and national level, which are managed by young owners with the relevant professional qualifications and have chances to be successful.

²⁸ The data relate to almost 1.5 million applications for direct payments to agricultural land filed in 2006. It may be assumed that these are the most up-to-date information on the structure and use of agricultural holdings in Poland and may constitute a point of reference.

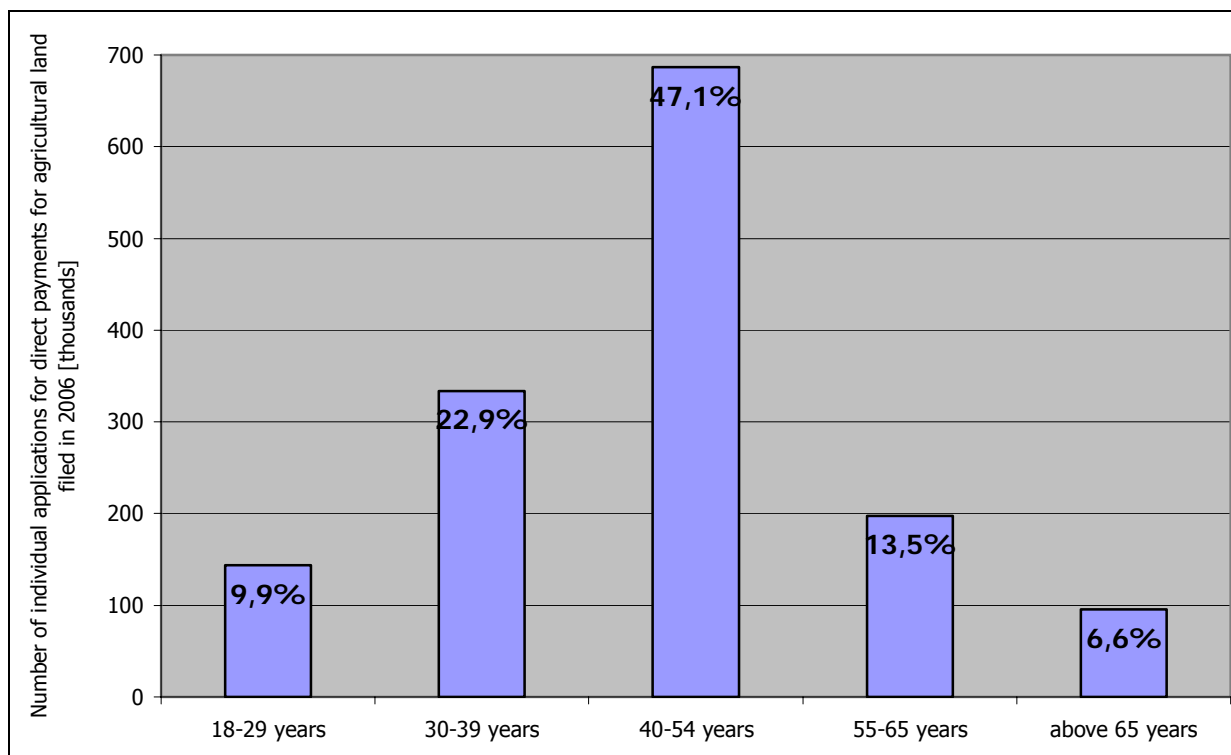


Figure 8. Age structure of farmers applying in 2006 for direct payments to agricultural land²⁹.

Technical infrastructure in agriculture

In 2005 there were 1 437 200 tractors, 147,300 of combine-harvesters, 89,200 potato harvesters and 36,800 sugar beet harvesters in the agricultural holdings. However, the amount of equipment per unit of utilised agricultural area or crop area in the Republic of Poland differs significantly from the same indicators for EU-15. The number of tractors per 100 agricultural holdings in the Federal Republic of Germany, the Republic of France and the United Kingdom of Great Britain and Northern Ireland is 2 or 3 times higher than in Poland. According to the Institute for Building, Mechanisation and Electrification of Agriculture (IBMER), what is alarming is the age and level of wear of the mechanization fixed assets in agriculture and the related technical and technological gap which separates Polish agriculture from the EU-15 countries leading in this regard. The tractors used in agriculture are characterised by significant wear and tear and a long exploitation period (the average age of a tractor is estimated at 23 years and of a combine-harvester at 21 years).

Consequently, there is a risk that a lot of Polish agricultural holdings might be deprived of machines and tractors within the next 10 years.

Moreover, according to the General Agricultural Census of 2002, individual holdings in the Republic of Poland had 5,373,600 stock and farm buildings, including

²⁹ In the above data 1618 farmers were not included who in 2006 were not 18 years old and 7121 farmers who applied for direct payments in 2006 and were included in the Registration of Producers as a legal person or organisation of unit without legal personality or civil partnership.

1,659,100 stock buildings and 3,714,500 farm buildings. Multifunctional buildings were found in 32.4% of agricultural holdings – their largest share (45-60%) was noted in the agricultural holdings with an area of 300ha or more.

The technical condition and standard of the buildings is usually low. Almost half of them, i.e. 46% of cowsheds, 50% of pig houses and 44% barns, were built before 1960. By 1996, only 15% of stock and farm buildings had been modernised. An average capacity of a new stock building amounts to almost 1 200 m³, and in the case of individual building to 1000 m³. However, the number of production buildings in agriculture, mainly stock buildings, which are put into use has been increasing for several years. As far as the infrastructure of stock buildings is concerned, the most important problems are related to the stocking of solid manure directly on the ground, which has a great influence on contamination of holdings' wells, and unsatisfactory provision of holdings with manure pads and tanks.

Despite support provided under national programmes, SAPARD, Rural Development Plan and Sectoral Operational Programme "Restructuring and modernization of food sector and rural development 2004-2006" the agricultural holdings in Poland show considerable needs for investments. These investments are mainly connected with quantity and quality of technical production infrastructure in Polish agriculture.

Moreover, the level of furnishing agricultural holdings in equipment connected with environmental protection such as the equipment for liquid animal waste storage is important for the general image of adapting rural areas to the required environmental standards in the nearest future. This a particularly significant issue in the light of compliance of the farms with common good agricultural practice and with cross-compliance in the future, that will be immediately associated with the availability of support in the form of direct payments (for about 1.5 million farms, i.e. over 1 ha) and with the rural development measures.

Therefore, it is necessary to introduce instruments to grant financial aid for investments aiming at improvement in the competitiveness of agricultural holdings through modernisation of the technical production infrastructure, adjustment of the production profile, scale and quality to the market needs, improvement in food safety, improvement in animal welfare, environmental protection and work safety.

Waterways infrastructure connected with agriculture and agricultural management of water resources.

According to statistical data, at the end of 2005 6,647,469 ha of agricultural land was furnished with specific land reclamation facilities. These facilities were accompanied by:

- flood banks - 8 469 km;
- pumping stations – 572, having efficiency 886 927 l/sec.;

- water tanks – 200, having capacity 284 971 000 m³.

Some of land reclamation facilities due to their decapitalisation fulfil their tasks in restricted scope and restoring their full technical operation may occur by their modernisation or rebuilding. The following facilities are waiting for modernisation or rebuilding:

- facilities for specific land reclamation on the area of 1 383 420 ha (20.8% of the land reclaimed area);
- basic land reclamation facilities on water courses 13 209 km long (20.5% of natural water courses);
- canals of total length 2 353 km (24.6%);
- flood banks 3 205 km (37.8%) long;
- water tanks of capacity 35 089 m³ (12.3%);
- 180 pumping stations (31.5%).

Poland is not prepared for preventing the results of drought. 440,000 ha of agricultural land (mainly meadows and pastures), i.e. slightly over 2% of all agricultural land, was adapted for irrigation.

Plant production

In Poland, plant production is an important element of the agricultural sector. The production of cereals and root crops prevails, mainly potatoes (though their cultivation area decreases every year) as well as fruit and vegetables. Plant cultivation for non-alimentary purposes, including energy crops, is becoming increasingly important. Although the energy crops sector in Poland is at a very early stage of development, farmers are becoming increasingly interested in it as an alternative source of income.

The central, north-eastern and north-western regions of Poland specialize in the cereal production. Potato is grown mainly in the central and south-eastern voivodships. Oil plants are cultivated mainly in north-western Poland, while industrial crops such as tobacco are grown mainly in Lubelskie, Podkarpackie, Świętokrzyskie, Kujawsko-Pomorskie and Małopolskie Voivodships. Due to 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, sugar beet production accounts for a significant share of traditional Polish agricultural crops. The Wielkopolskie, Kujawsko-Pomorskie and Lubelskie Voivodships are the main areas where this plant is cultivated.

Due to soil and climate conditions, fruit and vegetable production is located mainly in the central and south-eastern regions.

The cereal production in the years 2000-2005 was characterised by significant variability (Table 21) caused by climate conditions. As compared to the previous decade, there was a moderate upward trend. The share of cereals in the total plant production amounted to 38%.

Table 21. Harvest and yield of main crops

Specification	2000	2001	2002	2003	2004	2005
Harvest in thousand tonnes						
Wheat	8,503	9,283	9,304	7,858	9892	8,771
Rye	4,003	4,864	3,831	3,172	4,281	3,404
Barley	2,783	3,330	3,370	2,831	3,571	3,582
Oat	1,070	1,305	1,486	1,182	1,431	1,324
Triticale	1,901	2,698	3,048	2,812	3,723	3,903
Cereal mixes	3,084	4,060	3,836	3,608	4,322	3,800
Grain maize	923	1362	1,962	1,884	2,344	1,900
Rape and colza	958	1,064	953	793	1,633	1,450
Potatoes	24,232	19,379	15,524	13,731	13,999	10,369
Sugar beet	13,134	11,364	13,434	11,740	12,730	11,731
Yield in dt/ha						
Wheat	32.3	35.3	38.5	34	42.8	39.5
Rye	18.8	24.3	24.6	21.4	27.6	24.1
Barley	25.4	31.1	2 973	27.9	35.2	32.2
Oat	18.9	24.6	24.6	22.4	27.5	24.6
Triticale	27.3	32.2	32.3	28.5	35.2	32.7
Cereal mixes	20.9	27.6	28.1	24.8	29.6	28.7
Grain maize	60.6	60.7	61.6	52.9	56.9	55.9
Rape and colza	21.9	24.0	21.7	18.6	30.3	26.3
Potatoes	194.0	162.0	193.0	179.0	196.0	176.0
Sugar beet	394.0	358.0	443.0	410.0	428.0	410.0

Source: Central Statistical Office

In the recent years, the cereal cropping structure in Poland has undergone changes resulting from a relatively small share of industrial farming. The share of fodder cereals (triticale, cereal mixes) is significant. Only small amounts of such cereals are sold at markets, they are mainly used at the holdings that produce them. This phenomenon results mainly from the holding structure in Poland. The increase in the area of grain maize cultivation is a relatively new trend, and should be associated with the popularisation of grain maize cultivation technology, harvest and usage.

It may be noted that in 2000-2005, there was an upward trend in the production of rape and colza seeds, however in 2005, it amounted to 1,450,000 tonnes and was lower than in 2004 (Table 21). The reduction of harvest resulted from the decrease in yields which was mainly caused by less favourable agrometeorological conditions in the growing period. Furthermore, the bumper production results of 2004 were caused by the increase in the rape cultivation area by ca. 26% as compared to 2003, owing to high prices of rape and favourable relation of rape to wheat prices in 2003, i.e. at the time when agricultural producers made decisions concerning new crops.

In 2000-2005, the production of potatoes was characterised by a downward trend (Table 21) with a slight increase in the production in 2004-2005 resulting from higher

yields, despite decreasing the cultivation area. High yields were mainly due to the favourable agrometeorological conditions at the time of the crops' growth and harvest. Moreover, the Colorado beetles were not as numerous as usual, and the potato blight did not develop as quickly. The decrease in the production of potatoes, continuing from the beginning of the 1990s, is due to the fact that the production in the entire country is considerably higher than the processing industry's and consumers' demands.

It should be pointed out that the level of potato yield in Poland is one of the lowest in EU-25. Lower productivity per hectare has been noted only in the Baltic States (Lithuania, Latvia, Estonia) and in Portugal. There are a number of reasons for that, the most important include: very low rates of mineral fertilization and of the use of plant protection products. In particular, it applies to regions with dispersed structure of holdings and characterised by a large share of potatoes in the cultivation structure, in holdings producing "for the market" quality of crops is considerably higher.

There is a continuing downward trend in the consumption of potatoes, in the 2005/2006 season it amounted to 126kg per person. The consumption of potatoes is assumed to continue to drop owing to the expected decrease in the consumption of unprocessed potatoes. The decrease will be partly compensated by increase in the consumption of potato products.

As regards the production of sugar beet, in 2005, the area of plantations was further reduced, mainly due to the abandonment of sugar beet cultivation on poor soils, and resignation of agricultural producers not specialized in this field. Consequently, the number of growers amounted to 70,700 and the total area of plantations was reduced to 286,000 ha. At the same time, sugar beet production (yield) tends to decrease in the long run (Table 21), as the processing quality of this crop improves, and the level of production is adjusted, by contracts, to the planned level of sugar production, in the recent years fluctuating around 2,000,000 tonnes. The yearly fluctuations in the level of sugar beet production (within the abovementioned downward trend) stem from the dependence of yield from the agrometeorological conditions.

As a result of the several years' discussion over the reform of the Community Sugar Market, the European Commission decided that gradual changes will be introduced from 1 July 2006. The reform introduces a number of new elements into the previous organisation of the sugar market in the Community, which will create a new reality for the functioning of agricultural holdings cultivating sugar beet³⁰.

³⁰ Pursuant to the provisions of Council Regulation (EC) No 318/2006 of 20 February 2006 on the common organisation of the markets in the sugar sector (OJ L 58), the main market instruments are

In 2000-2005, around 2.92 million tonnes of fruit (Table 22) and over 4.78 million tonnes of field-grown vegetables (Table 22) were harvested. In 2005, fruit production was carried out in around 300,000 holdings and field-grown vegetables were grown in approximately 370,000 holdings. In around 22,700 holdings the vegetables were grown under cover.

Table 22. Harvest of fruit and vegetables in 2000-2005

Specification	2000	2001	2002	2003	2004	2005
Fruit						
Total harvest	2,246	3,413	3,018	3,309	3,521	2,923
Including:						
Apples	1,450	2,434	2,168	2,428	2,522	2,075
Pears	82	77	92	77	87	59
Plums	107	132	103	110	133	91
Sour cherries	139	180	173	191	202	140
Cherries	38	45	41	44	48	38
Strawberries	171	242	153	131	186	185
Raspberries	40	45	45	43	57	66
Currants	146	175	158	193	194	187
Gooseberries	29	30	22	20	20	17
Vegetables						
Total harvest	5,520	5,195	3,947	4,420	4,916	4,785
Including:						
Cabbage	1,899	1,710	1,189	1,237	1,371	1,320
Onions	720	659	585	678	866	714
Carrots	947	922	692	835	928	929
Beets	504	466	311	334	357	356
Cucumbers	356	340	260	290	256	258
Tomatoes	312	274	221	234	213	232

Source: CSO

Fruit and vegetable processing is much dispersed. This sector currently includes around 1250 processing plants, out of which around 90% are small plants employing from 1 to 50 persons. Large processing companies constitute around 2% of the total number of processing plants. The share of newly established small companies in the

as follows: reference prices of sugar, minimum prices for sugar beet, production quotas, additional sugar quota, additional isoglucose quota, intervention buying of sugar.

Furthermore, pursuant to the provisions of Council Regulation (EC) No 320/2006 of 20 February 2006 establishing a temporary scheme for the restructuring of the sugar industry in the Community, a temporary restructuring fund should be set up.

The restructuring aid shall create an incentive to abandon sugar quota production and renounce the quotas concerned, at the same time allowing to take into due account the respect of social and environmental commitments linked to the abandoning of production.

Measures to encourage the development of alternatives to sugar beet and cane growing and sugar production are also planned for the regions concerned by the restructuring process.

According to the provisions of Council Regulation (EC) No 319/2006 amending Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers, separate payments for sugar beet growers were established. The payments shall compensate for the income lost by farmers due to lowering the price of sugar beet in 64.2%.

market is estimated at between 80% and 90%. In 2004, around 70% (2.5 million tonnes) of fruit and about 23% (1.1 million tonnes) of total vegetable production was processed. The majority of processing plants face such problems as the lack of stable raw material deliveries, considerable crop dispersion and the inconsistent quality of raw materials.

The significant dispersion of production is accompanied by poor technical equipment of the holdings; many of them have no cold rooms needed to preserve adequate product quality and to ensure continuity of supplies.

In the recent years supply has exceeded the domestic market demand for processed fruit (mainly juice and traditional processed products) and continues to grow. Competition among the producers leads to the concentration in the sector. As far as the production of juices and soft drinks is concerned, nine companies have 80% share of the market, and four companies have a 60% share in the supply on the market for jelly products.

Animal production

Animal production in Poland has great economic significance, especially as regards cattle, pigs and poultry. For several years, Poland has been limiting the breeding of cattle, sheep and horses (Table 23). The pig stock fluctuates seasonally due to supply and fodder prices and the profitability of production and the sales possibilities. Nevertheless, the stock remains on the steady level. In the case of stock of poultry, a significant increase has been noted since 2003 in the production of poultrymeat, especially in the industrial sector driven by the fast increasing export to the EU Member States.

Table 23. Number of animals in 1990 - 2005 (in thousands of animals)

Specification	1990	2000	2002	2003	2004	2005
Total cattle	9,024.2	5,723.0	5,421.0	5,276.8	5,200.2	5,385.0
cows	4,707.4	3,047.1	2,967.2	2,861.9	2,777.9	2,801.1
Pigs	19,739.2	16,991.5	18,997.0	18,439.2	17,395.6	18,711.3
Sheep	3,797.0	362.0	345.0	338.0	318.0	316.0
Horses	941.0	550.0	330.0	333.0	321.0	310.0
Hens	47,082.0	48,274.0	48,393.0	133,395.0	119,811.0	113,488.0
including laying hens	43,880.0	42,649.0	42,178.0	44,549.0	43,001.0	48,582.0

Source: CSO

The result of the decreasing stock are the changes of the stock density per 100 ha of arable land in the Republic of Poland. In 2005 the stock density was as follows:

- for cattle – it decreased from 54 animals in 1990 to 34.5/100 ha of arable land in 2005;

- for pigs – it increased from 104 animals in 1990 to 113.9/100 ha of arable land in 2005;
- for sheep – it decreased from 22.2 to 2.0 animals/100 ha of arable land in 2005;
- for horses – it decreased from 5.0 to 2.0 animals/100 ha of arable land in 2005.

The favourable phenomenon noted for several years now within the framework of animal production is the increase of animals efficiency. On that account, despite the decrease in cattle stock, the quantity of products of animal origin produced remains on the steady level (live pigs, milk) or is increasing (live poultry, eggs) (Table 24).

Table 24. Production of basic animal products in 1990-2005

Production type	unit of measurement	1990	2000	2003	2004	2005
Total slaughter livestock in live weight	thousand tonnes	4,493	4,112	4,776	4,565	4,699
including:						
pigs	thousand tonnes	2,341	2,501	2,833	2,538	2,540
cows	thousand tonnes	1,428	635	591	611	599
calf	thousand tonnes	105	83	76	59	61
poultry	thousand tonnes	474	834	1,228	1,309	1,452
horses	thousand tonnes	37	45	30	35	34
sheep	thousand tonnes	96	7	6	6	5
milk	mln l	15,371	11,543	11,546	11,477	11,575
eggs	mln items	7,597	7,621	9,168	9,250	9,640
wool	tonnes	14,783	1,320	1,218	990	998

Source: CSO

The process of sanitary and veterinary adjustments to the EU requirements accelerated the process of breeding animals for slaughter and milk cows and resulted in the elimination of small producers from the market. It was particularly visible in the case of the milk cattle breeding which resulted from the fact that small holdings gave up the production of 1-2 cows on average. Despite the increased concentration of farmed animals breeding it remains low and does not pose a threat for the environment.

In 2005, only 11.4% of the cattle stock was noted in holdings carrying out breeding of 50 and more animals, cows 3.7%. Pigs in holdings with 200 and more animals amounted to 24.8%.

Poland acceded the EU as a significant meat and milk producer with stabilised market for these products. The integration with the EU facilitated the increase of beef and milk production profitability.

Due to the attractive prices offered by the Community market, the export of live cattle to the EU-15 increased in 2005 as compared to 2003 by nearly 60% in terms of quantity and 147% in terms of value. Also export of red meat to the EU-UE-15 increased significantly by 223% in terms of quantity within 2 years and by 252% in terms of value.

The geographical structure of export of dairy products changed between 2004 and 2005. In 2005, 77% of milk export was directed to the EU Member States as compared to 41% in 2003. The total value of export of dairy products to all the Member States in 2005 was EUR 880 million and exceeded 2003 by 169%. Meat and dairy cattle productivity is considerably lower in Poland than on average in the 25 EU Member States, and similar as regards pigs, which relates to the various cattle breeding conditions (low share of industrial feed in feeding).

Polish meat production from slaughter in 2004 achieved 7.6% of EU production, including beef and veal – 3.9%, pork - 9.1% and poultrymeat – 8.6%. Poland produces 8.7% of cow milk and 8.2% of hen eggs.

Food Industry

Food industry development in the period of EU integration

In Poland, food industry belongs to key sectors of economy. The value of sales in this sector in 2005 amounted to ca. 120 billion PLN, which is 17.2% of the sales of the whole Polish industry. Gross value added in food industry was 26.4 billion PLN (12.5% of the whole industry).

In 2005, food industry employed 451.7 thousand persons, i.e., 16.9% of those employed in the whole industry. It is estimated that 6.7 thousand industrial companies and 11.7 thousand smaller entities are active in the field of agricultural processing. Micro-enterprises employed ca. 70 thousand persons and produced food with the value of ca. 10 billion PLN.

Labour efficiency in the Polish food sector is 13.3 thousand EUR / 1 employee, while in EU-25 it is 50.5 thousand EUR / 1 employee. Differences in labour efficiencies is compensated by lower labour costs and processing margins. It should be expected that over time, competitive advantage of the Polish processing resulting from lower labour costs will decrease, which results from the trend of levelling out labour costs under the conditions of the Single Market. This means that a condition for maintaining competitiveness in the nearest time is modernisation of agricultural products processing towards increasing the labour efficiency.

The development of processing industry is closely connected with the situation of primary producers (in Poland there are ca. 900 thousand subsistence farms). The processing industry is the basic direct recipient of agricultural produce, and its state influences directly the income situation of farmers. At the same time, it is necessary to ensure vertical integration between agricultural sector and processing, so as to enable the provision of appropriately large and homogenous batches of raw materials, which in turn will allow for the use of the economies of scale. It should be stressed that the present relations between primary production and industry (together with wholesale) are not developed appropriately and the creation of these relations is one of the conditions for the competitiveness of the Polish agricultural sector. Therefore, cooperation between farmers and the sector of processing and wholesale should be developed, i.e., by directing support to these entities that carry out such cooperation and offer preferential conditions when such cooperation is carried out with agricultural producer groups.

The size of agricultural sector and a diversified production structure of the Polish agriculture, as well as a significant number of branches of agricultural product processing justifies the need for support under RDP for plants manufacturing a wide range of products.

Recent years have been a period of significant manufacturing enlivening in the food industry. In 2003, sold produce of the food industry increased by 7.7%. Following a short decrease after the accession, the present pace of production growth in food industry again exceeds 5-6% annually, and the factors for sector development are both the still growing export and increasing national demand.

There is also a trend towards industrialisation of the agricultural products processing sector, and in consequence towards decreased direct sales value and reduced need for on-farm food consumption. Significant improvement in the incomes of the population will lead to an increase in domestic demand for high quality processed agricultural products, in particular for those of high value added. It should be stressed that there is a need for improvements in marketing, development of brand products recognisable on the market owing to i.a. appropriate labelling, functionality and packaging. Similar factors will be essential as regards the Community and global market.

Therefore, retaining favourable position and development trends in the Polish agricultural products processing sector requires further, broad (in terms of subjective and objective scope) support to the investment processes, both those related to improved innovation and to competitiveness of companies.

It is estimated that support is required by several thousand processing plants (from micro to medium-large enterprises), whose reserves and access to funds are insufficient to make necessary investments. As they cannot benefit from economies

of scale, such enterprises are in worse competitive position than market leaders, although they play an important role as consumers of raw materials obtained from local (frequently small) producers, they keep local markets supplied, and may additionally specialise in specific, traditional production methods. It should also be pointed that the enterprises are important places of employment, especially for rural population. Therefore, it is particularly important to provide investment support to micro, small and medium-sized enterprises and (to a lesser degree) to medium-large ones.

Considering the trends towards reducing the use of conventional sources of energy and developing the use of renewable sources of energy, in the near future there will be a great need to increase production in plants that obtain fuels from agricultural products and to ensure particularly favourable co-financing conditions in the sector.

With food safety and environmental protection conditions being constantly increased, there arises a great need to ensure possibilities of supporting investment regarding reduction of adverse impact on the environment and decrease energy consumption.

Meat sector

Similarly to EU, meat production and processing is the largest food and drink production sector in Poland. Its share in the turnover of the entire food sector in Poland amounts to around 26% and is slightly higher than that of EU-25, which amounts to 20%.

Meat sector is essential to the economy, not only in terms of its direct functions, but also owing to its influence on the situation of a great number of agricultural producers.

In Poland, more than 900 thousand agricultural holdings keep cattle (67% conduct commercial production), and around 800 thousand farms keep pigs (75% conduct commercial production). The pork and beef production represents 33% of the agricultural commercial production. As regards poultry, 90% are kept on farms. In Poland, there are currently 4773 plants involved in slaughter, processing and cutting of red meat, and 1255 of them are slaughterhouses. The sector employs 100 thousand persons, which represents over 12% of persons employed in meat production and processing in EU-25.

In Poland, production of animals for slaughter amounts to around 3.1-3.6 million tonnes of live weight per annum; production of red meat is dominated by pork production in amounts which are subject to periodic changes (around 2400 to 2800 thousand tonnes was produced annually in 2000-2005) and considerably lower production of beef (520-630 thousand tonnes annually over the same period).

In 2000–2006, poultry production increased from 834 to 1540 thousand tonnes, i.e. by 85 %; 97 % of the production were chickens and turkeys.

The production of processed meat products is increasing: red meat from 976 thousand tonnes in 2000 to 1040 thousand tonnes in 2006, and poultry from 178 to 320 thousand tonnes. The data do not cover small processing plants, the production at which is estimated at 80 thousand tonnes annually, and home production of meat processed products (50 – 60 thousand tonnes annually).

In terms of consumption value, meat and meat products are major agricultural product. The purchase of meat represents around 10% of the total spending of Polish population (around 30% of total food spending). Over the recent years (2000-2006), meat consumption rose from around 60 to 70 kilos per person annually. The consumption of meat is dominated by pork (90%). The consumption of beef fell by around 40% in relation to 2000, while the consumption of poultry rose. Changes should be expected in the structure of meat and meat processed products consumption: increase in the consumption of beef, poultry and types of meat which are currently of marginal significance (mutton, horsemeat, rabbit meat etc.)

In 2001-2006, there was an increase in export of all types of meat: of pork from 84 to around 300 thousand tonnes, beef from around 57 to 190 thousand tonnes and poultry from around 45 to 205 thousand tonnes. It should however be noted that in 2001, export to Eastern Europe was reduced. Export of meat products is dominated by fresh meat and semi-finished meat products. However, it should be stressed that the remarkable taste of Polish speciality i.e. high-quality traditional sausages, provides the possibility of boosting export in this market segment.

In 2000–2006, import of meat and meat products significantly increased, mostly import of pork (from 53 to over 170 thousand tonnes) and poultry (from 17 to 85 thousand tonnes). The rapid increase in import was due to Polish accession to the EU.

Market development forecast for the period until 2013, assumes rise in the consumption of meat and meat processed products to the level of 80 kg per person and growth of export.

In 2000-2006, meat sector noted high investment outlays to the total amount of over PLN 6,600 million (excluding second half of 2006), including PLN 1,800 million in 2004. Investments in plants were mainly related to the process of adjustment for EU integration.

Furthermore, the investments fostered technological development, improvement of quality and widening the range of products. Further investments are necessary: new plants and new technological lines (both in existing and newly established plants, including small processing plants). It is crucial to the maintenance of agricultural production potential and competitiveness of industrial products on domestic, Community and global market in the future. Investments aimed at increasing the quality of trade offer and making it more attractive are particularly necessary, since it

should be expected that the consumers' requirements for quality and diversification in the range of products will grow and that interest in new types of meat, highly processed, innovative and brand-name products will rise.

Competitiveness of the Polish meat sector is mostly based on low prices resulting from the relatively low labour cost. As the cost rises, it will be necessary to search for technologies contributing to increased effectiveness of production.

Meat and meat products are those to which particularly strict safety and hygiene standards are applied, which results in the need to make appropriate investments. Consequently, there are still large needs regarding environmental protection (post-slaughter waste management) and improvement in the conditions of animal transport and slaughter.

Milk processing

The sector of milk production is one of the basic branches of the agri-food processing industry in Poland. It is due to the scale of production and sale on the one hand, and to the importance of the industry's products in human diet on the other hand. The sector is closely related and influences basic agricultural production.

In 2000 – 2006 milk production kept at the steady level of around 11,500 million litres, while the total number of milk producers was falling (313 thousand in 2006, compared to 433 thousand in 2004).

Recently, milk production has become more concentrated and the sector more industrialised. In 2000-2005, the amount of milk bought in by the dairy industry increased by 28%, and direct sale and on-farm milk consumption decreased.

There was an increase in the production of nearly all milk products, in particular of ripening cheeses, cream and fermented milk drinks.

In 2006, volume of sale of the dairy industry products amounted to PLN 19,400 million (which corresponds to over 15% of the volume of sale in the entire agri-food industry) and was higher by 33% than in 2003.

The entities of the milk processing sector employ about 42 thousand persons.

National milk (with milk products) consumption has demonstrated slightly decreasing tendency. Nevertheless, in 2006 consumption increased to the level of 258 kg/resident. The increasing tendency is assumed to be maintained, mainly due to the increased interest of consumers in highly processed and fortified products.

The export of milk products has been increasing dynamically within the last few years and the positive balance of foreign trade has been maintained. Currently, the increase in export related mainly to highly processed products (e.g. cheese, milk drinks).

The Polish dairy industry is characteristic of significantly higher labour-intensiveness than that of the EU-25. Technical labour productivity measured by the volume of milk processing per one person employed in the EU-25 is 400 kg, whereas in Poland it is two times less – 190 kg. Economic labour productivity (value of sale per one person employed) stands at the average of EUR 337 thousand in the EU-25, and in Poland at as little as EUR 93 thousand.

The competitiveness of the dairy sector on the EU Single Market results from the lower costs of labour and processing margins in Poland. The equalisation of costs of labour as compared to the level of these costs in the EU-15 Member States should however be expected in Poland, and on that account, in order to maintain competitiveness of the dairy sector, milk processing plants should be modernised by introducing more efficient production technologies.

Modernisation of milk processing in the scope of introduction of new and functional milk products is the condition of stimulating the still relatively low internal consumption and of increasing the chances of competing on the Single Market and the world markets. In order to maintain the competitive position, Polish milk processing plants should rationalise production technologies by striving to improve the economic indicators, including labour productivity.

In relation to the preparation for the accession, the sector demonstrated very high investment dynamics – in 2004 its value reached as much as PLN 925 million, and between 2000 and 2006 about PLN 5 billion. These investments will to a significant extent aim at the adjustment to the Community standards.

After the dynamic period of preparation for the accession and carrying out very wide adjustment investments, the dairy sector has faced the necessity to develop production of a wide range of products, especially the highly processed products, meeting the increasing consumers' needs and investing in new and innovative technologies and marketing measures, including the production of brand products.

There is constant need for investment in modernisation of production technologies (with the delivery of the raw material) and the sale of products guaranteeing hygiene and safety of production and maintenance of the environmental protection standards.

Fruit and vegetables processing and juice production

Fruit and vegetables processing in Poland covers a very wide range of raw materials and products. In accordance with the results of the General Agricultural Census of 2002, fruit production was carried out by about 513 thousand holdings, vegetable production by 617 thousand. Between 2002 and 2004 fruit and field vegetables

constituted the average of 28% of total and 35% of commodity agricultural production.

The share of processing in the management of fruit harvesting is about 60% (as compared to 20-30% respectively in the EU), and in vegetables processing - about 30%. About 1240 entities operated in the processing trade, including about 900 micro-enterprises.

Polish fruit and vegetables processing industry exports the significant part of production (about 70-85% of frozen vegetables and fruit and about 50% of juices and nectars). It is estimated that Poland's share in the total fruit and vegetables products production (including juices) in the EU-25 is 7-8%. Balance consumption (taking into account the foreign trade balance, with the domination of export) of fruit products has in recent years been maintained on the stable level of about 8 kg/resident and has increased by about 30% as compared to 2001-2003. Therefore it is necessary to maintain and develop export.

Good competitive position of the Polish fruit and vegetables sector results, *inter alia*, from the comparatively low labour costs, which is especially important in this trade due to the large production labour-intensity. Under the conditions of expected equalisation of costs of labour it is necessary to invest in technologies ensuring productivity increase.

In relation to the increase of the income of the population and the popularisation of new eating habits, the regular increase of the fruit and vegetables consumption, including processed fruit and vegetables, is expected. Market development will be supported by further extension of the offer, creation of high quality, brand and innovative products, which requires the maintenance of high speed of investment in the industry. Investments in the fruit and vegetables processing sector should focus on the improvement of production technologies, improvement of quality and enrichment of the range of production and maintenance of the required product safety and environmental protection regimes.

It is very important to further strengthen the relationships between primary production of fruit and vegetables and the processing industry in order to harmonise demand and sale in the quantitative and qualitative terms.

The fruit and vegetables processing sector affects the improvement of the trade balance; with the maintenance of existing competitive advantages, the maintenance of its potential on the Single Market and the world markets should be aimed at. Fruit and vegetables processing significantly affects the stabilisation of primary production and farmers' income, especially under the conditions of establishing cooperation relations. It should be indicated however, that there is need for further investment in the scope of improvement of the raw material quality (purchase of specialist means

of transport that facilitate the decrease of raw material losses) and product safety and quality.

Cereal, feedstuff and starch sector

Cereal and feedstuff sector covers the production of cereal milling industry, starch industry and feed production for farm and pet animals. Poland, with population of 38 million residents, is one of the largest outlets for cereal products in Europe. Therefore, almost the whole production of cereal milling is located on the national market. CSO data provide that the market absorption capacity is estimated currently at the level of 4.6 million tonnes in meal equivalent or 5.7 million tonnes in grain. In 2000-2006 cereal milling remained at a stable level of ca. 5.7 million tonnes; while industrial milling increased systematically (from 3.2 to nearly 4 million tonnes). Individual consumption of cereal processed products remains at a stable level amounting to ca. 119 kg/resident annually. Cereal processing sector has a great impact on the situation of consumers and income of farmers, since the share of cereals in the global production of agriculture in 2003-2005 remained within the range of 18-22%, and in the global plant production 38% respectively.

The Polish cereal and milling industry is highly segmented. Ca. 1.1 thousand companies (in 2004) operated in that sector, of which 167 employ 10 or more people. Average employment amounts to ca. 10 persons per company (in the EU-25 14 persons on average). The share of that industry sector in employment and production of food industry amounts respectively to 2.2 and 2.6% (in 2005) against 2.0 and 2.9 in the EU-25 (in 2004). EUROSTAT data provide that in 2004 the average value of sales in one Polish company amounted to EUR 0.84 million, while in the EU-25 – EUR 4.0 million. Production of cereal milling products refers mainly to local markets, since export of meal, groats, grits and cereal granulate plays a marginal role, as opposed to secondary processing of cereals, which is not covered by aid under RDP.

Labour efficiency in Polish cereal processing industry is low - the average value of production per one full-time employee in Poland amounted in 2004 to ca. EUR 160 thousand, while in the EU-25 to EUR 280 thousand, i.e. 70% more. It needs to be stressed that leading companies in that sector have significant competitive advantages resulting from low labour costs and advanced technologies. Still, in the case of small and average enterprises, there are significant difficulties in adjusting the commercial offer to the needs of final recipients as regards the range and quality of products. It results mainly from obsolete technology of cereal processing, as well as incorrect quality management. It also needs to be pointed out that the level of production and trade safety assurance in the cereal and milling industry is still insufficient.

Production of starch and starch products in 2000-2006 shows particularly high growth dynamics. In 2006 it amounted to 585 thousand tonnes and was by 47% higher than in 2000. This growth resulted mainly from higher demand on the national market for starch products and improvement of profitability of the production thereof, which was caused by financial support in the sector and higher sale prices for starch products. Different phenomena were observed in the production of potato starch, which grew until 2003. In 2004, after Polish accession to the EU, the quota for the production of potato starch has been reduced by 1/3, to nearly 145 thousand tonnes, which resulted in the reduction of production that year and in subsequent years. In the Polish starch industry there are 11 companies employing 10 persons or more. In those companies in 2005 the total number of 1354 persons were employed, and the volume of production in that branch of industry on 2005 amounted to PLN 265 million. The share of starch potato industry in employment in the whole food sector amounts to ca. 0.4%, and in the sales 0.2% against 0.4 and 1.2% in EU-25 respectively. In 2001-2006 export of starch products doubled, from 67 to 130 thousand tonnes. In the same period, import of those products quadrupled from 84 to 282 thousand tonnes. The situation in the starch sector has direct impact on potato producers (area of production in 2005 amounted to 588 thousand ha) and cereal producers.

In that branch of the industry, labour efficiency is nearly 4-times lower than in the EU countries – the sector has a quite used technological base, which requires significant investment inputs. Consumption of starch products in Poland shows very high dynamics, evaluated in the last 5 years at the level of ca. 7% annually. Currently starch products' consumption amounts to ca. 17 kg/person and is by 25% lower than in the most EU countries. In the starch industry, because of high pollution loads in the production process, the issue of supporting investments in the field of environmental protection remains of key importance. The starch sector may develop due to the existing increase in demand and expected for the coming years. Investments should support the increase in competitiveness of the sector. Further increase of demand for starch is expected. Part of that demand is currently satisfied by import.

Production of industrial feed in Poland, with some fluctuations, increases in recent years at a rate of ca. 4-5% annually and amounted in 2006 to ca. 5.7 million tonnes. Feed industry significantly influences the agricultural production and its efficiency.

Increase in production of industrial feed is highly correlated with the increasing poultry production (poultry meat and eggs), which in 2006 shall be higher as compared to previous year by ca 5-6%, and against 200 by as much as 66%. Systematic increase occurs also in the production of industrial feed for cattle. It is related to the progressing in Poland change in cattle population and intensification of breeding. At the same time, production of industrial feed for pigs is now lower than

in 2000, but previous year the negative trends were reversed and in coming years the production should increase systematically. Production of feed for pet animals grows – from 141 thousand tonnes in 2000 to 235 thousand tonnes in 2006. This feed constitutes 4% of the whole feed production, but revenue from this sale reflects 20% of revenues from the whole feed industry. Labour efficiency in the national feed industry is lower than in the EU countries. In 2005 the value of sales per one employee amounted to EUR 396 thousand, against EUR 528 thousand in Germany.

Changes in agriculture (intensification and specialisation of production, concentration of herds) will stimulate the growth in demand for industrial feed at a rate of ca. 5% annually. By 2013 it is to be expected that the demand for feed will increase at a very high rate. Further reduction of farm feed in animal nutrition is also to be expected. Consumption of complete feed will also increase - in Germany, for 1 kg of meat ca. 3 kg of feed is produced, while in Poland only 1.8 kg. It means that the demand for industrial feed will increase, even more so, since in accordance with current tendencies, in 2006-2008 a reconstruction of pig and slaughter cattle is taking place gradually.

It also needs to be stressed that together with the increase in society wealth, the demand for pet food will also increase. A significant part of the current consumption in that regard (35%) is generated by imported feed.

Production of oils

The share of fats industry in the sold production of entire food sector amounts to 2.5% (EU-25 – 4.2%) and 0.8% in the employment (EU-25 – 1.3%). Dominant crop is rape. Poland comes fourth in EU-25 as regards rape oil (8% share). Rape oil production over the years 2004-2006 grew to reach around 600 thousand tonnes in 2006. The dynamic growth in rape oil production in the recent three years resulted from: very high yield of rape (from around 1.5 million tonnes in 2005 to over 1.6 million tonnes in 2004 and 2006) and development of rape export owing to the rapid rise of demand for rape oil to be processed to obtain biofuel on the German market. It should however be stressed that owing to very high domestic use, the share of Polish rape oil on the Community market has been insignificant so far.

There are six large rape oil mills, seven large refineries and a dozen of small ones, while in EU-25 there are 75 large oil mills and 170 refineries. At present the sector significantly influences the situation of agricultural producers, and following extension of biocomponent production may become an important alternative for farmers who produce cereals (rape is a very demanding plant in terms of soil and climate, and thus it will compete against other crops for land).

Over the next few years, development of the oil sector will be influenced mostly by changes of domestic market demand for vegetable fats, including an increase in the

demand for rape oil for technical purposes (for fuel). Foreign trade will continue to be characterised by high deficit, as the expected growing absorption of rape by the domestic market (owing to the developed biofuel production) will lead to low export levels, and the growing revenue obtained mainly from rapeseed meal will not balance the continually increasing expenses related to export of the produce. It is estimated that in the years 2006-2013, assuming the growing trend in diesel fuel use (from around 7.5 to ok. 10 million tonnes), Poland, in accordance with the provisions of Directive No 2003/30/EC, should add 120-700 thousand tonnes of ester to the fuel, which corresponds to a rise in demand for that quantity of rape oil or for 300-1650 thousand tonnes of rape and increase in rape cultivation area to 1 million ha. It means a possibility to use the existing area for non-food purposes and a potential rise in farmers' incomes due to the growing prices of raw materials needed for biofuel production. The necessity to replace mineral fuels with renewables results in a need to develop production of agricultural raw materials intended for energy purposes and development of processing infrastructure needed to process the raw materials.

Ethyl alcohol production

Industrial production of raw spirit (excluding agricultural distilleries) was growing continually over the years 2000-2005. In 2005, it reached around 140 million litres and was twice as high as in 2000. Results of large and medium-sized companies for ten months of 2006 indicate its further growth to around 150 million litres. Also the production of raw spirit in agricultural distilleries was growing, however not as fast. In 2000-2005, production of rectified spirit increased by half to reach around 150 million litres. In 2006, it remained at a similar level. The production of dehydrated ethyl alcohol was very volatile owing to the changes in the national excise tax policy as regards biofuels. In 2003, it was 45% higher than in 2000, and in 2004 it was decreased by over 40%. Second, over threefold, increase in the production of dehydrated ethyl alcohol to over 100 million litres took place in 2005.

Within the next few years, development of the spirit market will depend mainly on the growing demand for biofuels on the domestic market. Development of consumption and foreign trade in spirit products will be much slower.

Along with the expected downward trend in the use of petrol (from around 4.0 million tonnes in 2006 to around 3.6 million tonnes in 2013), the use and production of bioethanol, in accordance with the indicative targets specified in Directive 2003/30/EC, should rise from around 100 thousand tonnes (2006) to around 350 thousand tonnes (2013). Around 0.3 to 1 million tonnes of cereals will be necessary to produce such quantity of ethanol. In practice, crops such as: rye, potatoes, beet and maize will be used.

It is estimated that the total demand for biofuels should, in the medium run, rise to reach 1 million tonnes and be six times as high as the present production. Polish agriculture has easy-to-use bioethanol production reserves related to the surplus of cereals, import of which is unprofitable. The situation offers great opportunities for development of the non-food agricultural production sector in Poland.

Egg processing

In Poland, there is an upward trend in the production of fresh eggs, and over the period of 2000-2006 it rose by 28% to reach 560 thousand tonnes. Poland is the sixth largest producer in EU-25, and Polish share in the production amounts to around 7.5%. Import, amounting to 2% of production, plays minor role in the market supply. A little more than 10% of production is exported. Egg processing into liquid and powdered egg should be still considered as a niche sector. Per capita production of egg products is low in Poland (e.g. twice as low as in Germany).

It should however be stressed that the sector is characterised by high dynamics of growth: in 2000-2005, production of egg products (albumin-free) doubled to reach the level of 13.5 thousand tonnes.

Table 25. Egg production and processing in Poland

Specification	2000	2001	2002	2003	2004	2005	2006
Agricultural production of eggs [thousand tonnes]	436	451	499	518	521	545	560
Products of industrial egg processing [tonnes]	5,156	4,311	6,994	8,695	14 143	14 112	14 500

Source: CSO and evaluation by Institute of Agricultural and Food Economics – National Research Institute based on data for 2006.

The egg processing sector is of key importance owing to the improvement of egg products' safety, as processing eggs into liquid egg, and in particular into powder considerably extends their shelf-life. The sector also requires support with regard to investments related to environmental protection. Polish egg processing plants already have large investment needs as regards further increase of processing capacity, due to the high dynamics of demand growth characteristic of the market in egg products (secondary processing of food and export).

Honey processing

The number of bee colonies in Poland has been stable for several years and is estimated at around 1 million. The average amount of honey obtained from one hive is 15 kg, which means the production of 15 thousand tonnes per annum. In Poland, honey production is however characterised by considerable fluctuations resulting from the weather conditions. Great portion of honey production is intended for own use or sold directly to consumers, commercial production accounts for a mere 25%.

The honey that is bought in and imported undergoes confectioning and is sold by retail or subject to secondary processing. There is much prospect for the increase of honey production, as there are great chances for growth of domestic demand, and Polish apiary products are in a strong competitive position on external markets. Honey consumption per person amounts to 0.56 kg and is two times smaller than in Germany. Apiculture development is fostered by CAP, which supports beekeeping, scientific research and control of bee diseases.

Table 26. Honey production and processing in Poland

Specification	2000	2001	2002	2003	2004	2005
Agricultural production of honey (t)	11 727	10 654	11 089	15 400	9 000	16 000
Production of mead [hl]	5,769	5,853	6,216	6,182	6,782	4,467

Source: CSO and Polish Beekeepers Association

Support in the sector is required by the honey potting, confectioning and marking lines. Investments in honey packaging should i.a. be related to improvement in its attractiveness and functionality. Major problems are associated with plants being backward as regards storage and logistics, which ensure timely deliveries and quality of honey.

All the measures should be accompanied by increased publicity and marketing. Support is also required by publicity projects that stress the ecological value of Polish honey, which will enable the producers to distribute honey under their own names and get better prices than when selling under the brand names of chain supermarkets.

Processing and preserving of potatoes

The sector is of great importance for farm producers as the area under potatoes was more than 700,000 hectares in 2004. As far as potato consumption is concerned, a falling trend can be observed. Due to lower harvest and a considerable rise in prices, potato consumption fell in the 2005/2006 season to the level of 126 kg/person.

It is estimated that potato consumption will continue to drop owing to the expected decrease in the consumption of unprocessed potatoes. This decrease, however, will be compensated by an increase in the consumption of potato products. It can be illustrated on the basis of the situation in season 2005/2006, when the consumption of unprocessed potatoes fell to 112.7 kg per 1 inhabitant, i.e. by 2.5% in comparison with the previous year, while the consumption of potato products went up to 13.6 kg, i.e. by 4%. In the past years, the production of potato products went up rapidly and amounts presently to 263 thousand tonnes.

In the coming years, we may expect an increase in the production of potato products by a few percentage points annually, as both in the case of export and consumption

of these products a growing tendency can be observed. Moreover, the export and consumption of the a.m. products continues to be lower than in EU-15 countries.

Manufacture of cider, mead and fruit wines

Supporting investments in production of low-alcohol-content drinks, such as cider, perry, or mead, is justified due to the considerably big market for these products. However, the actual sale numbers will to a very large extent depend on the success of the consumption promotion activities of these products conducted on the domestic and foreign market. This concerns in particular the production of the traditional Polish product – mead. It should also be stressed that the manufacturing of products such as fruit wines or ciders may solve the problem of fruit management in Poland, especially in the period of fruit surplus. Due to the nature and quality of the product, projects concerning the production of fermented wine-based drinks and wine-product drinks will not granted support under the Programme.

Table 27. Mead production in Poland

Specification	2000	2001	2002	2003	2004	2005	2006
Mead production [hl]	5,769	5,853	6,216	6,182	6,782	4,467	6,000

Source: CSO

Processing the straw of flax and hemp

For many years Poland was a significant producer of flax and hemp, and of fabric manufactured from these resources. After a period of economic slowdown in this sector, a slight increase in the use of flax and hemp on a national scale could be observed since 1998, mainly due to a larger demand for precious linen fabrics and a search for new uses of flax and hemp fibre and waste.

The market is presently focusing on high quality textile. The spinning plants operating in Poland use ca. 10.5 thousand tonnes of flax fibre per year. Hemp fibre however is used mainly in the production of environmentally friendly insulation plates for the construction industry. It is estimated that the demand for this kind of fibre in the domestic industry amounts to 3-4 thousand tonnes/year. According to the presented data, the absorption capacity of the Polish market of flax and hemp fibre is great, though very tough quality requirements are placed on that resource. This in turn is the reason why such a big part of fibres is imported and not produced in Poland. Domestic production is insufficient and does not meet the quality requirements placed on the production of precious textiles. The increasingly tougher textile production requirements focus on precious and delicate fax fibres and allow for the production of less than 50 tex yarn. From such yarn fabrics of low basis weight are obtained. These are used mainly for the production of clothes (shirts, blouses, dresses, suits etc.) and therefore boost the economic effectiveness of linen production. However, for such production fibres of highest quality are needed - 30%

of the total domestic fibre production. The remaining fibres of lower quality are difficult to sell and usually fill the storage facilities of producers, who have to reduce the price considerably if they want to sell it.

It can be expected that up to 2008 the national demand for flax and hemp fibre will go up by 50% in comparison to 2004 mainly due to a larger demand for hemp fibre produced for technical purposes (an increase to 5,000 tonnes annually after 2006). The demand for short flax fibre will also go up (by 20%), as well as the demand for long flax fibre of the highest quality - by ca. 8%. The total demand for flax and hemp fibre can grow up to 17 thousand tonnes in 2008. A larger export is also probable, on the condition though that the quality of the Polish offer gets more competitive. There is therefore a need to improve the quality of the produced fibres as far as investments into first-stage processing of fibre plants and preparation of agricultural products for sale is concerned.

Storage and freezing of agricultural products

Despite the fact that there is a great number of food-processing establishments in Poland, only a small percentage of them has cold stores on their premises (in the meat industry there are only 70 cold stores on establishment premises, often with storage temperature in cold stores of II class, i.e. between -18 C to -22 C). The storage temperature in cold stores offered by refrigeration services are almost always of I class, i.e. between -22 to -30. Since years the meat industry uses the freezing and storage services of cold stores not only due to the insufficient own cold store facilities, but also due to the temperatures, which in their cold stores are of II class and do not allow to store meat for a longer period of time. EU integration has changed the demand for refrigeration services considerably because the Community solutions do not provide for direct intervention in the meat market. The a.m. intervention has been replaced by subsidies to private storage (including export subsidies). The decisions whether to store in private facilities are made by entrepreneurs when storing means additional profits resulting from higher prices, i.e. when the costs of storage do not exceed the amount of additional profits resulting from higher selling prices and charges for private storage.

Therefore, the refrigeration services segment for storage of frozen vegetables and fruit, mainly strawberries, and refrigeration services segment supplying storage services provided for a consideration for production entities and frozen food trade is gaining importance.

Production companies with good export contracts commission refrigeration companies based close to resources to acquire these resources and to freeze and store them up to the moment they are exported or supplied to the customer. Transport over long distance of fragile resources, e.g. strawberries, raspberries, peas, which go bad easily, is unprofitable from the point of view of quality.

Frozen food belongs to a category of functional and comfortable food. Moreover, frozen food has a high income elasticity of demand and this in turn means big development opportunities of storage services for such products. What is also important for entities supplying refrigeration services, is the fact that the production of various type of frozen food is very concentrated. The distribution of frozen food therefore requires the creation of distribution and logistics centres, or dealers networks, in the largest consumption centres due to the nature of the production. The distribution and logistics centres have to be organised in refrigeration facilities as, in order to maintain product quality, the refrigeration chain continuity must be ensured. To such distribution centres big batches are delivered. After a short period of storing them, new batches are completed and delivered to the scattered commercial network. It should be stressed that the present refrigeration infrastructure is old and highly energy-intensive and hence great needs as far as modernisation of machines and devices used in this sector are concerned.

Wholesale of agricultural products

Modern organisation of wholesale trade is an indispensable condition for a growing importance of Polish agricultural products on foreign markets. Better organisation towards a larger concentration of supply and an appropriate preparation of products for sale - mainly in large surface stores, is also needed on the domestic market. A growing importance of a professional wholesale trade, equipped with modern device for storing, sorting and packing fruit, vegetables and potatoes, also leads to compliance of these products with Community trade quality standards.

Projects proposed by producer groups and organisations, set up according to EU legislation concerning the management of fresh fruit and vegetables, should be given priority. However, under the RDP appropriate provisions, concerning different scope of support for the Programme measures and CAP support instruments, have been introduced to rule out the possibility to finance an individual operation from more than one source.

In the coming years the investment needs will exceed the past investment value in the sector. The wholesale trade infrastructure is the weakest links in the food chain. The investments creating conditions for the development of wholesale trade, including also wholesale markets, improve production quality and agricultural products marketing safety, and require the standardization of agricultural products. Thanks to the registration system of prices and turnover, the transparency and predictability of markets is increasing.

Agricultural producer groups

Producer organisations play an important role in the improvement of the competitiveness of agricultural holdings. Up to the first half of 2006, 124 agricultural producer groups were entered into the registers of competent Voivods/Marshals - 22 of them from the "fruit and vegetable" sector. Both the increase in the number of the groups and of their market-oriented production may be observed.

Agricultural producer groups are being set up in Poland since 2001. Due to the producers' interest in organizing themselves in order to undertake common activities on the market, on 21 November 2000 an act on agricultural producers and their associations came into force. It amends other acts and constitutes a legal framework for establishing groups. Between 2001 and 2004 (by 30 April 2004) 73 groups were entered into the agricultural producer group registers kept by voivods. For the following five years of their activity, those groups received/still receive financial aid from the state budget, which was/is intended for the establishment of and support for administrative activity. The aid for agricultural producer groups was included in the Rural Development Programme for 2004—2006. Since the launching of the Programme, the number of agricultural producer groups has increased significantly.

Between 1 May 2004 and the end of 2006, 95 agricultural producer groups were established, primarily in the following sectors: pigs, cereal grain, cereal grain and oilseeds, oilseeds, tobacco, poultry, milk and birds' eggs. Irrespective of the aid granted for producer groups' administrative activity under RDP 2004-2006, action was undertaken at national level in order to encourage agricultural producers to organize themselves into agricultural producer groups. Since 1 January 2007 these groups have been exempted from property tax in reference to buildings and structures occupied by agricultural producer groups and used solely for carrying out activities related to the selling of products or groups of products manufactured in the agricultural holdings of the members of a producer group, according to its constituent instrument. Agricultural producer groups are also exempted from income tax related to the amount expended in the tax year or in the year following the tax year on means of production handed over to the members of a producer group and on the training of these members. The above-mentioned exemptions result from the latest amendment of 15 September 2000 to the Act on agricultural producer groups and their unions and amending other acts.

Fruit and vegetable producer groups established after 1 May 2004 were not granted support under RDP 2004-2006, but received financial aid for covering costs connected with the establishment and the administrative activity of a producer group in accordance to appropriate Council regulations (EC).

As part of the RDP Technical Assistance, numerous training courses, workshops and seminars were organised at voivodeship, poviast and gmina level. Moreover,

conferences on the establishment and activities of agricultural producer groups were held all around Poland. Representatives of numerous sectors and all parties interested in those issues had the opportunity to get information on the conditions of establishing a group and receiving financial aid from the RDP 2004 – 2006 resources.

The organisation of Polish producers into agricultural producer groups is becoming more and more common. However, despite the previous forms of support and promotion of establishing agricultural producer groups, the number of them is still small (between 0.01% to 2% of producers across different sectors are members). Therefore, there is a clear need for the continuation of information, promotional and financial support activities for agricultural producer groups.

Potential related to innovation and transfer of knowledge

Implementation of innovations and transfer of knowledge are becoming more and more important to the future of the agricultural, forestry and food sectors in Europe. The introduction of new products, processes and technologies could significantly improve the efficiency of micro- and small - in particular - but also medium-sized processing, forest and agricultural enterprises. Particularly, new forms of co-operation, especially financial support, could improve access to research results, the know-how transfer, innovations and much more effective use of solutions achieved under EU framework programmes. Scientific support for the policy towards agricultural, forestry and food sectors, including the implementation of innovative processes and the effective increasing of the value added of products and services provided in these sectors, involves the need for active participation of academic circles and a new approach to the conditions of implementing scientific solutions. Provided that they actively draw on the newest scientific achievements and innovations, those sectors can both meet consumers' expectations and participate in the development of the European Economic Area.

The European Union introduces changes into the Common Agricultural Policy. They are a response to the evolution of the European Union consumers and taxpayers' expectations related to the social functions of agriculture in the area of environmentally friendly agricultural production methods respecting food safety and animals' welfare. More and more often, agricultural policy takes into account the issues of scientific support for all the segments of the agri-food sector, innovative processes, diversification and the creation of value added.

Keeping in mind the previous actions of the European Commission, it is justified to take appropriate decisions to support the activity and co-operation between the research and development base and the agri-food and forestry sector under the national competitiveness and innovation support scheme.

Apart from the coherence with the European Commission's activities, an argument for undertaking action for the establishment of a support scheme for the transfer of

innovative technology as well as new products and processes within the agricultural, forestry and food sectors is the forecast for the development of those sectors which shows that there are serious organisational and economic barriers. Despite the lower production costs, Polish products are very often not competitive enough on the international market. One of the reasons is our producers' difficulties in satisfying market standards such as quality certificates, full product traceability or standardisation of large batches of fruit and vegetables. Moreover, marketing and logistics are very poorly developed. Furthermore, the World Trade Organisation makes recommendations on prices and the conditions for support in the agri-food sector more and more frequently. Considering this situation on the world markets, an essential condition for further development of agriculture, forestry and agri-food processing in Poland is the development and implementation of innovative technologies reducing the production costs and raising quality as well as the implementation of modern management, marketing and logistics systems. The accomplishment of these tasks will require close co-operation and efficient information transfer between the entrepreneurs and the research-developmental base.

The level of co-operation between the industrial sector and potential innovative technology providers is relatively low in Poland. Both in 2005 and 2006, the expenditure on innovative activities in enterprises remained at the level of ca. 21.5% and it was much lower than the EU15 average of 56%. Apart from the low level of innovativeness of small and medium-sized enterprises compared to the EU countries, a typical feature of Poland is a smaller number of innovative enterprises in the private sector (37.8%) than in the public sector (47.6%).

The structure of outlays for innovation activity in 2004 indicates that technological progress was made mainly due to the modernization of the machine fleet – less than 60% of all investments were spent on the purchase of machines and devices. When it comes to research-developmental activities, enterprises expended slightly over 7.5% of their investment resources on them and as for the purchase of ready-made technologies in the form of documentation and rights, around 3% of the investment resources were allocated for it. A prevailing element in the structure of the expenditure on innovative activities in enterprises is the investment expenditure on fixed assets related to the introduced innovations (59.8%). Such an expenditure structure means that innovative activities consist mainly in purchasing the so-called material technology, which is reasonable in a situation when it is necessary to reduce the technological gaps. The main source of financing the innovative activities in industry, both in the private and public sector, was own resources of the enterprises. In countries with a high level of industry innovativeness, most of the resources come from external sources.

A fundamental barrier that Polish crop producers and processing plants encounter when implementing innovative technologies and raising the quality and competitiveness of products is, apart from the lack of resources for research-developmental works, the limited access to information essential for making reasonable decisions on developmental and investment issues.

This organisational state of the agricultural and food sectors as well as similar relations within the structure of the forestry sector indicate that without the use of system support for the procedures for implementing research results into economic practice it will be difficult to increase value added, which is the dominant factor in the development of every economic enterprise. It is becoming indispensable to introduce new solutions which enable the implementation of engineering, technological and organisational innovations into business activities, by linking them with science.

Quality and compliance with EU norms

Export dynamics of Polish products and great interest concerning Polish agri-food products in the EU show the competitiveness of Polish companies on the markets and high quality requirements. High quality of Polish food and the quality certificates and quality marks, which confirm the unique features of the Polish food products, as well as the use of production opportunities and potential of the agricultural processing establishments will provide optimal conditions for their development on the national and European market of food products.

Guarantee of safety of food produced by the Polish agri-food industry is another problem which requires adjustment to the European Union standards. The majority of large production and processing establishments in Poland are prepared for competition in the common market. These establishments developed and implemented the procedures of internal control (Quality Management System, HACCP, Good Manufacturing Practice and Good Hygiene Practice) and the restructuring and modernizing processes will ensure appropriate production quality.

However, information and educational actions on the binding regulations and rules in the EU Single Market among business operators are still necessary (mainly among the small and medium-size companies). Many business operators do not know the new national and EU provisions, and this results in lower quality of their products and ability to compete in the common market. Shortages are visible in respect of e.g. product marking, lack of appropriate equipment and training for specialists in a given field.

The desire to improve production competitiveness implied introduction of additional guarantees of quality such as voluntary quality systems by the agri-food processing establishments. Therefore, support for further modernization should be provided for

these establishments which give hope to meet the standards of the European Union and to carry out profitable activity on the Single Market of the European Union.

Despite numerous investments, the Polish agri-food industry is insufficiently adjusted to EU requirements regarding the environmental protection. Depending on the industry, wastes in agri-food industry (including waste water sludge) range from 3 to 90% of the raw material. The largest amounts of waste are produced in the meat, potato and sugar processing sectors. Large quantities of waste and technological underinvestment create problems with waste treatment in the medium and smaller meat processing establishments, since it requires appropriate management of post-slaughter waste and construction of waste treatment or pre-treatment plants.

There is a growing interest in high quality production, such as regional products, organic products and integrated farming products, in Poland. There is a huge potential for development of these market niches because of environmental conditions, surplus of labour and cultural factors. Increasing needs are visible in this regard due to high requirements of the consumers and the need to ensure high, measurable quality standards.

Traditional products

Due to its regional differentiation, history, influences and infiltration of cultures of neighbouring countries, Poland has a very rich culinary heritage. Its diversity is also influenced by the preservation of customs and regional ceremonies and is reflected in a very large number of regional or traditional products. The products are characterized by special quality features and unique methods of preparation and production and thus contribute to a greater variety of Polish cuisine. Owing to the special character of those products and the preservation of unchanged formulas, the regions become more attractive for tourists.

The system of registration and protection of the names of such products has existed in the European Union since 1992. Under the system the assumptions of the EU high quality food policy are implemented. Among the objectives of the introduced system covers protection against unfair competition, promotion of quality and providing consumers with information about unique products. The registration system is based on the following three instruments: Protected Designation of Origin, Protected Geographical Indication and Traditional Specialty Guaranteed. The rules of protection, registration and control of those products at the domestic level are regulated by the provisions of the Act of 17 December 2004 on registration and protection of names and indications of agriculture products and foodstuffs and on traditional products.

The effective use of this system provides an opportunity for the domestic producers to emphasize exceptionality and uniqueness of their products. The high potential of this market in Poland is demonstrated by the fact that over 700 products from

different regions of the country were submitted to the „Our culinary heritage“ competition. The identification process of the products still continues and the applications for registration in the European system are prepared and submitted. The appropriate use of opportunities created by the system of the EU indications will allow to emphasize more strongly the presence of Polish products on the Community market.

Moreover, the protection and promotion system of regional and traditional products is one of the most important factors that influence the sustainable development of rural areas and the implementation of the objectives of the 2nd pillar of the common agricultural policy. It contributes to the diversification of employment in rural areas by creating non-agricultural sources of maintenance and thus increasing agricultural producers' income. This in turn is of great importance, especially in remote areas or in less-favoured areas (LFA), as it prevents depopulation in these areas. The protection and promotion system of regional and traditional products also contributes to the protection of the cultural heritage of rural areas. As a result of this, these areas become more attractive to tourists and farm tourism and tourism in rural areas is developing.

Integrated production

The integrated production is a system which consists in that the producer grows plants using sustainable technical and biological progress in farming, plant protection and fertilization, with particular focus on the environmental protection and human health. The development of integrated production in Poland is an important factor influencing the environmental protection and safe food production as well as raising agricultural and ecological awareness of agricultural producers.

The conditions for conducting integrated agricultural production in Poland were regulated by the introduced Act on plant protection, which governed the conditions for conducting agricultural production under this scheme. While implementing the tasks imposed by the above-mentioned Act, the State Plant Health and Seed Inspection began to implement and supervise the integrated production in 2004.

In 2006, 4155 crops were submitted to the Integrated Production scheme. This proves that some producers declared themselves to cultivate more than one plant species under the Integrated Production scheme. The number of crops submitted in 2006 fell by 44.3%. The submitted cultivation area to the IP scheme at the end of December 2006 was 20,428 hectares - 89.5% of that area was intended for fruit growing. Comparing with year 2005, the total cultivation area submitted to the IP scheme was smaller by 31.5%. 1,891 certificates were issued in total – 1,058 to apple producers, which amounts to 56% of issued certificates. In the analysed period of time, the number of issue certificates went up by 21.5% 1717 certificates in total were issued to fruit producers (90.,8%) and 160 to vegetable producers (8.5%).

The development of the integrated production is the basis of farming in the EU. Therefore, the measures intended to encourage the producers to undertake activities to implement this method of farming are most appropriate. In addition, the integrated production facilitates the sale of good quality certified agricultural products on the Polish and Community markets.

Keeping in mind the above mentioned issues, it should be added that the participation of farmers in the system of protected designations of origin, protected geographical indications or traditional specialties guaranteed and integrated production makes it possible to obtain higher income, and at the same time to guarantee the protection of national heritage and to care of the impact on the environment of the whole process. Manufacturing of products covered with the above mentioned systems enables change of manner of competition - instead of large number of homogeneous products the high quality products are manufactured. Cooperation of the producers covered with the food quality systems contributes to increase of economic capability of the entities on the market. At the same time, effective implementation of these guidelines means that consumers are able to pay more for products manufactured under these systems. Recognisability level for products included in the supported food quality schemes is low, which, at present, limits the possibility to obtain higher income by their producers. It is therefore vital to introduce appropriate instruments in this area. The aid is to cover the higher production costs (arising from r.g. additional control) until the costs are reflected in higher price of the products on the market.

In addition, also promotion and information activities are very important as they will allow the consumers' to get to know these products better and focus their attention on the specific features of the high quality products. Reaching and informing the consumer aims to increase the demand for these products. This should have a stimulating effect on the demand and should facilitate product sale on the one hand, and encourage producers to undertake high quality food production on the other.

3.1.3. Environment and land management

Problems faced by the farms in the areas at risk of abandonment and marginalization

A significant difficulty for farmers is posed by unfavourable natural conditions for agricultural production, such as large proportion of weak and acidified soil, low precipitation and short growing season. As a result, Polish farmers need to engage their knowledge, effort and means to a larger extent than farmers in other parts of Europe. All of them are objective obstacles to the development of the agricultural

sector and rural areas. Therefore, the less favoured areas include a large share of farmland in Poland (over 56%) (Table 28).

Table 28. Share of less favoured areas in the Republic of Poland as compared with the total farmland area

Type of area	Area of agricultural land	
	(thousand ha)	(%)
Mountain LFA	197.77	1.21
Lowland LFA	8,541.38	52.31
LFA with specific difficulties	489.14	3.00
LFA total	9,228.29	56.52
Outside LFA	7,099.11	43.48
The whole country	16,327.40	100.00

The map on Figure 10 shows the distribution of LFA. A detailed list of LFA is enclosed in Annex 1 to the Programme.

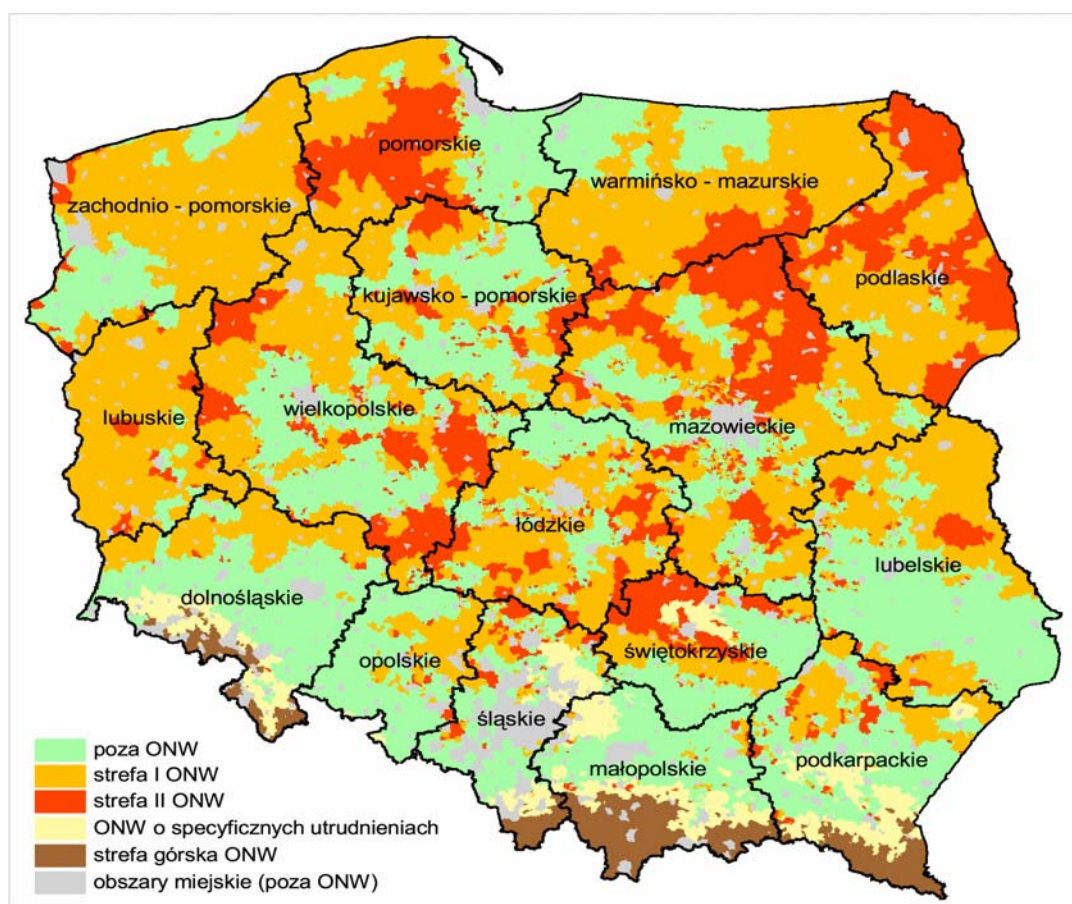


Figure 10. Less favoured areas (LFA)

The natural and soil conditions in Poland are worse than average soil conditions in the EU. It is associated with strong impact of subsequent glaciations which covered the majority of the country area with light soils over a sandy permeable deposits, which in spite of costly agrotechnical operations do not allow to cultivate the same types of plants as in the other EU Member States and to obtain comparable yields.

This situation is also an effect of climatic conditions (lower temperatures, shorter vegetation period and less rainfall).

In order to compare the quality of agricultural land in Poland with the European average quality, the Soil Geographical Database of Europe to 1:1,000,000 (its development is coordinated by the EU Community Research Centre in Ispra, Italy) was used. The evaluation of the European soils with regard to their texture, based on the indicators adopted for Poland, shows that the soils in the Western Europe have 25% better quality than Polish soils.

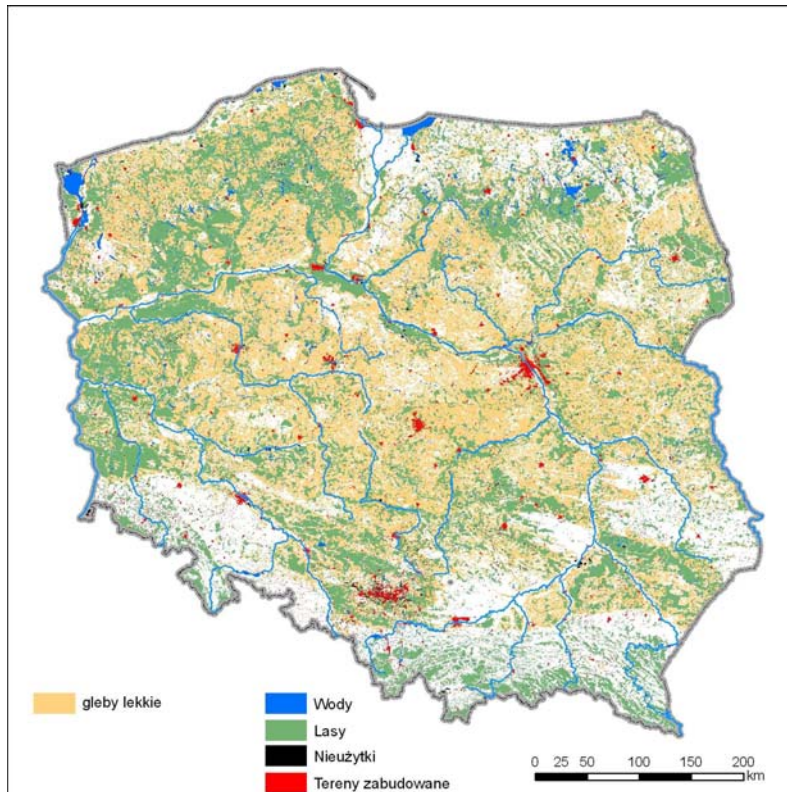


Figure 11. Light soils in Poland

Source: IUNG Puławy

On the average, the share of light soils in the total area is two times larger in Poland than in Europe (Table 29).

Table 29. Percentage of light soils in Europe

Country	% of the area
Austria	16.75
Belgium	22.78
Denmark	60.05
Finland	66.42
France	13.92
Greece	13.35
Spain	10.00
The Netherlands	44.27
Ireland	0.37
Luxembourg	17.23
Germany	27.78
Portugal	34.71
Sweden	3.39
Great Britain	11.83
Italy	20.53
EU-15 on average	31.8
Poland	60.8

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

Because light soils are coarse-grained, water retention is low, so that with low amount of precipitation, this adversely affects water-soil relations during the growing period, particularly across the Polish Lowland, where water deficits may amount to 250 mm in the growing season.

It should be emphasized that spatial distribution of coarse-grain (sandy) soils in the neighbouring countries, mainly in the eastern parts of Germany and in Lithuania, is similar to their distribution in Poland and is a logical consequence of the last three glaciations. Therefore, it is evident and not contested by any scientific experts that the soil quality in Poland (as well as in the neighbouring areas) does not reach 80% of the European average.

Considerable differences between Poland and other countries are better reflected by the data presented in Table 30. It should be noted that light soils are mainly represented by sandy soils in Poland, while in the countries such as Denmark the loamy soils prevail in this group.

Table 30. Comparison of soil graining in Poland and across the Europe

Soil categories according to FAO	Share of soils, %	
	Europe	Poland
Light (colloidal particles<18%; sand >65%)	31.8	60.8
Medium (<18% colloidal particles<35%; sand<65%)	40.2	38.1
Medium heavy colloidal particles<35%; sand>15%)	13.0	1.1
Heavy (35%<colloidal particles<60%)	13.5	-
Very heavy (60%<colloidal particles)	1.3	-

Source: Wösten, 1999, Pondel et al, 1979

Similarly to soil structure, the climatic conditions determined according to the amount of precipitation throughout a year and duration of the vegetation period are definitely worse than in the majority of Western Europe countries (Table 31).

The climatic data provided for Europe by IPCC (Intergovernmental Panel for Climate Change) in the form of a 0.5 x 0.5° resolution grid, were used to estimate Net Primary Production (NPP) on the basis of commonly recognized Chikugo and Miami model (Table 32). Primary production data generated by means of the above mentioned model for Europe distinctly show considerable difference between Poland and other countries, such as France, Great Britain, Ireland, Portugal, western regions of Germany, and even Italy – the production potential reduced by the climatic conditions is 25% - 35% lower in Poland as compared with the these countries.

A comparison of climate-dependent net productivity in Poland with the European average, irrespective of the adopted methodology, clearly shows that climatic conditions in Poland are worse by almost 20% than in the EU-15 countries.

Net productivity estimated for Poland is similar to that of Spain, where 74% of the country territory was classified as LFA.

Table 31. Distribution of annual precipitations in Europe

Country	Average precipitation (mm)	% of the area with precipitation level of:				
		< 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
The 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
Greece	658	22.4	47	21.9	5.4	3.2
Spain	630	52.4	24	6.3	7	10.3
The Netherlands	770	0	0.4	98.7	0.9	0
Ireland	1101	0	0	9.6	23.3	67.1
Lithuania	651	0	80.7	19.3	0	0
Latvia	639	0	91.3	8.7	0	0
Germany	706	11.7	39.1	38.6	6.7	4
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
Hungary	577	41.4	52.6	6	0	0
Great Britain	1162	0.2	18.3	18.5	11.7	51.3
Italy	931	5.5	18.4	35.2	11.6	29.3

Source: Data interpolated IUNG Puławy on the basis of IPCC data.

Table 32. Yield potential estimate (t/ha/year) calculated for the European countries on the basis of the Miami model (Lieth 1975) and Chikugo model (Uchijima, Seino 1985), as compared to Poland (EU-15 = 100%)

Country	Miami model	In comparison with EU=100%	Chikugo model	In comparison with EU=100%
Austria	10.1	89	7.7	82
Belgium	12.6	110	10.1	108
The Czech Republic	10.3	91	8.2	87
Denmark	10.9	97	8.6	91
France	12	108	10.3	109
Greece	10.4	92	9.6	102
Spain	9.7	86	8.3	88
The Netherlands	11.9	104	9.7	103
Ireland	13.1	115	10.3	110
Lithuania	10.2	90	7.6	80
Latvia	10.1	89	7.2	76
Germany	10.8	95	8.8	94
Poland	9.6	85	8.0	85
Portugal	12.4	109	11.5	122
Slovakia	10.4	92	8.2	88
Great Britain	11.7	103	9.4	100
Italy	11.5	101	9.9	106
UE-15 average	11.21	100	9.4	100

Worse agricultural production conditions are reflected by yields, which may be analyzed on the basis of reference yields adopted in the particular countries. Only in Finland (2.82 t/ha), Portugal (2,9 t/ha) and Spain (2.69 t/ha), the reference yields were adopted at the level similar to that of Poland (3.0 t/ha). In other countries the reference yields reflecting the average yields for a given area were adopted at a significantly higher level (from 3.9 t/ha in Italy to 6.6 in the Netherlands or 6.88 in German Schleswig-Holstein region).

The adopted height above sea level is another criterion used to define mountain areas. In order to delimit the less favoured mountain areas Poland suggested a boundary value of 500 m above sea level. It should be emphasized that the climatic conditions in those areas are worse than conditions at the same altitude in the Alps because of the location of the Polish mountains (to the north of central Europe) and prevailing northern slopes. The mountain valleys of the Western Carpathians are generally very narrow (as opposed to the southern part of the Slovak Carpathians) and temperatures below zero, which persist for a long time in these valleys, has an adverse effect on yielding. Furthermore, it should be mentioned that considerably undulated Polish side of the mountain ranges (the Tatra, the Sudety) makes soil cultivation difficult and fosters soil erosion on the sloping areas.

The inhabitants of these areas happen to abandon farming and to seek income sources elsewhere because of less favourable farming conditions and poor yields. Thus, abandonment of farming, farmland fallowing and migration result in degradation of the rural area landscape and waning of valuable habitats of numerous animal and plant species.

Therefore, the financial support under the measure 'Support for formers in mountainous areas and other less favored areas (LFA)' is intended to ensure continuity of land farming and, by the same, to keep the rural areas viable so as to prevent depopulation of the rural areas classified as mountainous region as well as that of other less favoured areas, and to protect such areas against the loss of their agricultural character and the associated social, economic and environmental consequences. LFA payments are a compensation for incurred costs and lost income as a result of farming in these areas.

Biodiversity in rural areas

Poland's biodiversity is one of the most abundant in Europe. This abundance is favoured by both favourable natural conditions and a unique (as compared with other European countries) nature of anthropogenic impact (unevenly distributed industry and urban areas, traditional extensive farming still existing on large areas, and the large permanent historical forests). This situation considerably differs in particular regions. In the eastern and southeastern regions of Poland the farm structure is fragmented and the nature is well well-preserved. Traditional farming methods in these areas have allowed preserving valuable agricultural landscapes of high bio- and genetic resources diversity in the form of primitive crops and farm animal breeds.

A differentiated topographic profile, diversity of soil and climatic conditions make Poland a country of highly diversified natural habitats and landscapes. There are about 485 types of plant associations, which include 56 forest communities (17 of them classified as habitats of priority importance for the EU); almost half of them is associated with agricultural areas.

The sustainable forest management promoted from the very beginning of the nineties favours the growth of healthy and resistant tree stands. The forests which are now planted have multispecies and multilayered structure. It is an assumed attempt to reconstruct a natural forest. Furthermore, connection of minor scattered forest complexes by means of ecological corridors created using afforestation processes favours migration of valuable forest animal species and exchange of genes, which is important from the point of view of these species and which ensures genetic diversity which in turn improves the resistance of the species to the changes which their habitats undergo. This approach to the forest management has been

reflected in the implemented objectives of the measure "Afforestation of agricultural and non-agricultural land".

According to the National strategy for protection and restrained use of biodiversity and the relevant action plan (2003) there are about 45 types of plant assemblages used as meadows and pastures in Poland. 90% of these habitats are situated in lowlands, mainly in the depressions and river valleys. Half of them retained semi-natural features (10.5% of agricultural land). Bog and peat habitats, as well as extensively utilised meadows and pastures situated in natural river valleys, patches of bushes in agricultural fields, mountain and xerothermic grasses with many endemic plant species have retained their natural and semi-natural character. The environmental values of these areas are at risk caused by intensification of farm production, grass burning and abandonment of grassland of low feeding value following the livestock headage reduction.

The existing traditional extensive farming has helped preserve local crop species and livestock breeds to our times. The regions where old crop species are cultivated lie mainly in the Southern Poland (mountainous region). Poor practical use of crops presents a risk for their genetic resources. Recently, a decrease in sale of certified seed (by about 30%) and simplification of crop rotation have been noted.

Poland has considerable genetic resources of livestock. They include 215 native livestock breeds. In 2000 the Minister of Agriculture and Rural Development approved the implementation of breeding programmes which are intended to protect genetic resources of the most valuable livestock populations facing extinction. Overall, the protection programmes covered 75 breeds, varieties, stocks and lines from 14 livestock species, including cattle, horses, pigs, sheep, laying hens, ducks, geese, foxes, ferrets, chinchillas, bees and farmed fish (trout and carp).

The native breeds are particularly useful for extensive production system combined with extensive grazing so that semi-natural areas poor in feed resources may be effectively developed.

The "environmental awareness" among the Polish citizens is rising. Actions for natural environment protection are undertaken more and more frequently. The cultural and natural diversity of Polish rural areas can be regarded as a special value worthy of preservation and care.

In Poland high nature-value areas for agriculture/forestry are not defined because of the lack of a clear and coherent definition of the areas which are to be considered as such. In Poland, various types of protected areas have been defined. They cover agricultural and forest areas, i.e. nature reservations, national parks, landscape parks, protected landscape areas, Natura 2000 network areas, natural and landscape complexes and ecological areas. The high natural value area (HNV) indicator will be based on the existing and already delineated protected areas.

Forms of nature protection.

The majority of valuable natural areas and objects are protected as 23 national parks [covering the area of 317,233.8 ha], 1,395 nature reserves (covering 165,244.7 ha), landscape parks (covering 2,516,855.7 ha) and 449 protected landscape areas (7,044,459.7 ha). Apart from these basic forms of nature protection, ecological areas, documentary stations, natural and landscape complexes as well as natural monuments are designated in Poland. The protected nature area covers 32,5% of the country (2006 CSO data).

Certain areas have international status for their high natural value: Białowiecki National Park has been placed on the World Heritage List and 9 areas have been acknowledged as World Biosphere reserves (the following national parks: Babiogórski, Białowiecki, Bieszczadzki, Kampinoski, Karkonoski, Słowiński, Tatrzański, Łuknajno Lake Reserve and „Polesie Zachodnie” [Western Polesie]), 8 areas have been placed on the list of Ramsar Convention on Wetlands (nature reserves: Łuknajno, Karaś, Oświn, Świdwie, Słońsk – now within the « Warta Mouth » National Park, Milickie Ponds and two National Parks, namely: Biebrzański and Słowiński). There are also 4 cross-border Biosphere Reserves (Polish-Byelorussian Biosphere Reserve of Białowieża Forest, Polish-Ukrainian-Slovakian Eastern Carpathians Biosphere Reserve, Polish-Slovakian Biosphere Reserve of Tatra Mountains and Polish-Czech Biosphere Reserve of Karkonosze Mountains).

Many areas of high nature value are located on agricultural land. In 2005, agricultural land amounted to 12% of national parks area. Landscape parks include 120 sites, i.e. 8.33% of country area; the most numerous group of landscape parks (16) is found in Lubelskie voivodship. These natural areas of high value cover 34.78% (905,496.2 ha) of Poland's agricultural land. At the same time, the highest percentage of agricultural land in the area of landscape parks occurs in Kujawsko-Pomorskie (50.54%) and Wielkopolskie (52.23%) voivodships. As regards 449 protected landscape areas, 65 of them are situated in the Warmińsko-Mazurskie voivodship. These areas of highly differentiated ecosystems, which are protected for their specific landscape features, cover 2,833,865.2 ha of the Polish agricultural land.

NATURA 2000 Network

Pursuant to the EU directives: Bird (Council Directive 79/409/EEC) and Habitat Directive (Council Directive 92/43/EEC), Poland is obliged to establish the European Ecological Network NATURA 2000 on its territory in order to protect 76 types of natural habitats, 267 birds species and 46 species of plants and 88 species of animals other than birds.

NATURA 2000 network is now at the implementation stage in Poland. These areas cover 15.45% (4,194,457 ha) of country land area. Natura 2000 areas are composed of 54.72% of forests (2,293,079 ha) including National Treasury forests – 49%,

municipal forests – 0.27% and private forests - 5.40%), 19.26% of agricultural land (807,724,09 ha) including 17.34% of arable land and 19.24% of grasslands (806,996.6 ha). Implementation of the measure aimed originally at private forest owners under RDP 2007-2013 would be costly generate high costs of implementation and maintenance incommensurable with the obtained natural results. Nature conservation in state-owned forests is implemented on the basis of provisions of the Forest Act. Each forest district office has to design 10-year forest management plans with the nature conservation programme as an integral part.

For the forests which are not owned by the State Treasury simplified forest management plans are prepared and their implementation for each forest complex is ordered by the locally competent Head of Poviast (Starosta); where the forest complex does not exceed 10 ha its management is decided about by the Starosta decision. The provisions of the Forest Act result lay down the rules addressing nature conservation in such forest complexes and result in similar requirements in respect of the plan or decisions implementation.

Forest located within the most valuable habitats are also protected on the basis of nature conservation regulations, which allow to implement of protection forms proportionate to the value of protected habitats (national parks, landscape parks, nature reserves), for which the protection plans are developed (Article 20 of the Environmental Protection Act); if the protection plan expires, one-year protection tasks are carried out until the new plan is developed. According to Article 22 of the Act the protection tasks are adopted by way of an ordinance of the Minister of the Environment in the case of national park or a Voivode directive in the case of landscape park and nature reserve. Furthermore, for each Natura 2000 area a protection plan should be developed within 5 years from the date of this area designation. The protection plan should include, inter alia, a list of protection task as well as a description and evaluation of potential risks.

The map with NATURA 2000 areas is enclosed with Annex 2 to the Programme.

By 30 May 2007 the Polish Government officially notified the Commission of the following:

- Package 107: Special areas of bird special protection areas (SPAs) which now cover 11.8% of the country area; and
- Package 286: Special areas of habitat conservation (SACs) - about 5.1% of the country area.

In total, the government list includes 393 NATURA 2000 areas, i.e. about 13.5% of the country area.

It is expected that the NATURA 2000 network may ultimately cover even around 17% of Poland, with the agricultural land of about 2 million ha and forests of about 3

million ha. Poland shall submit further areas to NATURA 2000 network, according to the schedule. The negotiations with the European Commission on the ultimate extent of NATURA 2000 network will terminate in 2008.

As far as the management of NATURA 2000 areas is concerned, Poland has neither management plans for these areas nor other obligatory protection instruments. Pursuant to the national legislation on nature protection issues, the management plans for NATURA 2000 areas are drawn by the managing body, i.e. by the Voivode in the case of land ecosystems. According to the information delivered by the Ministry of Environment the Voivodes have undertaken actions in this respect. Besides, since 2006 a project PL04/IB/EN/03 "Development of renaturalisation plans for nature and species habitats within NATURA 2000 areas and management plans for selected species covered by the Birds Directive and Habitats Directive" is implemented under Transition Facility. Preparation of such plans is the first step towards establishment of legally authorized NATURA 2000 area protection plans.

Changes in the of population index of the birds characteristic for agricultural landscape (*Farmland bird index*) over the period 2000 – 2004 show slow adverse changes in the biodiversity resources. Abandonment of habitats which are of marginal importance for agriculture, simplification of landscape structure or excessive intensification of agricultural production threaten the biodiversity of rural areas.

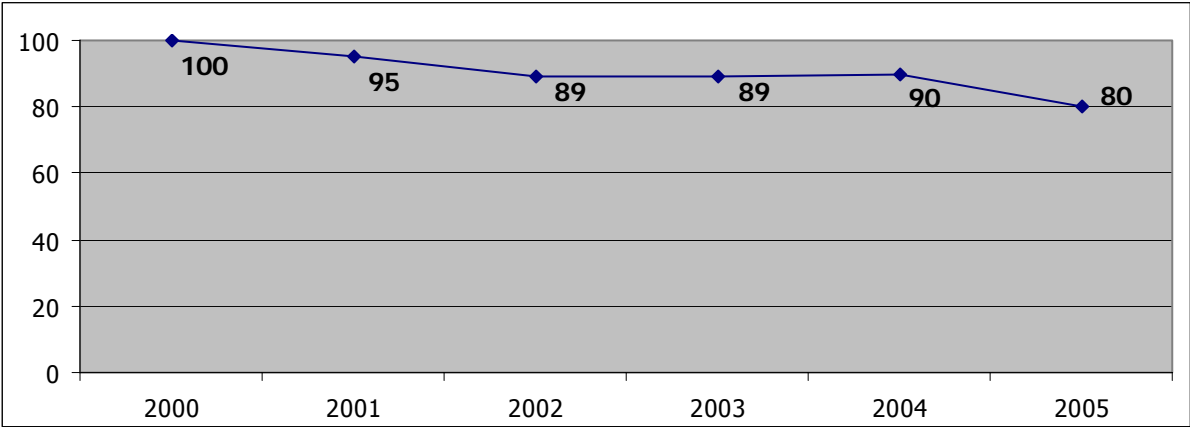


Figure 12. Fall in population of the birds characteristic of farmland areas (*Farmland bird index*) in 2000-2004³¹

Source: *Monitoring of common breeding birds, Polish Society for the Protection of Birds*

Sustainable agricultural use of farmland, grassland in particular, is needed in order to preserve natural habitats and flora and fauna habitats. Such farming allows to protect these habitats from tree and shrub succession which undermines the sustainability of their natural values. Therefore, the problem of biodiversity protection in the Polish rural areas does not consist in the expansion of agricultural production

³¹ Change of the index of the population of birds specific for farmland (referred to 2000 = 100)

and reconstruction of degraded habitats, but in maintaining the preserved areas in good condition and avoiding the environmental impact of intensification.

Fragmentation of farmland, which contributes to the mosaic structure of natural habitats, is favourable for the preservation of numerous species, especially birds and mammals.

The risks caused by farming are among the basic risks for the protected species and designated areas. The main risks include the those involving the use of chemicals in agriculture and intensification of agricultural production. Large monocultures may also give rise to certain problems.

Water condition and water management

Poland is considered to be a country poor in water resources. The volume of surface water resources varies both annually and multi-annually. 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 are often hit by intensive rainfall.

The index of water availability for population and national economy, expressed as a quotient of average annual discharge and number of inhabitants, is around 1,300 m³/inhabitant/year (as compared with an average of about 4,500 m³/inhabitant in Europe). Low capacity of storage reservoirs leads to the fact that they retain only 6% of annual discharge.

The quality classification of surface and ground waters (CSO, 2005) shows that water of III and IV quality classes prevail (1,193 in 1,566 measurement points), with very little class II water and no class I water. Lake water purity is much higher (CSO, 2005), as 61.7% of lakes have II class of water purity, and only 6.9% has unclassified . The quality of surface and ground water should improve constantly in connection with activities undertaken to limit pollution, i.a., from agricultural sources, and to improve sanitation of rural areas.

The quality of shallow ground waters, which absorb a considerable amount of pollutants, including widespread pollution of agricultural, livestock breeding, horticultural and municipal origin, is poor.

The quality of river water in Poland is affected mainly by the discharges of insufficiently treated municipal wastewater and of saline mine waters from the mining industry, mostly from hard coal mines. Biogens originating mainly from municipal wastewater and surface runoffs are a serious problem for water quality deterioration. However, the analyses of river water quality carried out in recent years show a steady improvement reflected by the decreasing length of excessively polluted river sections and an increasing length of river sections with water quality classified as Class II and III.

The Nitrate Directive (91/676/EEC) and delimitation of the areas threatened with nitrate pollution (NVZs), where particular requirements are imposed on agricultural production are an environmental limitation for farmers. In Poland, 1.7% of the country area has been identified as NVZs (Annex 3 to the Programme). These areas have been established under ordinances issued by the Directors of Regional Water Management Boards in 2004.

The problem of nitrate pollution in agricultural areas is not as acute in the Republic of Poland as in the EU countries, but it will increase because of negligence regarding appropriate storage of liquid manure, solid manure and plant protection products.

The reference index of nitrogen excess proves that in Poland the level which is considered a safe threshold value pursuant to the Code of Good Agricultural Practice (48.6 kg/ha) is not exceeded. It is a very good result in comparison with the EU average of 55 kg/ha. It should be remembered, however, that this is mainly due to a general low use of artificial fertilizers.

In the Republic of Poland, 75% of animals are kept on the litter giving solid and liquid manure, and 25% are kept in litter-less system which produces liquid manure. The most important problems are associated with the following:

- 1) direct storage of manure on the ground is a common practice, so that farm wells are polluted;
- 2) low number of agricultural holdings with manure pads and liquid manure tanks.

The livestock density is one of the most significant factors which affects water quality. The average livestock density is around 0.45 livestock units per ha. The highest stock density (60% of population in Poland) of livestock kept in ca. 44% of all agricultural holdings area in Poland is found in the following voivodships: Wielkopolskie, Podlaskie, Kujawsko-Pomorskie, Małopolskie, Łódzkie and Mazowieckie. The results of the State Environment Monitoring carried out at the national, regional and partly at the local level were the basis for identification of waters polluted with nitrates of agricultural origin. Scientific institutes used the monitoring data to prepare expert's opinions on the nitrate polluted water across the whole Republic of Poland and the relevant impact of agriculture in the light of the Nitrate Directive requirements.

The residues of chemical plant protection products and other toxic substances can also affect water quality. Plant protection products can get into water both within the farmstead area and from the fields where they are used. Within the farmstead, the risk is connected with inappropriate storage and preparation of these products for use, whereas in the fields the products penetrate into groundwater or surface water.

Water may become a limiting factor for the agricultural production. Disturbance in the water balance of agricultural areas leads to a permanent reduction in the

productive potential of utilised agricultural area and may also affect storage functions. Table 33 shows water storage capacity of a farmland soil.

Table 33. Water storage capacity of farmland soil.

Water storage capacity in farmland soil (mm).	% of country area	% of farmland
Less than 190	42.7	77.4
191 - 230	9.7	17.6
More than 230	2.8	5.0

Source: IUNG Puławy

Improvement of water management in rural areas is of utmost importance, especially in the case of valley areas, where land reclamation systems are not usually fitted with any damming structures. As these areas are deprived of natural storage function this leads to a paradox which consists in that these areas contribute to a general water deficit. It is estimated that only about 13 of farmland area are provided with irrigation equipment – mainly of gravitational type.

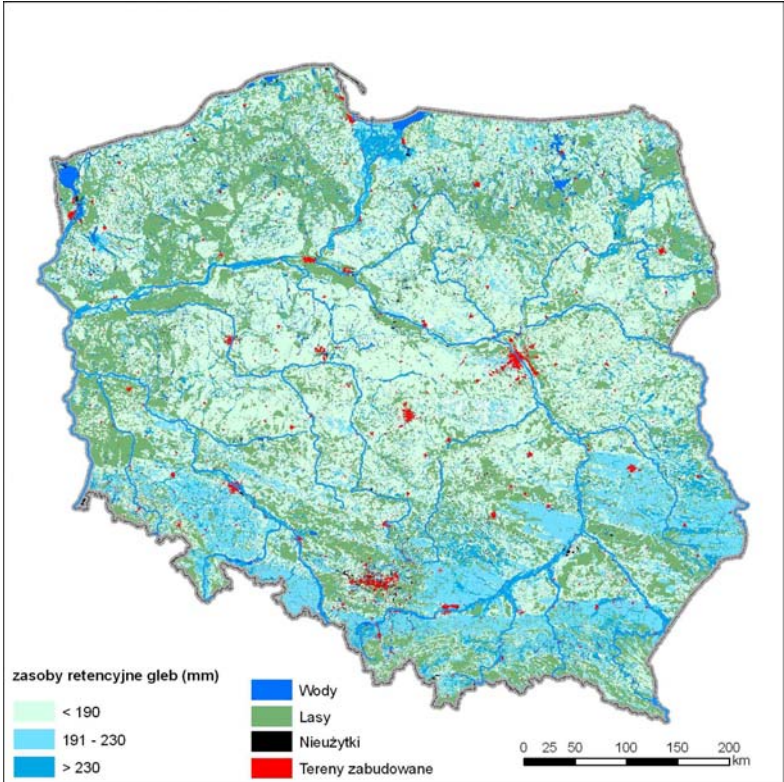


Figure 13. Water storage capacity of soil (up to the depth of 1m)

Source: IUNG Puławy

In addition, increased water resources in soil and in bog habitats as well as reduced surface runoffs are very important from the point of view of the agriculture development prospects in the areas already threatened by water deficit. Insufficient water resources as well as an uneven distribution of rainfall may be partially eliminated by increasing the available water resources.

Escalation of extreme weather phenomena in the recent years was an origin of torrential downpours and sudden spring melts leading to numerous floods. Depreciated flood control facilities did not ensure protection of the agricultural areas against high water. Over the period 1997 – 2006 losses in agriculture caused by floods were estimated at PLN 10,000 million. It is estimated that over 3 thousand km of flood embankments require modernization which would consist mainly in embankment body sealing.

Therefore, land improvement projects consisting in construction or repair of water facilities intended for water storage and water level control such as weirs, penstocks, water reservoirs, dams etc. will be implemented under the measure "Improvement and development of infrastructure ...".

The Republic of Poland is situated within the limits of 10 river basins. Vistula and Odra basins cover about 95% of the country. In connection with the implementation of the Water Framework Directive in 2004, works has been completed at the national and regional level on the establishment of typology of surface waters, identification of uniform surface and underground waters, preliminary analysis of anthropogenic influence and its impact of surface and underground waters, economic analysis of water management and determination of protected zones. The analysis of anthropogenic pressure on surface and underground waters has allowed to identify water bodies at risk, not at risk and potentially at risk caused by failure to achieve environmental objectives of the Water Framework Directive (WFD). In 2005, the national programme of social participation in the process of WFD implementation was prepared. At the present, the WFD implementation schedule till the year 2015 is under way. Besides, on 22 December 2006 a surface and underground water monitoring consistent with the requirements of Water Framework Directive was launched. Development of water management plans and water-environmental programme is expected to be ready by the year 2009. At present it is not possible to specify the limitations for agricultural production and rural areas development resulting from the implementation of WFD.

Air pollution and climate changes

As far as the greenhouse gas emissions are concerned, Poland ratified the Convention on Climate Changes (1994) and the Kyoto Protocol (2002), and, therefore, may participate in mechanisms included in these agreements. The estimated increase of the greenhouse gas emissions in our country will depend on the direction of its economic development. The suggested solutions show that, regardless of the approved variant, the reduction of the emissions will exceed considerably the threshold (6%) of reduction commitments accepted in Kyoto Protocol and can reach further 30% of the base year 1998 emissions. Statistical data on overall emissions of basic air pollutants (Environmental protection, CSO, 2006)

show that emissions of ammonia to atmosphere decreased by 233 thousand tonnes between 1990 and 2004. (in 1990. - 550 thousand tonnes, in 2004 - 317 thousand tonnes).

The aforementioned commitments cover also agriculture in the following areas:

- improvement of the national energy effectiveness;
- promotion of sustainable silviculture to ensure absorption and retention of greenhouse gas emissions;
- promotion of sustainable agricultural practices;
- promotion and implementation of technologies which use renewable sources of energy, reduce CO₂ emissions, etc.

Agriculture is a major source of ammonia emissions (rearing pigs, cattle, poultry, use of artificial fertilisers). According to thematic strategy concerning air pollution (COM (2005) 446), it is assumed that ammonia emissions should decrease by 27% by 2020, as compared to 2000 emission level. It is assumed that the implementation of RDP instruments (modernisation of agricultural holdings, introduction of standards and agri-environmental measures) should influence the implementation of thematic strategy assumptions.

Implementation of the activities associated with air protection was discussed in the document approved by the Council of Ministers in October 2003 "*Climate policy in Poland - strategies of greenhouse gas emission reduction in Poland by 2020*". Solutions proposed in this document form recommendations for different sectors in the area of greenhouse gas emission reduction and further improvement of air quality in Poland.

Apart from the CO₂ emissions from transport and farm work mechanisation, which will be increasing, there is another greenhouse gas emitted on farms and in rural areas – methane. Its emissions reach 50% of the overall emissions (cattle rumens, animal excrements, rural waste water treatment plants and waste dumping places, marshes and peat deposits). Besides, mineral nitrogen fertilisers and biological nitrogen fixation are sources of 80% of the most stable greenhouse gas, namely nitrous oxide.

Table 34. Total greenhouse gas emissions³² in 2004 per emission source.

	Carbon dioxide	Methane	Nitrous oxide
TOTAL	316,700 ³³	1,858.4	96.8
Energy in total	302 510.6	847.7	7.4
Industrial processes	13,316.5	14.7	14.1
Use of solvents and other	580.7	-	0.4

³² Estimated data developed using IPCC method.

³³ ** Net emission, i.e. including emissions and sequestration in the sector „Change in land use and forestry” amounts to 290,541.27 Gg.

products			
Agriculture	-	534.7	72.2
Shifts in land use and forestry		0.1	0.0
Waste	292.3	461.2	2.7

Source: National Emission Centre

In this context the issue of carbon sequestration by soils under sustainable farming is of extreme importance. Potential amount of sequestered carbon dioxide corresponds to the potential amount of this gas absorbed as a result of sustainable forest management. However, the diminishing organic carbon (humus) in Polish soils as well as peat soil mineralization is an important source of carbon dioxide emissions.

Carbon sequestration by the forest tree stands

Carbon resources bound by the PGL LP tree stands, that cover an area over 6.5 million ha, are estimated to 1,190 million tonnes of CO₂, i.e. 181.4 tonnes/ha. The carbon bound by tree stands is worth over USD 11,903 million. A hectare of tree stand managed by State Forests Office contains carbon that is worth USD 1814. Tree stands fixed more than 34 million tonnes of carbon worth above USD 344 million in 2002, while the amount of carbon bound by forest soil was almost 23 million tonnes worth USD 230 million. Therefore, it can be estimated that during a year the tree stands and forest soil bind more than 57 million tonnes of carbon, i.e. 8.74 tonnes of CO₂ worth USD 87 per ha.

Private forests fix more than 130 million tonnes worth almost USD 1 305 million. On the average, tree stands in private forests bind around 85 tonnes of CO₂/ha, i.e. almost two times less than in state forests. Tree stands in private forests bound more than 4.5 million tonnes of CO₂ worth almost USD 44 million in 2002. That same year, every hectare of private forests fixed more than 2.9 tonnes of CO₂/ha. However, forest soils in private forests bound more than 5.2 million tonnes of carbon in 2002. In total, the private forests bound 9.7 million tons of CO₂ – 6.3 tons/ha (National Forestry Programme. IBL Scientific Documentation, 2002).

It should be emphasized that afforestation is a proven method of CO₂ sequestration, Besides forests have a mitigating effect on the climate as they participate in water circulation and provide a biofilter for pollutants. From this point of view the measure "Afforestation of agricultural and non-agricultural land" is an important instrument.

Renewable energy

The use of renewable energy sources is becoming more and more significant when faced with the implementation of sustainable development philosophy, including the rural areas. In the coming years, renewable energy will be an important component of the EU energy balance. This will contribute to the realisation of the Kyoto Protocol objectives.

It should be stressed that the Republic of Poland has great potential for the production of renewable energy by agriculture, which can be proved by the data presented in figure 14 and in table 35. In 2004, Poland produced 1.48% and 7.26%, respectively, kilotons and oil equivalent kilotons, of the total EU-25 energy fuels. This shows how great potential is hidden in this sector of farming. Taking into account the great interest in such crops, it can be assumed that this sector is on the verge of dynamic development in Poland.

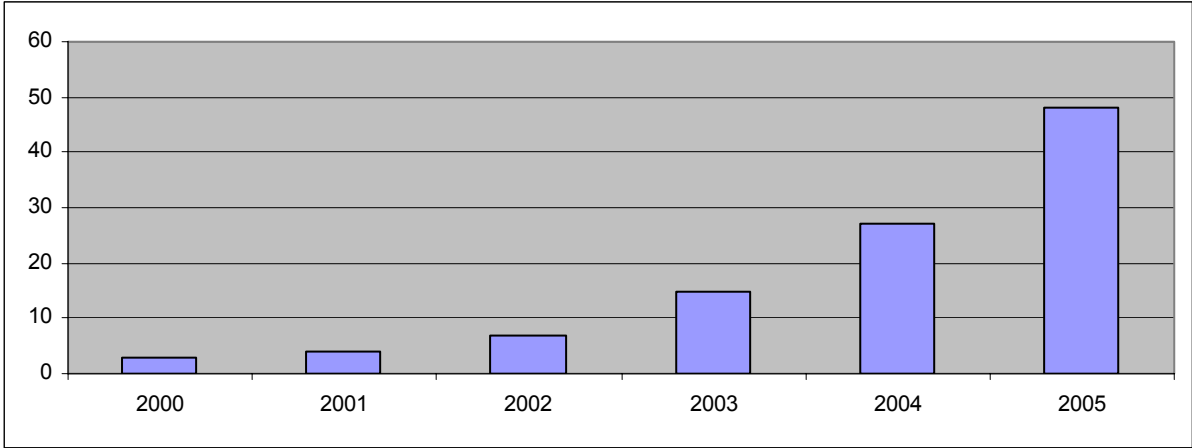


Figure 14. Production of renewable energy in agriculture in Poland between 2000 and 2005 (in Ktoe³⁴).

Source: EC BREC experts' estimates

Table 35. Utilised agricultural area (ha) devoted to the production of energy crops and biomass

Specification	2005	2006
Surface area devoted to the growing of <i>willow Salix sp. and the thornless rose Rosa multiphora val.</i>	5,966	6,991.5

Source: ARMA

The importance of the renewable energy production in the Republic of Poland is growing systematically. The share of renewable energy in the total energy production was almost 5.5 % in 2005 (Table 36). It is expected that the share of renewable energy in the fuel and energy balance of the country will have reached the level of up to 7.5% by 2010. On the long-term up to 2025, the initiatives taken should result in further increase in production of fuels and electric power from renewable energy sources.

Table 36. Renewable energy production³⁵

Renewable energy production (thousand tonnes) ³⁶

³⁴ Ktoe – 1000 tons of oil equivalent – energy measurement unit used in international energy balances.

³⁵ The data concern the production of renewable energy from all sources (biomass, geothermal energy, wind and water energy).

³⁶ Toe – ton of oil equivalent – energy measurement unit used in international energy balances.

1999	2000	2001	2002	2003	2004	2005
3,754	3,801	4,076	4,139	4,157	4,315	4,260
The share of renewable energy in total energy production (%)						
4.46	4.75	5.08	5.16	5.2	5.48	5.43

Source: Ochrona Środowiska 2006, CSO

Taking into account the provisions of Community Strategic Guidelines for Rural Development related to renewable energy sources as well as the assumption of the Republic of Poland that in 2010 the share of renewable energy in the fuel and energy balance of the country will achieve the level of 7.5%, support for investments aimed at production of energy from renewable sources is provided for in the Programme.

In order to meet the above mentioned decisions, one may take into account energy from the following sources: hydroelectric, wind power stations, sources producing energy from biomass or gas, sun photovoltaic cells or collectors for heat production, geothermal sources.

Poland has large potential as regards the production of renewable energy by agriculture, placing particular emphasis on the increasing area of agricultural land, on which energy crops are cultivated.

Support relating to renewable energy production will be implemented under direct payments for agricultural land. It is assumed that agricultural producers cultivating plants intended for biofuel or biomass will be able to apply for single area payment for agricultural land and payment for energy crops amounting to up to EUR 45.

Pursuant to the provisions of the Council Regulation (EC) No 1782/2003 all agricultural parcels, on which short rotation groves are cultivated, that were maintained in good agricultural condition on 30 June 2003 and to which aid for energy crops cultivation is applicable, are eligible for aid under the Single Area Payment Scheme.

The maximum area of agricultural land within the European Union covered by the aid scheme for energy crops cultivation is 2,000,000 ha. The exceeding of this maximum area results in the reduction of the rate of payment within the whole Community, i.e. the decrease of the rate below EUR 45. It is assumed that the plant has been intended for energy purposes if the agricultural producer had signed a contract for its collection with the buying-in entity or the processing unit, on the condition that such entity had been verified and authorised by the heads of the regional branches of the Agricultural Market Agency. The second possibility to intend plants for energy purposes is for the agricultural producer to use these plants at the holding.

In addition, Poland intends to take the opportunity provided for by the provisions of Article 90 of Council Regulation (EC) 1782/2003 and introduce the system of co-financing the costs of establishing perennial plants plantations intended for energy purposes.

Bearing in mind the above mentioned facts, projects consisting in establishing perennial plants plantations for energy purposes have been excluded from the scope of RDP 2007-2013 support.

Support concerning renewable energy (energy crops production, devices used to produce renewable energy) under the Programme will be implemented within the framework of the following measures: Modernisation of agricultural holdings, Increasing the added value to basic agricultural and forestry production, Diversification towards non-agricultural activity, Establishment and development of micro-enterprises, Basic services for the rural economy and population.

Modernisation of agricultural holdings

Aid granted under this measure may concern projects relating to initiation or modernisation of agri-food or non-food products production, including products intended for energy purposes. Support may be granted, *inter alia*, for the purchase of cultivation, harvesting, storage machines and devices and those used to prepare agricultural products for sale and use as an energy raw material or a substrate for the production of energy materials, including bio-fuels. The scope of projects may cover investments in devices used to produce energy from renewable resources for the agricultural production purposes within a holding.

Increasing the added value to basic agricultural and forestry production

Support is granted for projects concerning the processing of solely agricultural products into food or non-food products, including agricultural products used for energy purposes (e.g. for biofuel production – oils and ethyl alcohol).

Projects relating to chemical modification of agricultural products in the production of biofuel, which is not an agricultural product, will not be supported under RDP but may be financed under Structural Funds (*inter alia* by the European Regional Development Fund).

The scope of operations covered by measure *Increasing the added value to basic agricultural and forestry production* may also include investments in devices used to produce energy from renewable resources or waste products (biogas) for production at a given agricultural processing plant.

Diversification towards non-agricultural activities, Establishment and development of micro-enterprises

The both measures cover, *inter alia*, the activity in the scope of production of energy materials from biomass (briquette production).

Basic services for the rural economy and population

The measure covers investment for the benefit of use, production and distribution of renewable energy (e.g. biomass energy, sun energy, geothermal and wind energy).

Soil quality description

Rural areas in the Republic of Poland are not free from threats posed by agriculture. Many unfavourable phenomena have been observed, most of which are the results of errors made in the past such as:

- 1) agricultural utilisation of poor soils and soils susceptible to erosion;
- 2) unreasonable water management within agricultural catchment basins;
- 3) low level of education with regard to rational agricultural practices;
- 4) neglect with respect to equipping agricultural holdings with environmental protection infrastructure;
- 5) point-source contamination of soil with heavy metals.

In addition, the adverse impact of agriculture on the environment is connected with the following:

- 1) regular introduction of nitrogen into agricultural production (its use does not exceed 20% at the moment) and its unavoidable propagation in the environment, regardless of the application of good agricultural practice;
- 2) eutrophication of surface waters and natural land ecosystems resulting from excessive use of phosphorus and nitrous fertilizers;
- 3) use of chemical plant protection products, which are propagated in the environment regardless of the applied practices;
- 4) reduction of the amount of organic carbon and nitrogen in cultivated soil, set-aside land or natural ecosystems, as a result of changes in the management system.

Recently, new threats, connected with setting aside the lowest quality agricultural land and with the failure to apply good agricultural production practices (e.g. simplified crop rotation, abandonment of the use of manure for fertilizing), have arisen.

The wildlife habitats are mainly threatened by:

- 1) simplification of landscape structure due to the damaging of natural compensation areas for wild species;
- 2) change of water relations leading to the fall in groundwater level and change of features of natural habitats dependent on water;
- 3) change in the traditional system of cultivation and breeding resulting from

- the intensification of agricultural production;
- 4) failure to cultivate grassland, which leads to the resting and overgrowth of land, which in turn causes rare species of plants and animals to disappear;
 - 5) delay in the utilisation of environment-friendly agricultural production technologies.

Soil erosion

The soil erosion is caused by excessive deforestation in the past and, consequently, simplified landscape structure as well as by inappropriate use of soil in the areas exposed to erosion, such as slopes. Erosion leads to deterioration of farming conditions, makes the soil barren and leads to ravine formation. Water erosion is a serious threat in the Republic of Poland.

Therefore, the increasing of forest areas at the cost of areas which are poor in terms of bonitation allows to implement two significant tasks: one resulting directly from the National Afforestation Programme and another one, which is sometimes passed over but is similarly important as afforestation is an important method of fighting the wind and water erosion: afforestation stabilises the land and favours the retention of water in the soil.

According to estimates, 28.5% of the country's territory is threatened by surface water erosion (11% to an average degree, 3.7% to a high degree). Mountain and upland areas, composed of non-cohesive rocks, are the most exposed to the surface water erosion. Moderate water erosion usually affects lake district areas.

Surface water and wind erosion facilitate eutrophication of surface waters with phosphorus washed out with soil material.

Wind erosion is a threat to 27.6% of the territory (for 1% the risk is high). The largest areas seriously threatened by wind erosion are located in the voivodships where the percentage of forests is low and light and dusty soils prevail, i.e. in the Łódzkie and Mazowieckie Voivodships.

Ravine erosion concerns 17.5% of arable and forest land.

Soil acidification

The most important factor contributing to the degradation of soil in the Republic of Poland is excessive acidification, which is primarily of natural origin (caused by climate and soil conditions). The excessive acidification of soils used for agricultural purposes is to a large extent caused by underestimation of the need to lime the soil (especially in the case of grassland), insufficient use of lime and failure to use lime fertilizers on a wider scale. The diversity of soil reaction in the Republic of Poland is presented in Figure 15.

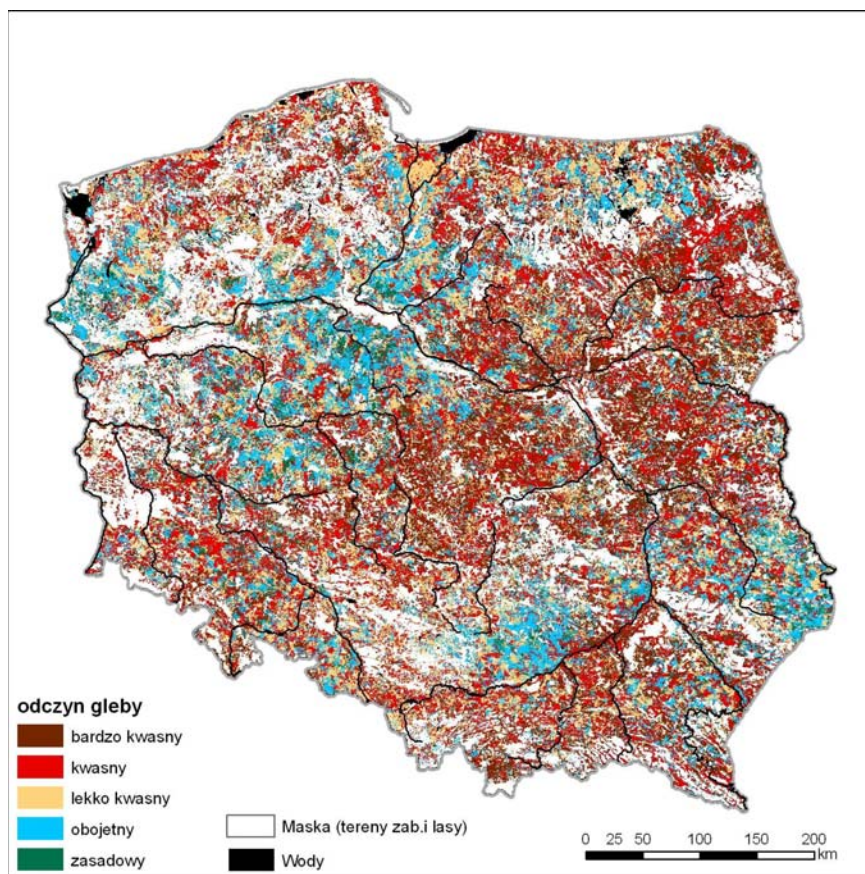


Figure 15. Soil reaction.

Source: IUNG Puławy

The excessive soil acidification has a detrimental impact on the yields and reduces the effectiveness of fertilisation, as some nutrients are leached into the deeper soil layers. Excessive acidification blocks the access of plants to some nutrients and increases the absorption of some other substances, such as certain heavy metals. Liming the soil with calcium–magnesium fertilisers is the basic way of coping with this problem because, apart from reducing acidification, this procedure also improves the physical properties of the soil, which is characterised by large magnesium losses. The annual demand for lime fertilisers in agriculture amounts to around 2.8 million tons of CaO. The soil reaction of arable land is presented in Table 37.

Table 37. The soil reaction of arable land

Soil reaction of arable land	pH	% of the country's surface area	% of arable land
very acidic	< 4.5	14.2	25.7
acidic	4.6 – 5.5	15.6	28.3
slightly acidic	5.6 – 6.5	12.9	23.3
neutral	6.6 – 7.2	10.7	19.4
alkaline	> 7.3	1.8	3.3

Source: IUNG Puławy

Humus content in soil

Another serious problem in Poland is the humus content in the surface layer of soil (Figure 16).

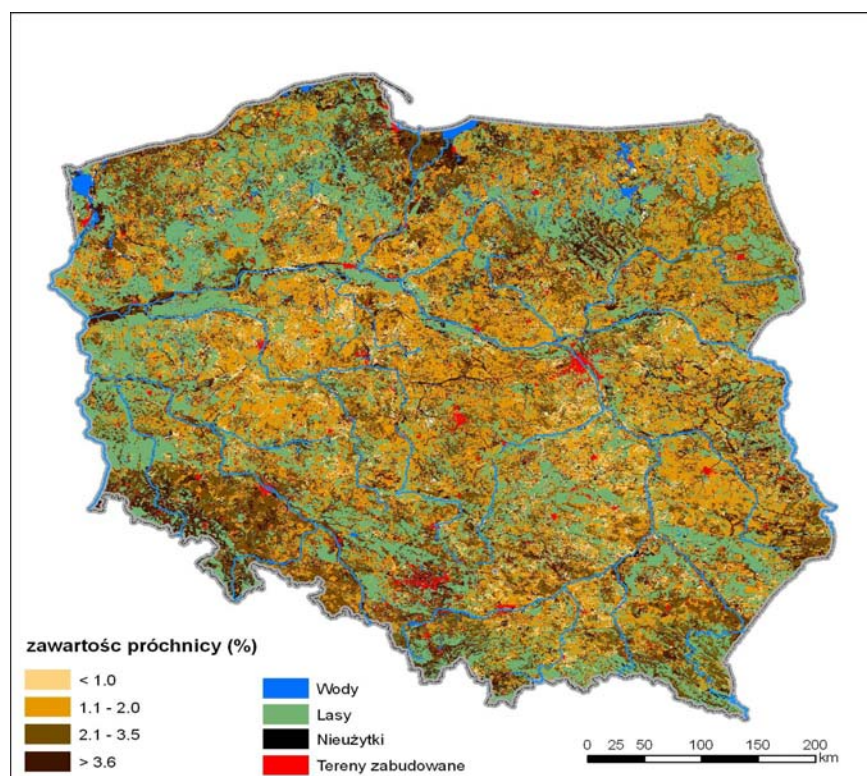


Figure 16. Humus content in the surface layer of soil

Source: IUNG Puławy

A substantial fall in the content of organic matter in soil has been observed in the Republic of Poland. It has been stated that this phenomenon is taking place on 54.4% of arable land (Table 38).

Table 38. Humus content in the surface layer of the arable land soil

Humus content in the surface layer of the arable land soil (%)	% of the country's surface area	% of arable land
less than 1.0	4.6	8.2
1.1 - 2.0	30.4	55.1
2.1 - 3.5	16.5	30.1
more than 3.5	3.7	6.7

Source: IUNG Puławy

Contamination with heavy metals

The average concentration of heavy metals in the surface soil layers (0-20 cm) is low. The soil contamination occurs only locally. The main sources of soil contamination with heavy metals and other toxic components are industry and urbanised areas. Soil is contaminated mainly with zinc, lead and cadmium. In 1999, the areas with natural (0) and increased (I) levels of contamination, which did not exclude the land from full agricultural use, covered 97% of agricultural land. High

(IV) and very high (V) contamination levels, which did exclude land from agricultural production, were registered on 0.3% of agricultural land concentrated in large industrial areas in the Silesia region and around Legnica.

Fallowing of arable land

The problem of excluding land from agricultural production has been getting more and more pronounced since the beginning of the 1990's, following the transformation in Poland. It is assumed that the factors which have directly or indirectly contributed to the formation of fallow land, were³⁷: lower purchasing and investment power of agricultural holdings, complete elimination of subsidies for means of production, high interest rate on bank loans, lower interest in domestic agricultural production, trade liberalisation between Member States and CEFTA members (cut or abolish taxes), poor soil quality and significant fragmentation of agricultural holdings, leasing big areas to entities not possessing sufficient financial and human capital to use all land. The process of excluding land from agricultural production has predetermined the use of land in the North-western, North-eastern and Southern Poland.

This unfavourable process was growing in importance up to 2002, when as much as 17.6% of arable land was excluded from agricultural production by holdings. Beginning with 2003, this unfavourable tendency has been moved away from (Figure 17). It is assumed that one of the reasons for this change was the promise of aid granted by EU to support agricultural production.

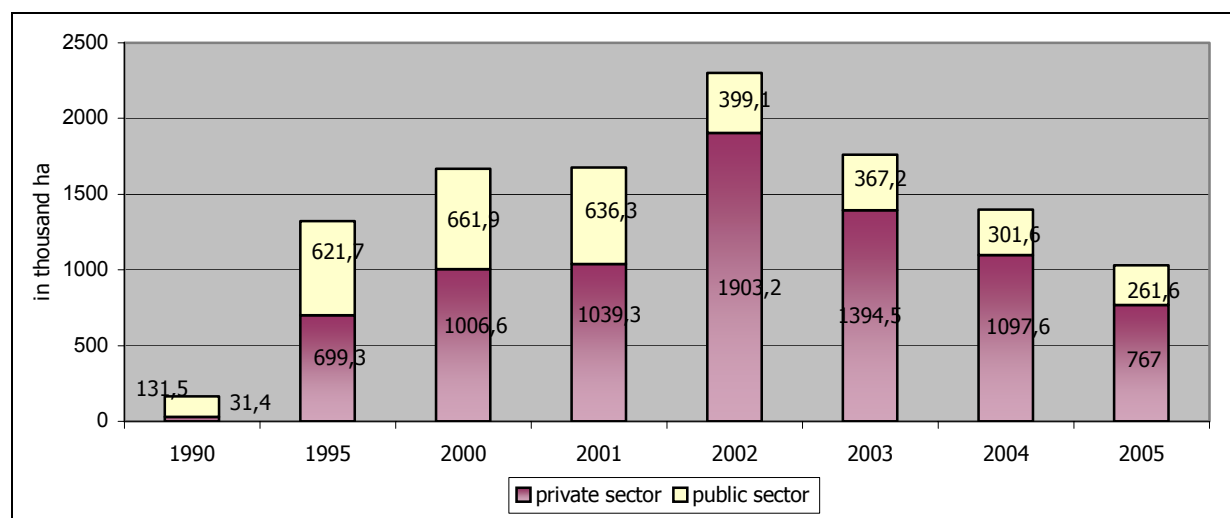


Figure 17. The surface area of fallow land on arable land, according to the form of ownership, between 1990 and 2005

Source: CSO 2006

The intensive exploitation of natural resources which takes place in numerous European countries does not concern Poland to the same extent, since the Polish

³⁷ Nowicki J., Marks M., Waniec M., Buczyński G. 1998: Ugorowanie gruntów jako element gospodarki ziemią w Polsce. Bibliotheca Fragmenta Agronomica, No 5.

model of agriculture development combines moderate increase of capital intensity of production with relatively high labour consumption. It is a structurally optimal set of factors for the improvement of agricultural production without causing any damage to the environment, while maintaining a relatively high ecological quality of production potentials.

The level of mineral fertilisation significantly decreased after 1989/1990 and the lowest level (62.1 kg NPK/ha) was achieved in 1991/1992. However, this has to be attributed to the low expenditure of agricultural holdings on means of production. Beginning with 1999, a permanent growing tendency can be observed. In 2004/05 the use of mineral fertilisers amounted to 102.4 kg NPK/ha, whereas in 2005/06, the use of three groups of mineral fertilisers increased by 20.7% altogether.

A significant fall in the utilisation of calcium fertilisers could be observed throughout the 90's. In the last five years the utilisation of fertilisers remained at the same level, around 94 kg/ha. A decrease in the utilisation of calcium fertilisers in 2005/2006 (by almost 40%) resulted mainly from an increase in the prices of calcium fertilisers (Figure 18).

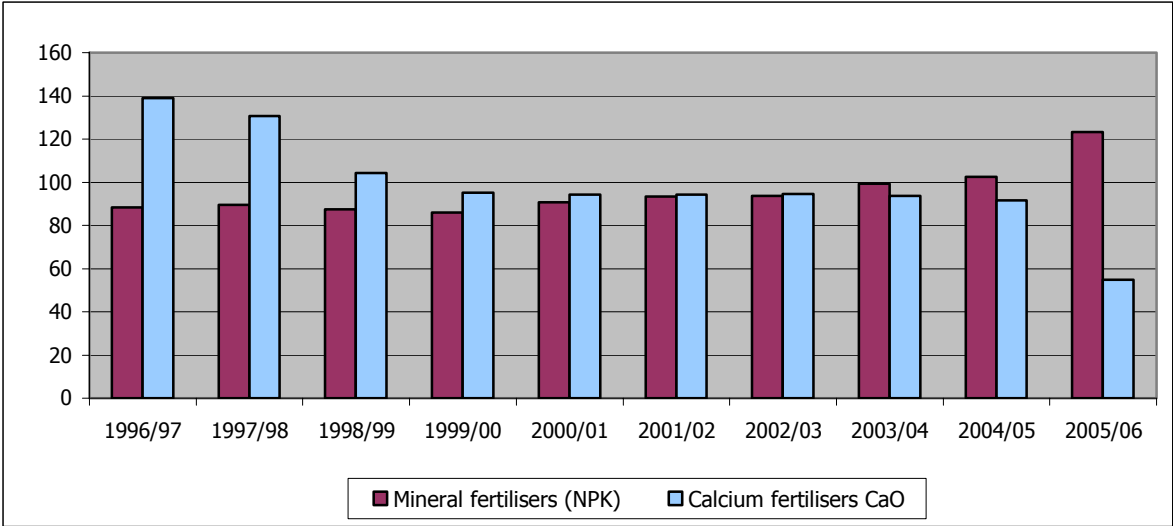


Figure 18. Utilisation of mineral fertilisers (NPK) and calcium fertilisers (CaO) in one kg of pure component per 1 ha of agricultural land

Source: CSO

The same can be said about the supplies of plant protection products, which are used during the production process on arable land and in orchards. According to the CSO data, pesticide supplies between 1990 and 2005 amounted, on average, to 0.69 kg of biologically active substance per 1 ha of arable land and orchards annually (Figure 19).

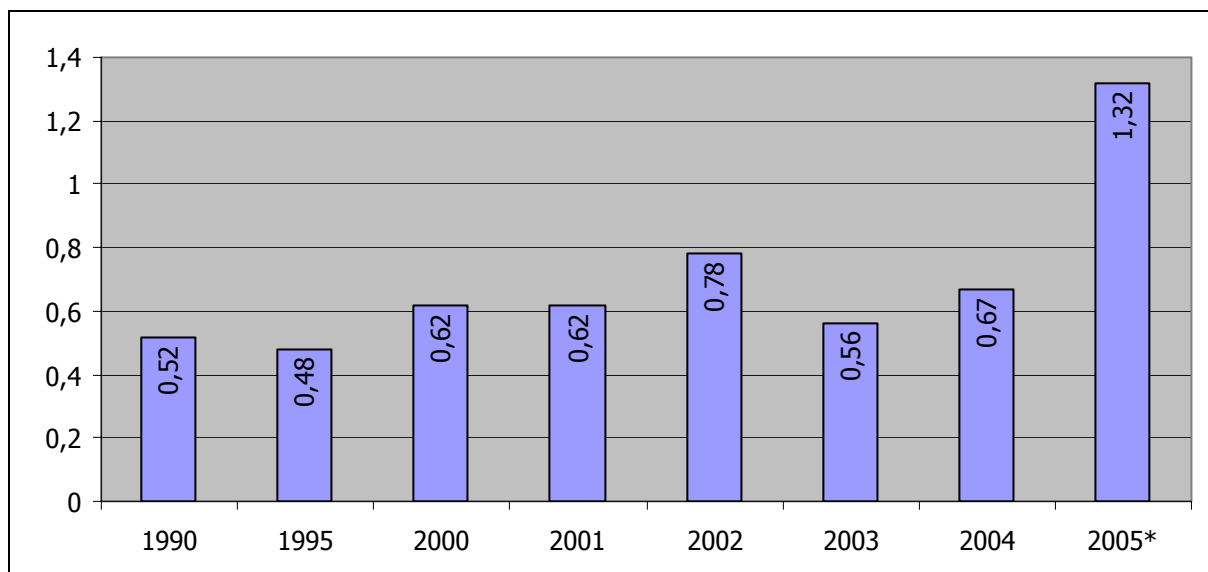


Figure 19. Pesticide supplies (in active substance) in kg per 1 ha of arable land and orchards

* A rise in pesticide supplies in kg per 1 ha of arable land and orchards in 2005 is connected with the change in the statistics preparation method. Up to 2004, selected plant protection products, allowed for marketing and use, were covered by sales research. Since 2005, all plant protection products allowed on the market are studied.

Source: CSO

Taking into consideration the European standards, the current level of application of mineral fertilisation and chemical plant protection products in Poland must be considered as moderate. In general, it does not have a negative impact on the quality of agricultural land and produced products. From this point of view, it is ecologically safe production. It must be remembered though that the level of fertilisation in some areas and the use of plant protection products may have an effect on the quality of surface and underground water resources. However, it should be taken into account that both in the case of mineral fertilisers and plant protection products, there are local areas (i.e. without significant impact on the average) which are exposed to adverse impact of intensive production.

Organic farming

Organic farms, for which environmental protection is an inherent element of the farming principles, has been a marginal phenomenon for a long period of time.

The introduction of financial aid in 1999 and new regulations created conditions for a rapid growth of the above mentioned farms. Nevertheless, organic farms still constituted an insignificant part of the total number of agricultural holdings: 0.11% in 2003 and 0.22% in 2004 (Supreme Chamber of Control, 2006). Between 2003 and 2005 the number of organic farms increased 3-fold (from 2286 to 7182), the area of crops increased 40-fold and the number of organic processing plants grew 4.5-fold (Figure 20). In 2005, the number of those holdings as compared to the total number of agricultural holdings did not exceed 0.5% (in "old" EU countries this figure amounts to 9.0%).

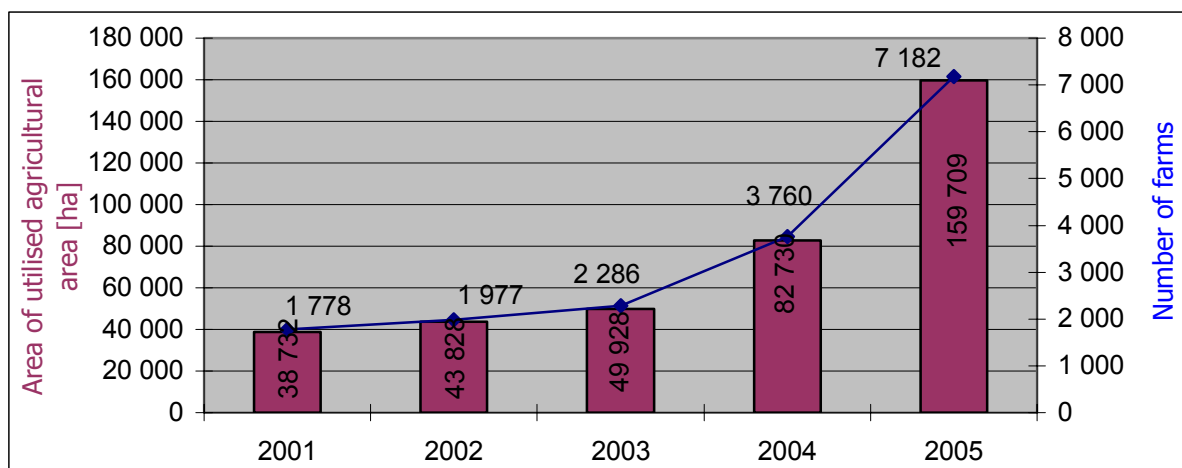


Figure 20. The number of holdings producing agri-food organically and the area of agricultural land on which agri-food was produced organically between 2001 and 2005.

Source: Main Inspectorate of the Agricultural and Food Quality Inspection

In 2005, 7183 farms with a total area of around 159.7 thousand ha of utilised agricultural area and 99 processing establishments were registered and inspected within the organic farming scheme.

The development of organic farming is an important factor which has an impact on the increase in employment in rural areas since it provides new jobs and ensures an additional source of income for farmers. The largest number of organic farms has been registered in the following voivodships: Małopolskie, Świętokrzyskie, Mazowieckie, Podkarpackie and Lubelskie, and the smallest in Opolskie, Lubuskie, Wielkopolskie and Łódzkie.

The organic product market in Poland is in the process of being created. The price of organic products is not much higher than the prices of conventional products. The undertaking of various forms of promotional activities for organic farming may positively affect the development of organic product market in the future.

Animal welfare

As part of adjustment of Polish legislation to the EU legislation related to animal welfare (directives on the protection of farm animals, including detailed regulations on laying hens, calves and pigs), general principles of animal protection have been set up in the Act on animal protection (Dz.U. of 2003 No. 106, item 1002 as amended), and detailed rules on animal handling in the Ordinance of the Minister of Agriculture and Rural Development on minimum housing standards for specific farm animal species (Dz.U. No 167, item 1629, as amended).

The ordinance specifies minimum requirements for the housing of cattle, horses, pigs, sheep, goats, poultry, deer and red deer, along with fur animals, providing separate provisions depending on the age and physiological condition of these

animals, including their stocking density depending the on housing system. Moreover, the provisions of the Ordinance provide that animals must be properly cared for (checked upon at least once per day) and must be kept in conditions causing no physical damage or suffering, as well as in conditions ensuring free movement, in particular allowing them to lie down, lie and stand up. It should also be ensured that animals maintain eye contact with other animals.

Moreover, the ordinance specifies requirements regarding buildings, inventories and their equipment, as well as general requirements which must be met when housing animals. Among other things, it determines the rules for lighting animal housing premises, feeding and watering, the requirements regarding permissible concentration of gases such as carbon dioxide, hydrogen sulphide and ammonia, as well as permissible noise levels. In order to ensure good health condition of animals, housing and equipment should be maintained in due technical and sanitary condition and should be made of materials which are not harmful to animals.

In the subsequent chapters of the Ordinance, detailed requirements for respective species have been set up.

For example, cattle in animal housing premises may be kept bound or unbound in a pen, upon strict maintenance of the pen size and area per one animal depending on the age or weight of animals in different housing systems.

The ordinance specifies the requirements for farms with at least 6 pigs or 5 sows with piglets. Pigs in animal housing premises must be kept separately or in groups, in a pen with or without bedding.

The provisions specify, for example, the manner of handling sows during the week preceding the expected farrowing date, as well as handling sows with piglets.

Moreover, the Ordinance specifies the operations that pigs can be subjected to and the rules for performing these operations.

The Ordinance lays out the area or size of pens for respective categories of pigs depending on the gender, age and physiological condition of animals.

Regardless of the housing system, it shall be forbidden to keep pigs tied, and all pigs should be provided with permanent access to materials and objects attracting their attention, such as straw, hay, wood or sawdust.

In the chapter devoted to poultry, separately for individual poultry species and categories, the size of cages as well as the surface area per one bird have been defined. Moreover, it has been specified how both cages and premises should be equipped, providing – among other things – the types and size of watering and feeding devices.

The housing conditions for farm animals laid out in the provisions of the Ordinance provide minimum conditions for the protection of these animals, taking account of living requirements of a given species, breed, gender and age.

Forest areas of high fire risk

Most forest areas in the Republic of Poland are of high fire risk due to their species composition. The Forest Research Institute prepared a study entitled „Categorisation of fire risk in Polish forests”, on the basis of Council Regulation (EEC) No 2158/92 of 23 July 1992 on protection of the Community's forests against fire. The study was prepared at the NTS III level (groups of poviats). Its results are presented in the form of a table in appendix 4 to the Programme. According to the data provided, a significant part of the area of the Republic of Poland (87%) is exposed to fire risks of the two highest categories. Only the mountain areas in the Carpathian range are virtually free from such risks. Therefore, the supporting of an instrument which would enable introduction of preventive measures in areas rated among the above categories of fire risk is not immaterial.

The problem that needs emphasising is the occurrence of natural disasters which trigger drastic changes in the forest environment. Leaving it to the nature to regenerate the forest production potential would be irrational in managed forests, so it is essential to take measures which would speed up this process. Those measures are based on the best knowledge available in the field of forest ecology and they significantly shorten the time (frequently to one tree generation) needed for the regeneration of the former tree stand potential, at the same time orienting its restructuring in order to increase its resistance to unfavourable phenomena.

3.1.4. Rural economy and quality of life

The structure of rural economy

According to the census carried out in 2002, slightly more than half of rural population live off work, out of which 35% live off non-agricultural work. From among the rural residents having their own source of income, 80% of persons have only one source, and 20% have two sources of income. The second largest source of income are the pension and health care benefits (about 39%), 8% of persons receive social benefits (social assistance pension, unemployment benefit, social security benefit).

The research concerning households' budgets, carried out by CSO in 2005, reveals that the differences in the level of income generated by households of persons employed on a farm and persons carrying out hired labour are significant. Income per person in households of farmers is lower by about 20%.

The most common form of economic activity in Polish rural areas is agriculture. There are 1,786.7 thousand agricultural holdings with the area of more than one

hectare of agricultural land, including 1,782.3 thousand individual holdings. As far as agricultural activity is concerned, in 2005 2,476,474 agricultural holdings were involved in agricultural activity, including 1,708.1 holdings with the area of more than one hectare of agricultural land.

Another form of economic activity in Polish rural areas is non-agricultural production activity or services. Among others, owners of agricultural holdings and persons living together with them in one household are involved in this kind of activities.

As a result of the economic transformations which occurred in Poland in early 90's, agriculture started to bring in small profits, farmers' incomes decreased and the unemployment rate rose. A condition for rural development is development of all forms of enterprise providing new jobs as well as diversification of the incomes of rural population.

It is estimated that about 8% of agricultural holdings in Poland were related to non-agricultural economic activity in this manner in 1996. A larger proportion – i.e. 12% - was characteristic for larger holdings. In the following years, larger holdings, as opposed to smaller ones, became less interested in such a form of activity. As a result, in 2002 about 13% of agricultural holdings were engaged in non-agricultural economic activity (Institute of Agricultural and Food Economics data). Non-farmers living in rural areas also developed this activity.

According to the data of the Central Statistical Office from 2002, there were 363.4 thousand agricultural holdings whose holders carried out additional non-agricultural activities or started a non-agricultural business on their own with the agricultural activity temporarily suspended or abandoned. At the same time, as compared to the 1996 data, the number of agricultural holdings involved in non-agricultural activity increased by 46.0% (CSO data, 2003). This upward tendency continues. The most rapidly developing type of economic activity in rural areas is services. According to the CSO data from 2004, the greatest proportion of agricultural holdings were involved in activities related to retail and wholesale (19.5%), industrial processing (17.8%), construction (5.1%), whereas 4.8% of all the entities declaring their involvement in non-agricultural activities dealt with transport and storage.

Among the agricultural holdings which declared their involvement in agricultural activities, over 73% were units with the agricultural land area of 5 ha at maximum.

One of the major non-agricultural activities in rural areas is agro-tourism and tourism. Regional diversification of available accommodation in agro-tourist holdings is presented on Figure 21.

These activities become more and more significant forms of activity of urban population and a source of additional income for rural population. According to CSO, one of the signs of this development is the 2005 increase in the number of all-year tourist mass accommodation facilities and the average number of beds per 1 tourist

facility located in rural areas. It is estimated that there were 2.9 thousand tourist mass accommodation facilities in rural areas in the middle of 2005, where there were 232.7 thousand beds, i.e. 42.6% of the total number of such facilities in Poland and 40.8% of beds. In 2005, there were 81,0 beds per 1 facility in rural areas on average i.e. by 2.5 bed more than in 2000. (CSO, 2006).

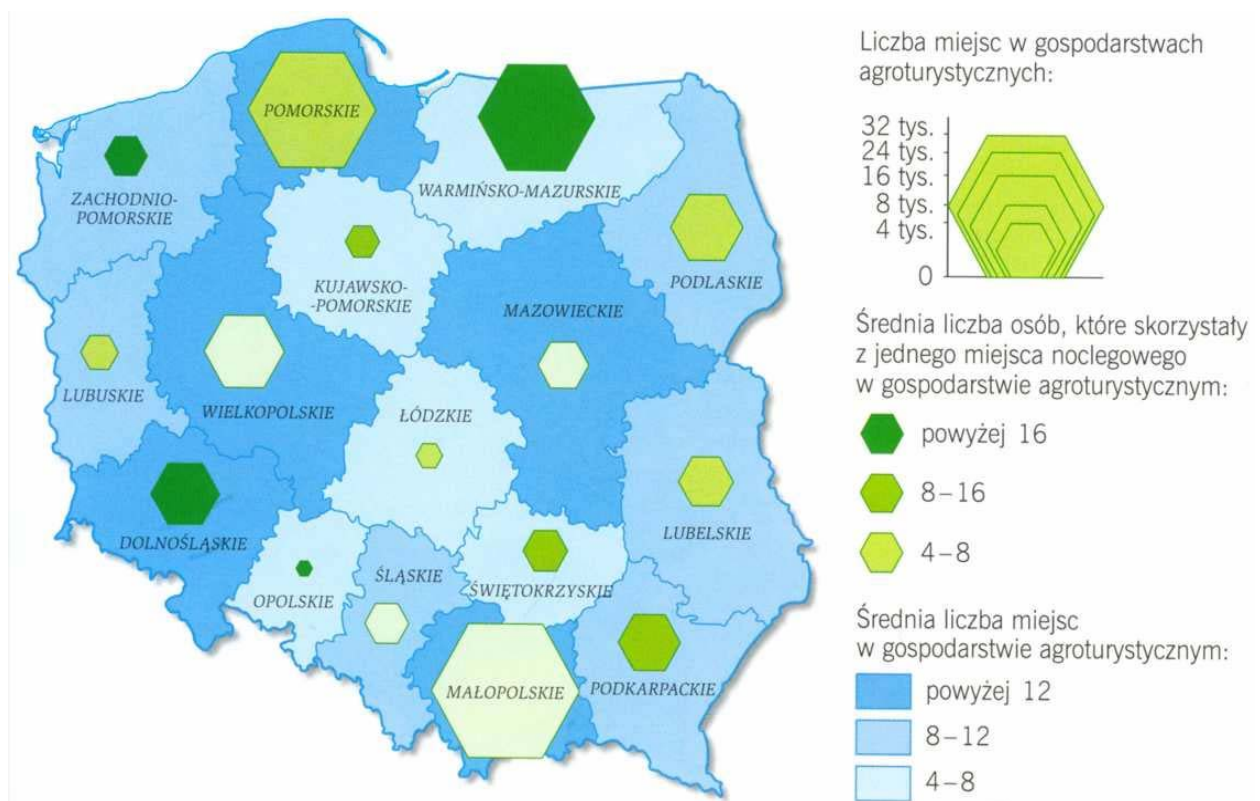


Figure 21. egional distribution of beds in agro-tourist facilities

Source: *Atlas Polski*, ed. Pascal, 2006

Based on the records of gmina offices (research carried out at the request of the Tourism Department of the Ministry of Economy), the structure of tourist accommodation available in farm tourism lodgings and guest rooms in 2005 was as follows:

- 60% of gminas had farm tourism lodgings and guest rooms;
- 808 gminas had no tourist accommodation;
- more than half of the total of 18,653 accommodation facilities taken into consideration were open all year round.

Moreover, facilities with guest rooms prevailed (80% of the total number of beds), the majority of them being open seasonally, while the majority of farm tourism lodgings were open all year round. The number of agricultural holdings involved in non-agricultural activities varies depending on the location (urban, urban-rural or rural gminas).

The income situation of the households in rural areas is worse as compared to the households in urban areas. The nominal net income of rural households was lower than that of urban households by almost 35% in 2004 (CSO data, 2004).

For 36.3% of households with a holder of an individual agricultural holding with the surface area of more than 1 ha of agricultural land, agricultural activity constituted the main source of income, i.e. the source of income generating more than 50% of the total income (CSO data, 2006).

Apart from the income from agricultural activities, the households of the holders of individual agricultural holdings earned incomes from:

- pensions – 42.8 %;
- hired labour – 41.5%;
- non-agricultural activity – 8.4%;
- other non-gainful sources apart from pensions – 4.4%.

As the role of agriculture as the basic source of income in rural areas decreases it is necessary to create an opportunity to supplement the incomes from rural production with incomes from other activities, inter alia by enabling agricultural holdings to carry out niche agri-food activities (e.g. high quality food production, including organic farming, integrated production of regional products) or non-agricultural activity (including farm tourism, preliminary processing).

This analysis is confirmed by data on the maintenance sources of the inhabitants of rural areas, indicating that nearly 17% live off working in their own holdings, 45% live off other kinds of work work including lease income, and 38% live off non-gainful sources including income on possessions (CSO data, 2002). At the same time, according to the 2002 Census, the most numerous group working outside agriculture in rural areas comprises people employed in the Industrial Processing sector of the Polish Classification of Activities (29 %), in the Trade and Repairs sector (16,6 %) in the second place, and in the Construction sector (9.2%) in the third place. The percentage of the self-employed in the total number of the employed in a particular section in rural areas was the highest in the case of the following sections: Trade and Repairs (27.2%), Construction, Hotels and Restaurants as well as Transport, storage and communication (about 15-17%), while it was very low in such sections as Public Administration and Education (under 1%).

Enterprise and establishment of micro-enterprises

A distinctive feature of the social-economic transformations in Poland is dynamic development of enterprise, which is illustrated – among other things - by the large number of newly established companies in the transformation period. According to the diagnosis of National Development Strategy, between 1991 and 2005, the

number of business entities increased almost three times. Thus, at the end of 2005, the number of entities registered in the REGON system amounted to 3,615.6 thousand. The biggest group – accounting for 95% of the total number of enterprises - is made up of entities employing up to 9 persons³⁸. Enterprises employing between 10 and 49 persons accounted for 4%, between 50 and 249 persons – 0.8% and companies employing over 250 persons accounted for 0.2 % of all enterprises. It is estimated that in 2004 the number of active enterprises employing up to 9 persons amounted to 1.65 million.

According to CSO in 2005 among all natural persons running business activity, as registered in the REGON register, 24.8% were located in rural areas. Among them, great majority (98.4%) were natural persons employing up to 9 persons. Similar relations were observed in all voivodships, where this share was not lower than 98.0%. The greatest number of natural persons running business activity in rural areas, employing up to 9 persons, was observed in following voivodships: mazowieckie (89.1 thousand), małopolskie (76.9 thousand) and wielkopolskie (75.7 thousand). The lowest number was noted in podlaskie voivodship (17.4 thousand, i.e. 2.6%). Per each 1000 residents, situation was the best in zachodniopomorskie voivodship, where 60.8 natural persons running business activity in rural areas in total was notes, and 60.2 persons employed up to 9 persons.

According to CSO, in the last five years a systematic growth in the number of natural persons running business activity in rural areas was observed both in the whole country and in almost all voivodships. The greatest growth was noted among natural persons running business activity and employing up to 10-49 persons and 50 persons or more.

According to the National Action Plan for Employment 2007, the innovativeness of the Polish enterprises is relatively low. At present, only a small proportion of Polish enterprises can be rated among the innovative ones. As for hi-tech sector employees, in 2005 they accounted for 0.6% in industry and 2.15% in services. In the EU-15 countries, the percentage was going for around 1.1% and 3.5% respectively.

The main barriers hindering the introduction of innovative solutions by entrepreneurs are high costs of developing and implementing innovations and a low level of science and technology promotion, which leads to scientific research being used in economy to a limited extent. Poor access to external sources of financing often makes it impossible - especially for small and medium-sized enterprises - to invest in modern and innovative technologies.

³⁸ It should be taken into consideration that the REGON register is not up-to-date – only about half of the entities registered in the system are actually involved in business activities.

Barriers in the creation of alternative employment options and the development of micro-enterprises

Based on observations of the functioning of small and medium-sized enterprise environment and of the conditions in which the sector functions in other, more developed market economies, a number of barriers hindering the development of enterprise can be indicated. They are mainly market barriers (change in the structure according to the trends in activities, including the abandonment of trade and production by entrepreneurs), financial barriers (high costs of the loan capital, high interest rate for long-term credits), barriers in the area of labour market and statutory regulation of employment relationships (high taxes and parataxes causing high labour costs), barriers related to production and production factors shaping effectiveness and profitability (poor level of modernity of the small and medium-sized company equipment, insufficient material supply, unsatisfactory state of machines and devices), organisational barriers in the area of production and market, infrastructural barriers, restricted access to education, advisory and information. Moreover, it should be remarked that there are also barriers within the entrepreneur circles themselves. They are poor solidarity and disintegration within the entrepreneur circles as well as unwillingness to undertake common initiatives and co-operation. All this results in a lack of strong organisations representing the interests of the circles. A high business risk resulting from the negligence and disregard for business ethics of some contracting parties or partners also increases the moral burden and financial costs related to trials or execution proceedings.

At the same time, taking into account the spatial diversity of the small and medium-sized enterprises, one can see that entities located in rural areas are less technically advanced and they are rather aimed at meeting the local needs. Furthermore, in rural areas – especially those located at a great distance from large urban areas or main traffic routes – the institutional infrastructure and technological device network is more poorly developed. The gminas from such areas get limited opportunity to finance the technological infrastructure and business circles with their own resources. As a consequence, unless those areas are granted additional support, in the future there will be better conditions for the development of small and medium-sized enterprises near large urban areas and smaller towns.

Description and analysis of shortages in the service provision in rural areas

Social infrastructure

Social infrastructure, which aims to satisfy social, educational, cultural and safety needs in rural areas, is underinvested and not adjusted to the existing needs. It refers in particular to health care, cultural and tourist facilities, as well as schools.

Learning conditions in rural areas are definitely worse than in the city and the average educational level in rural areas is as a rule lower. The less favourable

educational opportunities for children in rural areas result from a number of barriers related to the functioning of the educational system in rural areas, e.g. limited access to nursery schools, poorly qualified teachers, lower standards of education at secondary schools and worse financial standing of rural families. The choice of a secondary school depends on the network of schools in the nearest area, possibilities of commuting, availability of a boarding school, costs of travel or costs of living away from home. In rural areas, there are significant regional discrepancies concerning social infrastructure, and its lowest level of development has been noted in north-eastern voivodships.

Taking this into account, kindergartens are much more accessible in cities than in the rural areas. According to CSO, for each 1000 children aged 3-6 years in 2005, 704 children in cities attended kindergartens, while only 372 children attended such establishments in rural areas. Similarly adverse tendencies remained in the respective regions of the country. It needs to be stressed though that relatively smallest disproportions were observed in śląskie and opolskie voivodships, where 80% of children (i.e. 538 children) and 75% (i.e. 587 children) of children in rural areas respectively attended classes organised by kindergartens.

The lowest number of children as per 1000 children aged 3-6 years in rural areas attended kindergartens in following voivodships: zachodniopomorskie, podlaskie, warmińsko-mazurskie, where this value did not exceed 300 children.

As regards school accessibility in 2005, according to CSO there were 108 pupils per one elementary school located in rural areas, and 170 pupils per one gymnasium. As compared to the general data, it constitutes 78 and 81 pupils less respectively. Decrease in birth rate in 2005 as compared to 2000, both in the whole country and in rural areas contributed to the decrease in the number of pupils per 1 elementary school by 6.1%.

When analysing the territorial diversity of this indicator in rural areas, it was observed that the highest number of pupils per 1 elementary school was recorded in the pomorskie voivodship (138), and per 1 gymnasium in świętokrzyskie voivodship (206). The lowest values of that indicator were recorded for elementary schools in lubelskie and podlaskie voivodships (88 each), and for gymnasiums in podkarpackie voivodship (136). In all voivodships an increase in the number of pupils per 1 gymnasium was noted and in almost all voivodships the value of this indicator decreased for elementary schools. Only in the podlaskie voivodship an increase in the number of pupils per 1 elementary school was noted (by 2.3%).

As regards access to health care rural areas show great lags as compared to cities. The number of people per one ambulatory and health case centre was highest for rural areas in wielkopolskie voivodship and lowest in podlaskie and opolskie voivodships.

Cultural infrastructure in the cities and in rural areas is much different, as the range of events offered by cultural establishments. One of the basic indicators showing the level of rural population participation in cultural activities in villages is the reading rate. It needs to be stressed that the number of libraries in villages decreased and in 2005 amounted to 6855 libraries. Taking account of regional differences, the highest number of libraries was recorded in following voivodships: mazowieckie (725), wielkopolskie (688), małopolskie (608), lubelskie (589), dolnośląskie (511). The lowest number was recorded in pomorskie (274), lubuskie (240) and podlaskie (234) voivodships. Considering the number of readers making use of libraries, it must be mentioned that in 2005 in Poland there were 192 readers per 1000 residents, including 128 in rural areas. In respective regions the indicator was highest in general perspective in the following voivodships: śląskie (225), małopolskie (218) and dolnośląskie (216). The lowest values were recorded in: podlaskie (155), świętokrzyskie (165) and pomorskie (166) voivodships. At the same time in rural areas the highest number of readers making use of libraries per 1000 residents was recorded in southern and eastern voivodships, including: śląskie (155), dolnośląskie (145), lubelskie (144), and podkarpackie (140). The lowest in podlaskie (104), świętokrzyskie (107) and opolskie (109) voivodships (CSO 2006).

It is of great importance that the Polish village has poorly developed cultural infrastructure and low accessibility to basic cultural services. Organisations and institutions providing access to active cultural activities play a very important role in the access of rural population to culture. These organisations include: cultural centres, clubs, dayrooms, as well as art associations and groups.

According to CSO in 2005 in Poland there were 3937 cultural institutions, among which over a half (2320) in rural areas. Access to these institutions varies between respective regions. The highest number of cultural centres, clubs or dayrooms in general perspective is located in following voivodships: małopolskie (489), śląskie (371), zachodniopomorskie (350) and podkarpackie (333). The lowest number of such establishments was recorded in lubuskie (96), świętokrzyskie (119) and warmińsko-mazurskie (133) voivodships. The following voivodships are best equipped with such establishments: śląskie (241), małopolskie (171) and mazowieckie (161). The lowest values were recorded in: opolskie (44), świętokrzyskie (48) and lubuskie (48) voivodships.

Therefore, in order to ensure the proper conditions for organising and animating local participation of rural population in art, cultural and integration activities, it is necessary to take actions aiming at the development and modernisation of cultural infrastructure in rural areas.

Technical infrastructure in rural areas

Poorly developed technical infrastructure in rural areas is one of the most serious barriers to rural development, influencing both the standard of living of the inhabitants and investment capacity in these areas. The main problems include the absence of a sufficient communal sewage system, wastewater treatment plants, telephone network and Internet, and poor condition of energy infrastructure. Rural areas are diversified spatially as regards technical infrastructure. The best developed infrastructure in rural areas can be found in areas adjacent to the urban ones. Moreover, the further from urban areas the worse gets the access to and quality of infrastructure. Taking the individual regions of the country into consideration, it may be stated that, in general, western and southern voivodships are provided with infrastructure to the largest extent, while the voivodships located in the eastern part of the country occupy the last place in this respect.

Water supply network

In the last years, the process of providing rural areas with a water supply network has been very intensive (Table 39), which resulted from the backwardness in providing rural areas with this element of the infrastructure.

Table 39. Selected elements of the technical infrastructure in rural areas

Technical infrastructure (as of 31 December)							
Type of network (in thousands of km)	1995	2000	2001	2002	2003	2004	2005
Water supply system	110.5	161.8	167.0	173.2	179.5	185.4	190.7
Sewage system	5.4	16.2	19.2	23	28.8	32.4	36.8
Gas supply system	40.7	52.2	66.4	68.3	69.4	70.3	71.5

Source: CSO

In 2005, the density of the water supply system in Poland ran at 78.6 km per 100 km², and in rural areas this figure was 65.5 km per 100 km². The highest value of this indicator was recorded in the following voivodships: Śląskie, Łódzkie, Kujawsko-pomorskie, Małopolskie, Świętokrzyskie, Mazowieckie, Wielkopolskie, Podkarpackie, i.e. the regions with the largest numbers of inhabitants. On the other hand, regions with relatively small population density, such as Zachodniopomorskie, Lubuskie, Warmińsko-mazurskie, Podlaskie, are characterized by a relatively low level of the water supply system coverage. As regards the percentage of the population using the water supply system in individual regions, the highest values of this indicator are recorded in the western voivodships. In the voivodships located in the south-eastern Poland, the indicator has relatively lower values (Figure 22).

In 2005, 86.1% of the population was using the water supply system, and in towns this percentage ran at 94.9%, while in rural areas at 72.1% (CSO, 2006). It is forecasted that in the years to come, the percentage of the rural population using the water supply system will increase, and in 2015 it will reach ca. 98%.

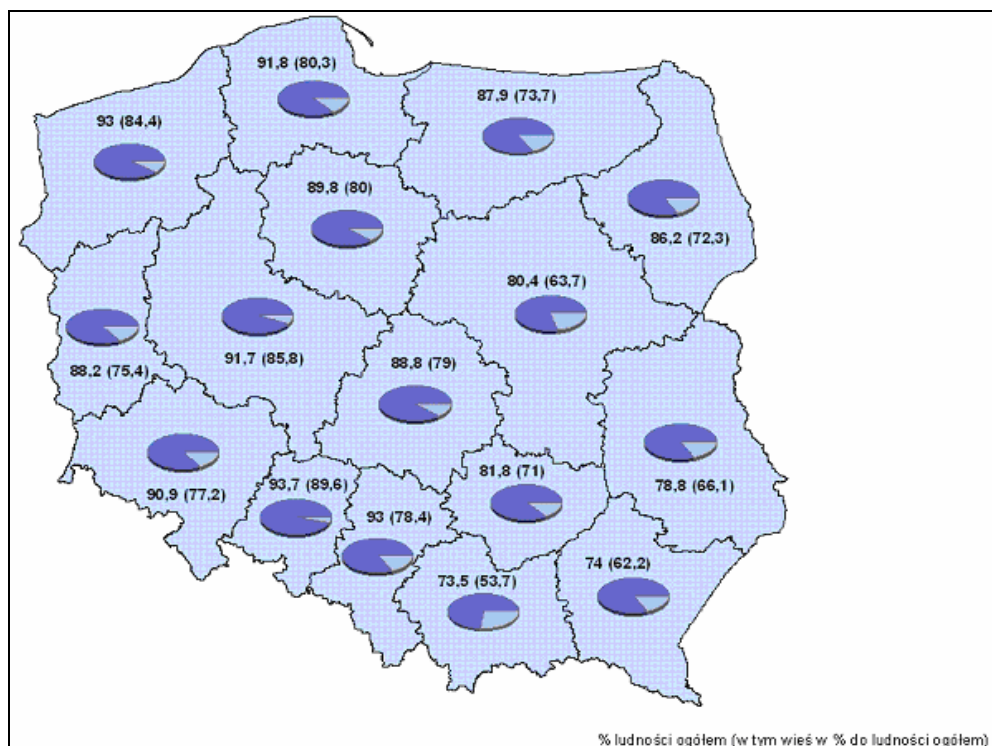


Figure 22. Population using the water supply system in 2005 [in %]

Source: CSO

Sewage system and wastewater treatment plants

Despite a considerable improvement, there is still insufficient coverage of the sewage system in rural areas (as well as in towns). In 2005, a total of 59.2% of the population used the sewage system; 84.5% in towns and only 19% in rural areas. This large disproportion between the coverage of the water supply system and the sewage system results mainly from high financial outlays for the provision and maintenance of this infrastructure, so high that local governments often cannot afford them. As far as regional differences are concerned, the largest density of sewage system in 2005 was recorded in rural areas of the following voivodships: Śląskie, Podkarpackie, Małopolskie, Pomorskie. At the same time, the lowest value of this indicator was recorded in the Lubelskie, Lubuskie, and Podlaskie voivodships. As regards the percentage of the population using the sewage system in individual voivodships, the highest percentage in 2005 was recorded in rural areas of the following voivodships: Zachodniopomorskie, Pomorskie, Podkarpackie, Kujawsko-pomorskie, Warmińsko-mazurskie, Wielkopolskie and Dolnośląskie. On the other hand, the Świętokrzyskie, Mazowieckie, Łódzkie and Lubelskie Voivodships were characterised by the smallest numbers of people using the sewage system (Figure 23).

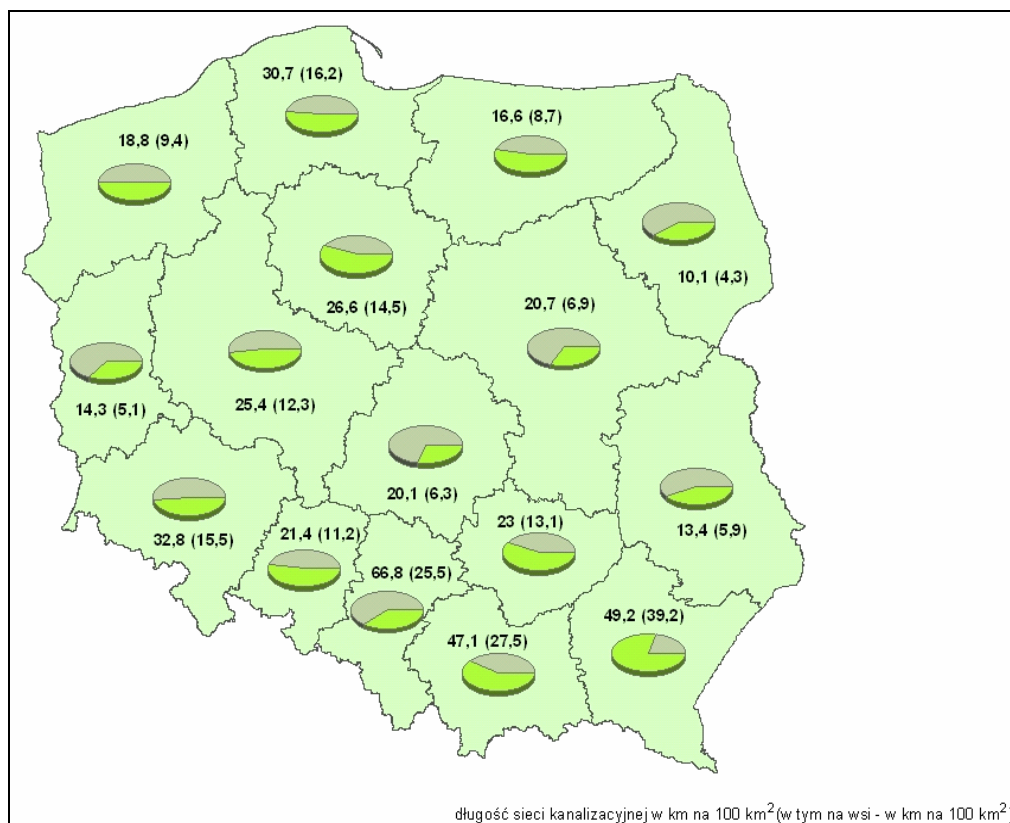


Figure 23. Population using the sewage system in 2005 [in %]

Source: CSO

Keeping in mind the high level of water supply system coverage, it is assumed that in the following years the percentage of population using the sewage system will grow. It is estimated that in 2015 the value of this indicator will amount to ca. 75%.

There is a direct relation between the percentage of the population using the services of wastewater treatment plants and the sewage system coverage. While looking at the indicator illustrating the percentage of urban and rural population using the services of wastewater treatment plants, one may see a slow upward trend. Keeping that in mind, in 2005, 85.2% of the urban population and 20.4% of the rural population used the services of wastewater treatment plants. As regards regional differences in the occurrence of wastewater treatment plants, it may be concluded that the inhabitants of the rural areas located in the Zachodniopomorskie, Pomorskie, Podkarpackie, Warmińsko-mazurskie, Kujawsko-pomorskie and Wielkopolskie Voivodships have the best access to this element of the infrastructure. A relatively low percentage of the rural population using wastewater treatment plants in 2005 was recorded in the following voivodships: Małopolskie, Podlaskie, Świętokrzyskie, Lubelskie, Mazowieckie and Łódzkie.

At the end of 2004, there were 2,416 collective wastewater treatment plants in rural areas, having total capacity of over 1 million m³/24 hours and 28,869 individual wastewater treatment plants, which to some extent are an outcome of the scattered settlement in rural areas, where the installation of a sewage system requires a lot of

capital. Therefore, adequate conditions should be created in these areas for providing households in rural areas with individual wastewater treatment plants.

Gas supply system

This technical infrastructure element used in the rural and urban areas can be observed primarily in southern voivodships, including the Małopolskie, Śląskie and Podkarpackie Voivodship. Moreover, the use of gas supply system is noted within the main gas pipelines and large agglomerations. In other areas, in particular those characterized by dispersed housing pattern, the construction of a gas supply system is apparently economically unjustified. Therefore, in those areas, gas supply systems are substituted for by gas delivered in cylinders, the distribution of which is very well organized in rural areas. It is assumed that around 96% of villages located outside the grid systems' accessibility zone adopt this solution. According to the Central Statistical Office data, in 2005, rural areas were inhabited by about 17.9% of the total number of grid gas consumers in Poland. At the same time, it should be stressed that owing to high maintenance costs of this source of energy, a great number of potential customers reduce or even quit gas consumption.

Electric energy

The electric energy supply grid is a common element of the technical infrastructure and it may be stated that there are no major regional differences in this respect. The total length of the medium voltage electricity supply grids in rural areas amounts to 200,000 km. A large part of the grid dates back to the early 1950s, which results in frequent power cuts and voltage drops. It is a serious threat to the economic development of rural areas.

Telephone network

In Poland, the teledensity rate, i.e. the number of telephone lines per 100 people amounted to 32.7, which was still a low rate in comparison to the European average of 40.9 lines per 100 people. The disproportion in the number of telephone owners in urban and rural areas deepens. In cities, the teledensity rate reached nearly 41.0, and in rural areas, it was half that number – only 19.5 lines per 100 people. At the same time, it may be noted that the increase in the number of telephone subscribers slows down in rural areas compared to the second half of the 1990s. A lot of telephone owners have terminated their connections of landline telephony. There may be many reasons for this phenomenon: the cost of service being too high, competitive offers of mobile service providers and too limited offer regarding the modern comprehensive service needed by the most dynamic farmers and entrepreneurs.

Internet

In 2004, 15% of rural households had access to the Internet. The rate of the households' access to the Internet was increasing in 2005 and 2006, fluctuating around 19% and 25% respectively (data, Central Statistical Office, 2006). At the same time, there has been an increase in the number of regular Internet users (using it at least once a month) in rural areas; in 2004 it was used by 11%, while in 2006 by 22% of the inhabitants of rural areas. For EU-15 countries, this indicator is 62%. The number of agricultural holdings with access to the Internet is expected to continue to increase, and reach the level of 70% in 2015 (data, NSP 2005). Therefore, there is a great need for such services, in particular in the context of eliminating youth education discrepancies between urban and rural areas³⁹.

Road network

Road density and quality, especially of gmina roads, are basic factors influencing the widely meant local development. Gmina roads are a precondition of access to areas which are frequently located at a distance from urban infrastructure and which constitute potential investment areas. The density of gmina roads amounted to 47.8 km/100 km² of area and the total length of gmina roads was about 150,000 km at the end of 2004. The indicator of the density of access roads to agricultural land and forests amounted to 90.1 km/100 km² of area, and the total length of access roads to agricultural land and forests at the end of 2004 amounted to 280,000 km. At the same time, it should be stressed that the spatial distribution of roads is closely related to the population density or economic character of the regions. Keeping that in mind, the highest road density rates are found in the Małopolskie, Śląskie, Opolskie, Dolnośląskie and Wielkopolskie Voivodship. It should be stressed that the relatively well developed access road network to agricultural land and forests is characterized by a poor quality of road surface and therefore hinders an easy access to the above mentioned areas. At the same time, the bus communication net, both municipal and private, is closely related with the quality of municipality roads, and offers the inhabitants the opportunity to reach towns and extra-agricultural working places without problems.

Cultural heritage and architectural surroundings of rural areas

The Republic of Poland has considerable cultural heritage resources, which creates a positive image of the country both in Europe and in the world. According to NSRO, it is estimated that about 61,500 immovable monuments, around 180,000 movable monuments and 6,000 archeological monuments were entered into the monument

³⁹ According to the data of the Ministry of Regional Development, 40% of households with access to the Internet are located in cities of over 100,000 inhabitants, and 32% in cities with less than 100,000. Furthermore, 26% of inhabitants of cities with more than 100 000 inhabitants, 15% in cities with less than 100 000 inhabitants and only 5% of the residents of rural areas have broadband Internet access.

register in 2005. On the UNESCO World Heritage Site list, there are 13 monuments located in the area of Poland. It is estimated that around 42% of the monuments entered into the monument register need renovation.

Moreover, it should be stressed that not only the traditional methods of production and land use, which had already been mentioned, deserve attention. It has to be remarked that the cultural landscape of rural areas also abounds in preserved primitive forms of rural settlements, single objects or structures of traditional wooden buildings of local and regional character, churches, chapels and cemeteries, grange structures, palace and garden complexes, agrifood processing facilities such as breweries, water mills and windmills, granaries, as well as archaeological monuments, including those with distinct landscape form. The above-mentioned sites make for the identity and unique character of rural areas, which should be preserved.

Their conservation and use constitutes an excellent tool for image building of rural and agricultural areas at the local and regional level. Along with the care for revival of traditional crafts, folk culture, rituals, music and the preservation of patois, dialects and languages, the above mentioned elements of cultural heritage contribute to the individual and special character of particular areas.

The political changes that took place in Poland after the second World War caused numerous rural buildings, especially manor houses and farms, to lose their owners and fall into ruin or to be used in a manner inconsistent with their purpose. Improper modernization of structures, changes in the layout of villages and insufficient public spending on culture have led to the destruction of the rural landscape and elimination of the oldest buildings. Therefore, numerous cultural heritage objects of both local and national significance in Polish rural areas need financial support. An important element of the improvement in the attractiveness of rural areas is also the activities related to the promotion and cultivation of the non-material cultural heritage of rural areas, such as local traditions or traditional professions.

Furthermore, in the rural population there is a continuous need for social identification and belonging. The regional otherness of the rural areas in Poland favours activities which lead to the revealing of the individual and unique character of a particular village. The undertaken activities should also contribute to the preservation of the cultural continuity of rural areas, the development of community identity and the retaining of cultural heritage based on its traditional values. Those activities should lead to personal involvement of inhabitants and ensure the feeling of contribution and belonging to the community.

Local capacity for development, including governance

In Poland, in particular in rural areas, proper governance at the local level, as far as the social and economic dimension is concerned, is implemented to an unsatisfactory

extent. At present, growing recognition is given to the LEADER initiative. The main objective of this initiative is to animate rural communities, e.g. by including them in planning and implementing local initiatives of social partners.

The LEADER is an approach to rural development which consists in the elaboration of a rural development strategy by local rural communities and implementation of the innovative projects resulting from it and combining available resources, knowledge and skills of representatives of 3 sectors, namely: public, economic and social. Those representatives constitute the so-called Local Action Group – an inter-sectoral partnership which selects the projects, the implementation of which contributes to the achievement of goals of the elaborated strategy. The most important feature of the LEADER approach is the fact that the programme is based on local partnership, realized through Local Action Groups. Local Action Groups, comprised of local government representatives, non-governmental organizations and enterprises, are groups that implement projects which boost the development of rural areas. These projects are usually implemented within the area of several gminas.

Such a bottom-up approach will strengthen the coherence of projects, increase the quality of management and contribute to the strengthening of social capital in rural communities and will also encourage the application of innovative solutions with regard to local development of the region.

The development of local strategies results in many benefits, the most important of which include more efficient use of local resources (human, natural) and the adjustment of activities to the needs of the entities operating in a given area. Moreover, local approach helps in the establishment of the desired and best fitted development directions and also facilitates the definition of the problems of the area and allows for the establishment of the ways of tackling them.

3.1.5. Leader

Under the Sectoral Operational Programme „Restructuring and modernization of food sector and rural development 2004-2006“, the Pilot Leader + Programme (PPL+) is being implemented as Measure 2.7. The PPL+ implementation comprises two schemes. Scheme I was implemented until the end of 2006 and was aimed at supporting the process of creating Local Action Groups, allowing local communities to carry out the analysis of development potential of rural areas and elaborating Integrated Rural Development Strategy (IRDS) on that basis. Under Scheme I, 167 projects were implemented. They covered gminas populated by ca. 40% of Polish rural population. Currently, Scheme II is being implemented, supporting the LAG activities aimed at implementing multi-sectoral strategies developed under Scheme I. After increasing the initial allocations for PPL+ measure, it is expected that under Scheme II 150 projects will receive co-financing.

PPL+ contributes mainly to greater engagement of rural communities in activities aimed at the development of the areas populated by these communities, for example through including the widest possible group of persons and institutions in works on strategies demarcating future development directions for these regions. Leader, of a bottom-up and multi-sectoral nature, develops and intensifies human co-operation on the local level and at the same time speeds up the development of rural areas and the improvement in living standards of rural population. Experience gathered in the 2004-2006 programming period prepare local communities, organizations and local government authorities for more common application of Leader approach in the implementation of various plans in 2007-2013.

3.2. Strategy based on strengths and weaknesses

SWOT analysis

Strengths

1) Agricultural and food aspects

- Large land resources and the resulting production potential;
- Multi-branch agricultural production in the scale of the country;
- Increasing average size of an agricultural holding (regional diversification);
- Advantageous conditions for the development of organic farming and other niche products;

2) Environmental aspects

- Small soil pollution and relatively good environmental conditions, resulting in large development opportunities for the production of high quality food;
- High biodiversity of rural areas providing a basis for the implementation of agricultural and environmental undertakings;
- High natural and tourist value of rural landscape.

3) Social and economic aspects

- Dense inhabitants net;
- Rich human resources allowing for the development of extra-agricultural activities.

Weaknesses

1) Agricultural and food aspects

- Low profitability of the agricultural sector;

- Low capital level and insufficient funding for agricultural holdings;
- Slow changes in the area structure of the farms;
- High percentage of poor and acidified soils;
- Setting aside large areas of farmland.

2) Environmental aspects

- Low water resources;
- Insufficient level of recognition of biodiversity resources in rural areas (absence of cross-country inventory of fauna, flora and habitat resources; the available data refer to selected groups of fauna and flora);
- high soil acidification.

3) Social and economic aspects

- Undeveloped technical and social infrastructure in rural areas (regional diversification);
- Excess of labour force and high unemployment;
- Low occupational mobility of rural inhabitants;
- Low education level among the rural population, including farmers;
- Poorly developed network of services for the rural population.

Opportunities

1) Agricultural and food aspects

- Open access of agricultural products to the Single Market;
- Trade opportunities with third countries;
- Increase of consumers' purchasing power, resulting from economic growth and resulting in the demand for processed and niche products;
- Shaping of the group of economically viable holdings;
- Young labour force on the labour market.

2) Environmental aspects

- Maintenance of high biodiversity of rural areas to ensure high tourist and natural values of the rural landscape.

3) Social and economic aspects

- Increase in the attractiveness of rural areas as places of living and areas for leisure activities for inhabitants of Poland and other EU Member States.

- Young labour force on the labour market;
- Increase in grass-roots initiatives – Leader;
- Development of smaller towns as centres and occupational locations for rural areas inhabitants;

Threats

1) Agricultural and food aspects

- Barriers in trade with third countries

2) Environmental aspects

- Non-rational agricultural management leading to an increased natural environment pollution.

3) Social and economic aspects

- Increase of poverty and social exclusion in rural areas;
- Limited opportunities of employment diversification for persons leaving agricultural activities, resulting from slow economic growth.

Rural Development Programme will be implemented horizontally, i.e. in the whole country, taking account of regional differences though the possibility of differentiating accessibility criteria, spatial differentiation relating to the specific nature of actions, mainly through selection of less favoured areas, nitrate vulnerable zones, areas covered by NATURA 2000 network. It is also possible to divide funds available under selected measures between respective voivodships in order to ensure equal access to support. The implementation of certain instruments by the local government units (Marshall's offices) and the implementation of the Leader approach by Local Action Groups consisting of the representatives of the regions and local communities will constitute an important element of the regionalisation of the implementation of the measures of the Operational Programme Rural Development.

The basic goal of the Rural Development Programme 2007-2013 is the implementation of the concept of multifunctionality of agriculture and rural areas. This concept assumes economic strengthening of agricultural holdings and the increase of agri-food sector competitiveness as well as the provision of instruments for diversification of economic activities in order to obtain and create alternative sources of income for rural population.

This objective will be implemented through specific objectives, reflected in the Programme Axes i.e. through the improvement of the competitiveness of agriculture and rural areas, environmental protection, improvement of the quality of life and social activations. Programme implementation shall contribute to the improvement of

life quality in rural areas through the development of the sector of basic services for population and will also constitute an alternative to the presently predominant role of rural areas, namely food production. Because of slow structural changes in the sector, as well as significant number of farms, the planning of support instruments should take into account the needs of various agricultural holding groups. The improvement of the competitiveness of agriculture and rural areas will be followed by the increase in the role of innovation, as well as competitiveness of individual entities. These aspects will be supported by investment-oriented measures, mainly "Adding value to basic agricultural and forestry production" and "Modernisation of agricultural holdings" measures. These investments will contribute to technological development, e.g. through the improvement of the quality of production, as well as creation of high-quality, brand and innovative products.

Within the framework of trainings planned, it is assumed that modern technologies will be popularised in agriculture and forestry, which should also contribute to the improvement of innovativeness.

The improvement of the quality of life in rural areas is an objective which is connected both with the basic tendencies of economic and social development of agricultural holdings by means of strengthening their economic potential, their restructuring and modernization and with good living conditions in terms of the quality of the environment and landscape, social and technical infrastructure.

The above mentioned problems will be tackled under measures provided for in other funds – with the exception to EAFRD - Structural Funds.

Part of activities concerns the diversification of economic activities and support for micro-entrepreneurship. In Poland such actions constitute great chance for rural habitants, most of all due to large human resource base and high level of unemployment. The most important tasks include: increasing added value of products, e.g. through packaging, the stimulation of the market of local and regional products market, tourism, trade, advisory services, other services, use of alternative energy sources.

Combating unemployment in rural areas, i.a. by raising skills, enabling access to the labour market and creating non-agricultural jobs in rural areas, is one of the key challenges for rural areas development policy. Support for enterprises offering forestry services will also be significant for the development of forms of non-agricultural activities.

In this context the priority is to ensure the employment and income through the development of non-agricultural activities. Agriculture will absorb increasingly less labour resources while the strategic vision assumes that the rural areas will maintain the active character. Therefore, rural labour resources should be increasingly employed in non-agricultural activities. In view of the above, it is especially important

to provide a wide support for the process of creating non-agricultural jobs in rural areas and for facilitating the employment of rural population in local towns. According to NSRO, it is estimated that in the year 2013 the number of people working in the agricultural sector per 100 ha of agricultural land will be 11.

An equally important aspect of rural areas in Poland, apart from economic function and good conditions for social development is their role in maintenance and restoration of landscape and nature resources, i.e. the preservation of good ecological condition of waters and soil, richness of habitats and biodiversity as well as the rural cultural heritage.

Target values of impact indicators

Item no	Name of the indicator	Target value
1	Economic growth ⁴⁰	Estimated increase in the value of the GDP indicator in 2015 - by 50.1% in relation to the base value as of 2006 ⁴¹ (including 0.41% from RDP) Base value: EUR 236,047 million ⁴² Target value: EUR 356,375 million ⁴³
2	Jobs creation ⁴⁴	Estimated increase in the value of the GDP indicator in 2015 by 2.7% in relation to base value as of 2006 Base value: 13, 854 (thousand people) ^o Target value: 14, 226 (thousand people) ⁴⁵ Target value with RDP: 79.06 (thousand people) ⁴⁶
3	Labour productivity ⁴⁷	Estimated increase in the value of the GDP indicator in 2015 by 47.8% in relation to base value as of 2006 (including 0.49% from RDP) Base value: EUR 15,070 per person ⁴⁸ Target value: EUR 22,270 ⁴⁹ per person

⁴⁰ Source: Ocena wpływu Programu Rozwoju Obszarów Wiejskich (PROW) na lata 2007-2013 na polską gospodarkę przy użyciu modelu makroekonomicznego HERMIN/ Wrocławska Agencja Rozwoju Regionalnego/ Wrocław / 2007

⁴¹ A change in the level of GDP in fixed prices of 2000, not converted according to the Purchasing Power Standard. It is possible to make forecasts of the GDP and its elements by means of the HERMIN model, however, without taking the PPS (Purchasing Power Standard) conversion mechanism into consideration. It would be possible to take the PPS into consideration in conducted simulations only on the condition that the data from National Accounts (concerning GDP), as well as RDP financial data would be available according to PPS.

⁴² The value of GDP in million PLN in fixed prices of 2000, not converted according to the Purchasing Power Standard, but converted into EUR by the exchange rate PLN 3.9038, being an average rate for 2006, estimated on the basis of monthly exchange rates published by the European Central Bank.

⁴³ As above

⁴⁴ Source: Ocena wpływu Programu Rozwoju Obszarów Wiejskich (PROW) na lata 2007-2013 na polską gospodarkę przy użyciu modelu makroekonomicznego HERMIN/ Wrocławska Agencja Rozwoju Regionalnego/ Wrocław / 2007

⁴⁵ As above

⁴⁶ Value for the year of 2013.

4	Reversal of the decrease in biodiversity (measured by Farmland Bird Index) ⁵⁰	Estimated increase in the value of the GDP indicator in 2015 by 20% in relation to base value as of 2000 Base values: 0.8 – 80% (2005); 1.0 – 100 % (2000) Target value: 0.6 (60%) of base value as of 2000 ⁵¹
5	Preservation of land with high natural value in agricultural and forest areas ⁵²	Base value: No data Target value in 2015: No data Target value with RDP in 2015: 590,000 hectares ⁵³
6	Water quality improvement ⁵⁴	Estimated increase in the value of the GDP indicator in 2015 by 13% in relation to base value as of 2005 Base value: 48.6 kg N/hectares Target value: 55 kg N/hectare ⁵⁵
7	Prevention of climatic changes ⁵⁶	Estimated increase in the value of the GDP indicator in 2015 by between 2.05 to 3.04 Mtoe in relation to base value as of 2005 Base value: 3.9 Mtoe Target value: between 5.95 to 6.94 Mtoe ⁵⁷

⁴⁷ Source: Ocena wpływu Programu Rozwoju Obszarów Wiejskich (PROW) na lata 2007-2013 na polską gospodarkę przy użyciu modelu makroekonomicznego HERMIN/ Wrocławska Agencja Rozwoju Regionalnego/ Wrocław / 2007

⁴⁸ Value estimated as a level of Gross Value Added in fixed prices of 2000 (in PLN) divided by the number of employed people. Gross Value Added converted into EUR by the exchange rate PLN 3.9038, being an average rate for 2006, estimated on the basis of monthly exchange rates published by the European Central Bank.

⁴⁹ As above

⁵⁰ Source: Data gathered under the Monitoring of Common Breeding Birds / the Polish Society for the Protection of Birds / Warszawa / 2007

⁵¹ Target value is based on the index trend up to date. Lack of index target value resulting from the implementation of the Programme is a consequence of no empirical data from the period 2004-2006. The preliminary estimates of the impact of 2004-2006 RDP can be made in 2008. This will be reflected in a systematic verification of the index target value conducted within the framework of the evaluation of the Programme.

⁵² EUROSTAT / European Environmental Agency / 2000 and the calculations of the Ministry of Agriculture and Rural Development / Warszawa / 2007

⁵³ The preliminary estimates of the impact of RDP 2004-2006 can be conducted in 2008. This will be illustrated in a systematic verification of target value for the index, made under the evaluation of the Programme. The target value for the index for 2015 was obtained on the basis of data obtained under the RDP 2004-2006 monitoring. For the purposes of calculation (on account of the short time sequence of data resulting in the lack of reliable and stable increasing tendency) the annual average increase of area of high natural value land within agricultural and forest areas in [ha], covered by support under RDP 2004-2006 was used. The value will be verified and updated under the evaluation of RDP 2007-2013.

⁵⁴ Source: Expert opinion "Assumptions for the forecast gross nitrogen (N) balance for Poland in 2015". / Institute of Soil Science and Plant Cultivation – National Research Institute / Puławy / 2007

⁵⁵ Target value is based on the indicator trend up to date. Lack of index target value resulting from the implementation of the Programme is a consequence of no empirical data from the period 2004-2006. The preliminary estimates of the impact of 2004-2006 RDP can be made in 2008. This will be reflected in a systematic verification of the index target value conducted within the framework of the evaluation of the Programme.

⁵⁶ Source: Strategia rozwoju energetyki odnawialnej / Ministry of the Environment / Warszawa / 2000, Rocznik Ochrony Środowiska Głównego Urzędu Statystycznego / Warszawa / 2006 and the calculations of the Ministry of Agriculture and Rural Development / Warszawa / 2007

⁵⁷ At present, it is impossible to assess the impact of RDP 2007 – 2013 measures on the gross increase of renewable energy production. This is a result of the lack of RDP 2004-2006 monitoring

3.3. Ex-ante evaluation

The ex-ante evaluation was prepared in accordance with Article 85 of the Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and conforms to the European Commission guidelines within the common monitoring and evaluation framework.

The ex-ante evaluation has been prepared by the project consortium established by Agrotec Polska Sp. z o.o. and Agrotec S.p.A., in cooperation with Polish experts representing various fields.

A report including the ex-ante evaluation was prepared pararely to the RDP 2007 – 2013. The representatives of the Ex-ante Evaluator systematically contacted representatives of the Ministry of Agriculture and Rural Development (MARD) responsible for preparing the Programme. Many of the remarks concerning RDP 2007-2013, included in the successive versions of the Ex-ante Evaluation, were taken into consideration while preparing the Programme.

The estimated impact of the Programme on the environment was included in a separate document in accordance with Article 40 of the Act of 27 April 2001, Environmental Protection Law (Dz.U. of 2001, No 62, item 627).

The RDP 2007-2013 ex-ante evaluation report is included in annex 5 of the Programme. The estimated impact of the Programme on the environment is included in annex 5 of the Programme.

A summary of the ex-ante evaluation

An analysis of the current situation

The analysis of the current situation in Polish rural areas was done professionally and provided a lot of useful information on development of the sector. However, the analysis can be improved. In this document a number of issues are mentioned that could have been described better, making this chapter into an instrument of substantiating and justifying the created strategy in an objective manner.

The following selected issues, mentioned in the analysis, need to be presented in more detail: the development of rural population migration trends, the causes and

data (measures associated with the aid for energy production from renewable sources are referred to in RDP 2007 – 2013 for the first time), or of an excessively short time series of data (the case of aid for dedicated crops for energy sector – willow (*Salix* sp). and thornless rose (*Rosa multiflora*) under measure 9 "Complementing area payments" of RDP 2004 – 2006). It is assumed that the index target value resulting from the implementation of the Programme, measured on the basis of the increase in the share of energy production from renewable sources, will be proportional to a gradual increase in the amount of granted aid for the projects supporting the use of renewable energy sources (RES) under the framework of appropriate RDP 2007-2013 measures. The base and target value resulting from the implementation of the Programme will be estimated and verified within the framework of RDP 2007-2013.

effects of low education level of people living in rural areas, competitiveness of the agriculture sector, quantitative characteristics of plant and animal production, and of food industry, the condition of Polish research system, the transfer of technology and innovation in food and agricultural sector (within the scope of information possessed) and a detailed description and analysis of the forestry sector.

In order to establish firm grounds for preparing RDP measures, it is recommended that the analysis of current situation is improved by taking the above mentioned issues into consideration.

RDP objectives

General and specific objectives of the RDP are compliant both with the objectives laid down in Council Regulation (EC) no 1698/2005 and with the needs and problems of the rural areas. Even though it has not been fully justified in the strengths and weaknesses analysis, it has been observed that all the selected measures within the framework of priority axes are adequate for Polish rural areas development. The estimated budget also meets the requirements of the Commission. It has been stated that the clarity of Programme objectives, included in the document, may be improved. Thus MARD was recommended to prepare a clear distinct hierarchy of programme objectives, introducing not only general, specific and operational RDP objectives, but also reflecting complementarity with other instruments. Such a hierarchy might be prepared in a graphic form, presenting different programme levels.

Conclusions drawn from past measures

It has been pointed out in the National Strategic Plan that the experience gained during past and present programmes connected with development of rural areas in Poland was taken into account in developing the new Programme. It is not absolutely clear, though, how this experience influenced the shape of the Programme. It has been recommended that a chapter summarising past and present programme experience should be added to RDP. MARD has informed that preparation of such chapter is underway. This chapter may describe experiences connected with programmes, as well as with individual measures, with EU as well as national programmes. It may also touch upon issues concerning products, results and interactions, making it possible to evaluate achievements under the former programmes. Monitoring tables prepared for meetings of Monitoring Committees present available data, constituting solid basis for the summarising chapter.

Intervention logic for measures, quantification of objectives and the expected impact

As was mentioned above, the strategy objectives are adequate. However, it is vital that both general and specific objectives of the Programme, as well as its operational objectives on the level of measure, are quantified to a great extent. It was

recommended to assess the quantified objectives of the Programme, reflecting the objectives included in it, such as economic growth (growth of gross value added in percent), new jobs created (figures), change of holding size (average area of a holding, growth).

MARD estimated the values for product and effect indicators.

The selection of measures was evaluated as right. Their description however, could be more specific in some cases. The report gives some examples in this respect. Consequently, it was recommended to improve the description of measures by defining as precisely as possible the intervention logic, using indicators at all levels and quantifying the objectives of the measures. Such quantification would also make it possible to achieve adequate cost effectiveness, with resources allocated to measures linked to quantification of objectives that are based upon experience gained from both former and current programmes.

It was confirmed that the issue is complicated due to the lack of formal ex-post evaluation of SAPARD, as well as of interim evaluation of the current programme. However, it is important to carry out an internal analysis and to formulate significant conclusions. It was emphasized that it is necessary to refer to current experience in implementing RDP 2004-2006 and SOP 2004-2006. Positive experience, as well as difficulties and failures, constitute the most appropriate argumentation for improving the Programme. The process of gaining experience is one of the most important factors that may influence the effectiveness of using the structural funds between 2007 and 2013.

It should also be emphasized that it is expected that the Programme will have a significant impact on the development of rural areas resulting from the investment of an amount exceeding EUR 15 billion from the public resources between 2007 and 2013.

The draft Programme and the choice of measures related to it will enhance economic and social development through measures related with investments, infrastructure and human resources development, as well as measures providing farmers with financial support in the form of area payments. These measures will add to improvement of skills and competences of rural inhabitants. They will, moreover, contribute to the increase of entrepreneurship and local involvement through Leader. As a consequence, it will be possible to observe the creation of new jobs in the extra-agricultural sector, as well as the establishing of new micro-enterprises in rural areas. The Programme measures – as it seems – will also allow for increasing the work output, e.g. in organic farming or in production of traditional local products. Increased work output and modernization may cause loss of jobs in agriculture and in processing industry.

It was confirmed that the economic, social and ecological objectives of the Programme will be achieved. Yet, it is difficult to estimate the precise level of proceeds as, so far, quantified targets have not been presented for the Programme and the resources have not been allocated for individual measures in a summary manner. Therefore it is not possible to estimate and expect fund absorption at the sector and sub-sector level.

Divergences and regional differences

In several places of this RDP report, references to the phenomenon of differences between regions have been observed. However, no attempts to react to these differences or to treat them as targets for the implemented measures have been observed. However, being aware of the considerable differences between the individual regions, it is recommended to fit this issue into the Programme. It can be achieved through the use of objective indicators (regional contribution to GDP, regional gross value added (GVA), employment and unemployment rate in regions etc.) which classify regions according to their development needs. In a horizontal programme, such as the Polish one, it has been suggested to use selection criteria giving priority to regions (gminas) needing greatest support.

The Ministry of Agriculture and Rural Development will consider the evaluator's proposal to enclose in the programme the objective indicators, illustrating regional divergences and differences (e.g. regional contribution to GDP).

Complementarity to other programmes

In NSP you can find a general description of the content of mutually complementing programmes. In this document you will also find general rules of determining demarcation lines between RDP and other programmes. However, at the RDP level you cannot find detailed descriptions defining where the demarcation lines between RDP and other programmes run and in what manner the demarcations will be administered. It is recommended to insert into measure descriptions detailed hints on the manner in which these demarcations will be established (measure by measure, in the same way as it was described in measure description Vocational training for persons employed in agriculture and forestry). In addition, we think that support under this measure is directed at farmers and forest owners who develop their skills in order to increase production, while ESF (the European Social Fund) provides support for retraining farmers and forest owners in order to give them access to jobs outside agriculture and forestry.

Partnership-based approach

The process of consultations with social partners is becoming more and more important. It favours increase in the participants' involvement and increases the chances of successful implementation of the Programme, especially at the local level.

It has been recommended to include a short chapter describing the way in which the whole process of consultations proceeded in RDP.

The scope of the Leader approach

The Leader approach is a significant tool strengthening involvement at the local level and activating the local human potential. We think that the Leader approach has been accurately described in RDP. At the same time, it is recommended to broaden its scope by the Axis 1 and 2 measures. It can be done through allocating part of resources intended for the Axis 1 and 2 measures to implementation of undertakings under the Leader approach in the same manner as in case of the Axis 3 measures. It seems proper to implement under the Leader approach measures such as: Vocational training for persons employed in agriculture and forestry, Modernisation of agricultural holdings, Improvement in and development of infrastructure related to the development and adaptation of agriculture and forestry, Participation of farmers in food quality schemes, Information and Promotion Activities, Agricultural producer groups under Axis 1 as well as Agri-environmental programme and Afforestation of agricultural and non-agricultural land under Axis 2.

State aid and competition rules

The current version of RDP does not contain a chapter describing compliance of its measures with regulations concerning competition and any additional support in the form of public aid. It is recommended that such a chapter be prepared and included in the new version of RDP. The Ministry of Agriculture and Rural Development will develop a chapter on state aid.

Monitoring and data collection system

Both the description of planned monitoring and evaluation system, as well as the description of data collection system, which are to be prepared, have been positively evaluated.

However, successful monitoring and implementation of the Programme depend on preparation of proper monitoring and evaluation indicators with reference to the Programme and measure objectives. It has been also pointed out that proper preparation of specimen applications and questionnaires, as well as specimen reports and surveys for beneficiaries are essential for correct Programme monitoring and implementation. These documents will function as tools for collecting primary data and they must be prepared in direct accordance with the hierarchy of the Programme objectives. On the grounds of previous RDP provisions it is impossible to determine unambiguously if that is the case. It is recommended that MARD and ARMA prepare the documents in accordance with the hierarchy of objectives. This means, for example, that application forms in case of projects related to an investment must contain questions to the beneficiary regarding the expected products, results and

impact of the investment, with the use of previously defined indicators taken from the system of monitoring indicators.

3.4. Impact of the previous programming period and other information

The SAPARD programme

General information

The SAPARD programme is a pre-accession instrument for the support of agricultural and rural development, as well as institutional capacity building.

Pursuant to Council Regulation (EC) No 1268/99, Community pre-accession support shall relate in particular to the implementation of the *acquis communautaire* concerning the common agricultural policy and related policies, as well as to solving priority and specific problems for the sustainable adaptation of the agricultural sector and rural areas in the applicant countries.

In the pre-accession period, the programme focused on the measures aimed at preparing the agri-food sector for the adoption of *acquis communautaire*. Following the accession, the measures planned within the programme, have been implemented under operational programmes of the EU funds, in particular the Guidance Section of the European Agriculture Guidance and Guarantee Fund (Sectoral Operational Programme Restructuring and Modernisation of the Food Sector and Rural Development) and under the programme financed from the Guarantee Section of the EAGGF (Rural Development Plan).

Pursuant to Decision of the European Commission of 2 July 2002 on conferring management of the SAPARD programme to Poland, on 17 July 2002 the Agency for Restructuring and Modernisation of Agriculture began accepting applications for aid related to the following Measures:

1. "Improvement in processing and marketing of food and fishery products".
2. "Investments in agricultural holdings".
3. "Development and improvement of rural infrastructure".

Within Measure 1, whose beneficiaries are entrepreneurs, agricultural producers' groups and their unions, applications were accepted until 5 February 2004. In total, 1,778 applications for financial assistance were submitted.

Until 31 December 2004 the SAPARD Programme contributed to improvement in safety and quality of food produced in the sectors, which have the greatest needs in this respect. The meat sector received the largest share of the total amount of refund under Measure 1, i.e. 48.60% of the total amount paid under the Measure, and the fishery sector received the smallest, i.e. 6.70 % of the total amount of the

SAPARD refund under the Measure. Most of the investments carried out within the projects of Measure 1 related to the adjustment to EU sanitary and veterinary requirements⁵⁸, which confirms the appropriateness of the direction decided on in the pursuit of the main objective of this Measure. In accordance with the report of programme implementation in 2005, the largest number of investments under this Measure was implemented in the meat sector (556) and milk processing (289). At the end of 2005, 139 plants met the EU sanitary and veterinary requirements after the implementation of projects under the SAPARD programme, compared with 100 plants provided for in the Programme.

Within Measure 2, whose beneficiaries are farmers, the applications were submitted between 17 July 2002 and 20 February 2004. By 20 February 2004, 15,586 applications for aid were submitted, out of which nearly 10,000 were submitted in January and February 2004.

Between 17 July 2002 and 31 December 2005, 12,357 projects to the total amount of PLN 563,597,221.25 (PLN 422,697,922.02 of EU contribution) were completed (received the final payment). The implemented investments were mainly targeted at decreasing labour-intensiveness in agricultural holdings (machinery and equipment for agricultural production and preparation of fodder – over 90% of public funds paid), improvement of products' quality (equipment and facilities for first processing, storage and warehousing, as well as for preparing agricultural products for sale), and protection of the environment (equipment and facilities for the management of animal waste).

Investments aimed at diversification of agricultural production, including purchase of agricultural machinery and equipment, were the most popular (75.58% of the public funds paid). Another type of investment, carried out most often under the programme, was erection of new buildings and extension or modernisation of the existing ones (4.3% of investments under implemented projects). Under this Measure, the largest number of projects (1,526) was implemented under Scheme 2.3.

Within Measure 3, whose beneficiaries are mostly gminas, gmina unions and poviats, 6,230 applications for aid⁵⁹ were submitted in total. During the second round of the acceptance of applications (30 July – 15 September 2003), 4,198 applications were submitted, twice as much as in the previous round in 2002.

By 31 December 2005, 4,414 projects to the total amount of PLN 1,958,005,502.19 (PLN 1,468,504,125.51 of EU contribution) were implemented (received final payment).

⁵⁸ W przypadku sektora owocowo-warzywnego dotyczy tylko wymogów sanitarnych.

⁵⁹ W terminie od 17.07.2002 r. do 16.09.2002 r. – 2 032 wnioski, od dnia 30.07.2003 r. do 15.09.2003 r. – złożono 4 198 wniosków.

Over 6,111 km of water supply systems, 56,183 water connections, 186 wastewater treatment plants of 5,806 m³/h of total rated output and over 6,017 km of sewage network were built under Measure 3. 91,610 connections and 180 wastewater treatment plants of 97,005 m³ of total rated output were constructed. Moreover, 2,396 homestead water treatment plants were built and 3,724 km of poviat and gmina roads were either modernised or constructed.

On 14 November 2003 the European Commission issued a Decision conferring the management of the SAPARD programme with regard to Measure 4 to Poland. Diversification of economic activities in rural areas, whose beneficiaries are farmers and their families, entrepreneurs, gminas, inter-gmina associations or NGOs.

Within this measure, applications for aid were accepted from 3 to 22 December 2003, and from 23 December 2003 to 26 January 2004.

In total, 7,504 applications were submitted.

By 31 December 2005, the beneficiaries completed (received the final payment) 3,456 projects, for which the amount of PLN 276,573,639.47 (PLN 207,430,232.44 of EU contribution) was paid.

The projects implemented most frequently involved job creation by entrepreneurs in rural areas (74.82% of the funds released), less frequently – providing additional income sources to farmers and their families (14.17 % of the funds released). Investments aimed at the development or modernisation of public infrastructure in rural areas were the least frequent (11%).

Measure 5 Agri-environmental and afforestation measures (pilot project) was not authorised and not implemented under the SAPARD Programme.

Furthermore, pursuant to the Commission Decision of 2 July 2002, Measure 6 Vocational training and Measure 7 Technical assistance were launched.

Within Measure 6, by the end of 2005, 10 training projects were carried out, for which the total amount of PLN 24,529,092 (PLN 18,396,819 of EU contribution) was paid; and as part of which, 8,900 farmers were trained with regard to acquisition of skills needed to manage an economically viable agricultural holding, the application of production practices compatible with the maintenance of the landscape, environmental protection, hygiene and animal welfare standards, training on entrepreneurship development in rural areas and multi-disciplinary courses.

Measure 7 covered seminars and conferences for potential beneficiaries of Measure 1, 2, 3, and 4 of the SAPARD programme, which attracted nearly 9,000 participants. The conferences concerned, among others, promotion of and information on availability and scope of support under the SAPARD programme.

Experience gained from the SAPARD Programme implementation

The SAPARD Programme, treated as pilot programme, began the implementation of tasks concerning structural support for agriculture and rural areas in accordance with the European Union system in force. Experience gained, as well as institutional arrangements prepared and procedures corresponding to the EU standards were utilised in order to implement the agricultural and structural policy within SOP measures "Restructuring and modernisation of food sector and rural areas development".

The changes of the SAPARD Programme allowed flexibility of assistance granting regulations, for example the rules of assistance gaining by processors who received the assistance in amount of no more than 50% (optionally 30%, 40% or 50%), as well as farmers, were simplified via broadening of the production ceiling crucial for access to the programme, increasing the assistance and age limits, alongside with broader scope of purchase of machinery and agricultural production equipment, including tractors. As the beneficiaries of Measure 3, the local governments were enabled to implement 3 simultaneous investments of one type, instead of only one investment previously, for water supply, sewage or roads.

The highest number of financed projects – almost 13,000 payments - were implemented within Measure 2 "Investments in agricultural holdings", the beneficiaries of which are farmers. The largest amount of funds – nearly PLN 2,000,000,000 – was released in Measure 3 "Development and improvement of rural infrastructure", the beneficiaries of which were gminas and poviats. The amount of over 1,500,000,000 was released in Measure 1 "Improvement in processing and marketing of food and fishery products".

The SAPARD Programme contributed to improvement in safety and quality of food produced in the sectors, which have the greatest needs in this respect. The meat sector received the largest share of the total amount of refund under Measure 1, with the amount of over the half (51.3% to be precise) of the funds released for the entire Measure 1, and the second largest share was received by dairy sector (25.4%) while the fisheries sector received the smallest share of the total amount of SAPARD refund under Measure 1 – 7.3%.

Measure 4 „Diversification of economic activities in rural areas“ enjoyed much popularity although it was introduced towards the end of application acceptance period. Scheme 4.2. "Providing new jobs in rural areas" received over half of the payments. More than 76% of financial funds intended for Measure 4 fell to Scheme 4.2.

Apart from tangible financial benefits, the programme played a vital part in the human capital building. Thousands of the SAPARD Programme beneficiaries gained knowledge and experience allowing them to efficiently utilise the structural funds,

contributing to better utilisation of EU assistance funds by Poland. SAPARD is also an increase of machinery and equipment delivery and construction works orders. Thanks to the SAPARD Programme many companies survived or improved their financial results. Obviously, this phenomenon limits the unemployment scale.

The requirements established by the SAPARD Programme towards the institutions involved in its implementation were very strict. The experience gained made it significantly easier for them to prepare themselves to implement tasks concerning CAP instruments operation and programmes financed by structural funds. It is worth emphasising that measures prepared under the SAPARD Programme became a basis for SOP "Restructuring and modernisation of food sector and rural development" measures, in accordance with the juxtaposition below:

The SAPARD programme	SOP <i>"Restructuring and modernization of food sector and rural development"</i>
Measure 1 "Improvement in processing and marketing of agricultural and fishery products"	Measure 1.5 "Improvement in processing and marketing of agricultural products"
Measure 2 "Investments in agricultural holdings"	Measure 1.1 "Investments in agricultural holdings"
Measure 4: „Diversification of economic activities in rural areas". Scheme 4.1. "Supporting the Additional Sources of Sustainable Income for Farms"	Measure 2.4. "Diversification of agricultural and close to agricultural activity for ensuring diversity of measures or alternative sources of income"
Measure 4. "Diversification of economic activities in rural areas" Scheme 4.3 <i>"Public tourist infrastructure in rural areas"</i> .	Measure 2.3. "Rural renewal and the preservation and protection of cultural heritage"

Additionally, a slightly modified version of Measure 3 „Development and improvement of rural infrastructure" of the SAPARD Programme was used in the Integrated Regional Operational Programme.

Apart from tangible financial and material effects, the SAPARD Programme is a capacious source of experience for beneficiaries in terms of preparation for the utilisation of the wide set of EU support tools.

The experience gained made it easier for the beneficiaries to apply for aid as part of the Sectoral Operational Programme "Restructuring and modernization of the food sector and rural development", which includes measures that continue some of the SAPARD measures in specified scope. Experience related to the SAPARD Programme also increased the trust of banks, which currently seek larger share in implementing the support instruments with the EU funds participation.

Rural Development Plan for 2004-2006

General information

Rural Development Plan for 2004-2006 (RDP) was approved by Commission Decision (EC) C(2004) 3373 of 6 September 2004.

Eight measures are being implemented under the RDP (Measures 1-8), the RDP budget provides for the financing of two measures implemented on the basis of other agricultural support schemes (Measure 9 and 10). Total amount of EUR 3,592,400,000 is available for the implementation of the RDP for 2004-2006, including EUR 2,866,400,000 of EU contribution and EUR 726,000,000 of Polish contribution.

Implementation of the Rural Development Plan 2004-2006

Nine measures financed from the RDP budget for 2004-2006 were initiated in the period between 15 April 2004 and 1 February 2005. Financing of measure 10 - Projects under Regulation 1268/1999 (SAPARD Programme) was initiated in the first quarter of 2006. The majority of data presented in this chapter are as of 31 December 2006.

Measure 1. Early retirement

Early retirement is aimed at farmers in the pre-retirement age, covered by social insurance and carrying out agricultural activity on an agricultural holding, who decide to hand the agricultural holding over to another farmer or to a successor. It is also possible to hand over land to the Agricultural Property Agency, if there is neither a successor to take the holding over nor a farmer to take the holding over for the increase of his/her holding.

Since 1 August 2004, i.e. the date of initiation of the measure, to 22 September 2006, 56,303 applications for early retirement were submitted. At the same time, by the end of December 2006, 51,512 decisions to grant early retirement were made.

Measure 2. Support for semi-subsistence farms

Aid for semi-subsistence farms in the form of premiums paid for five years will improve their income situation and consequently the conditions for restructuring this group of holdings.

In accordance with MARD Management decision, on 23 March 2005 the Agency suspended the acceptance of applications under Measure 2. The decision was dictated by a large number of applications submitted (114,767) and the resulting threat of exhaustion of the limit of resources intended for financing this measure.

The acceptance was resumed between 6 and 16 November 2006. 57,523 applications were submitted by 31 December 2006, as part of the second collection of applications.

By 31 December 2006, 105,371 decisions to grant payments for semi-subsistence farms were made as part of the 1st collection of applications and 1,970 decisions under the 2nd collection⁶⁰.

Measure 3. – Support for farming in less-favoured areas (LFA)

Financial aid under this measure is granted in the form of annual flat rate payments to 1ha of utilised agricultural area located in less-favoured areas. Payment is related to observance of measurable standards concerning environmental protection in the scope of agricultural production, called Usual Good Agricultural Practice.

Between 15 April 2004 (the date of initiation of Measure) and 31 December 2006, 2,052,772 applications for payment were submitted (in 2004 – 628,762 , in 2005 - 706,409, in 2006 - 717,601). At the same time, by 31 December 2006, 1,887,195 decisions were made in this respect (in 2004 - 607,905, in 2005 - 692,324, in 2006 - 586,966).

Measure 4 - Supporting agri–environmental actions and increasing animal welfare

The main objective of this measure is to promote the agricultural production systems compliant with the environmental protection requirements (preventing water contamination, soil erosion), environmental protection and management, protection of the endangered species of wild fauna and flora and their habitats. In addition, the measure is to contribute to the improvement of ecological awareness among the rural population.

Financial assistance is granted for the implementation of the following agri-environmental packages: sustainable agriculture, organic farming, maintenance of extensive meadows and pastures, soil and water protection, buffer zones, protection of local livestock breeds. Payments for respective agri-environmental packages are made in flat rate form. Maximum amounts are paid per ha/linear metre of the area or per livestock unit. Payment is related to the observance of the requirements of Usual Good Agricultural Practice.

Since 9 September 2004, the date of initiation of the measure, till 31 December 2006, 72,487 applications for the first payment were submitted. At the same time, by 31 September 2006, 71,559 decisions were made in this respect.

Measure 5. Afforestation of agricultural land

Financial assistance under this measure may cover: support for afforestation (cost of establishing forest cultivation and of protection against game), maintenance premium to new forest cultivation and the afforestation premium, which is an equivalent for the exclusion of land from agricultural crops. Aid paid under this measure is to increase the forest area through the exclusion from use of land of low

⁶⁰ Stan na 20 kwietnia 2007 r. – w ramach II naboru - 56 598 złożonych wniosków, 49 623 decyzji.

usefulness for agriculture and susceptible to such threats as: erosion or water contamination.

From 1 September 2004 - the date of initiation of Measure – to 31 December 2006, 10,625 applications for payment for afforestation were submitted (in 2004 - 2,061, in 2005 - 4,365, in 2006 - 4,199). At the same time, by 31 December 2006, 5,814 decisions were made in this respect (in 2004 - 1,701, in 2005 - 3,555, in 2006 - 558).

Measure 6. Adjusting agricultural holdings to EU standards

Financial support is to cover the costs of an undertaking adjusting the agricultural holding to EU standards in the field of environmental protection, public health, animal health and welfare. Support is granted in the form of annual payment covering investment costs, if such investment is necessary to achieve a given standard.

In accordance with MARD Management, on 15 March 2005 the Agency suspended acceptance of applications under this Measure. The decision was dictated by a large number of applications submitted (73,412) and the resulting threat of exhaustion of the limit of resources intended for financing this measure. The amount of aid forecast on the basis of applications submitted under measure 6 is EUR 612,000,000, accounting for 25% of the budget intended for this measure for 2004-2006.

By 31 December 2006, 70,381 decisions to grant payments for adjusting agricultural holdings to EU standards were made.

Measure 7. Support for agricultural producer groups

This measure is designed for agricultural producer groups established for the purpose of common adjustment of production standards by members of such groups and establishment of a system of common sale of products – inter alia sale centralisation, preparation of sale, confectioning, deliveries to wholesale companies, and establishment of common principles as regards providing access to information about production, especially with respect to harvest (crops) and accessibility of given agricultural products.

From 15 December 2004 - - the date of initiation of the measure, to 31 December 2006, 80 applications for aid for the support of agricultural producer groups were submitted. At the same time, by 31 September 2006, 51 decisions were made in this respect.

Measure 8. Technical assistance

The measure is an additional financial support instrument to reinforce the implementation of the Plan under respective measures and to ensure efficient, effective implementation, which complies with the law and Community policies, and in consequence facilitating efficient use of aid resources originating from EAGGF

Guarantee Section. Support under technical assistance is aimed at institutions involved in this process as well as social partners.

From 1 October 2004 - the date of initiation of the measure, to 31 December 2006, 51 applications for technical assistance were submitted and 38 contracts concluded.

Measure 9. Complementing area payments

Implementation of this measure consists in allocation of part of RDP financial resources to additional support for agricultural producers through complementing area payments.

From 15 April 2004, the date of initiation of the measure, to 31 December 2006, 4,248,549 applications for payment were submitted (in 2004 - 1,366,055, in 2005 - 1,450,595, in 2006 - 1,431,879). At the same time, by 31 December 2006, 4,012,730 decisions were made in this respect (in 2004 - 1,356,435, in 2005 - 1,435,450, in 2006 - - 1,220,845).

Lessons learned during the implementation of the Rural Development Plan 2004-2006 for the respective measures of the Rural Development Programme 2007-2013

Measure 1. Early retirement

Since the initiation of the Programme, the total of 52,125 agricultural holdings (approximately 456,000 ha of agricultural land) have been handed over, of which approximately 53.66% of agricultural land have been handed over to enlarge other holdings, and approximately 46.30% of agricultural land have been handed over to successors. Land taken over by persons who were under 40 years of age had large share in the agricultural land handed over. The tendency indicates that the measure had impact on the improvement of competitiveness of agricultural holdings in Poland.

Considering the assumed objective of the measure and the economic effectiveness of the funds expended, it was decided to make the accessibility criteria stricter as compared to the RDP 2004-2006 measure. The restrictions consist in the introduction of the requirement to hand over the holdings of at least 3 ha and application of the requirement as regards the target area of the holding after handing over (achievement of the average area in the voivodship or in the country).

The application may be submitted by an agricultural producer who holds the agricultural holding of at least 3 ha of agricultural land or 1 ha of agricultural land in the małopolskie, podkarpackie, śląskie and świętokrzyskie voivodship. 4 voivodships were selected, which had the lowest voivodship average and the most dispersed individual holdings of over 1 ha of agricultural land and simultaneously a rule was introduced that if the holding was handed over to increase the area of another

holding (excluding the parcel that the agricultural producer may keep), the area of the holding upon the increase could not be smaller than the average area of the holding in the voivodship - which should affect the improvement of the agrarian structure.

Persons who do not meet the conditions of the required size of the holding to use the measure "Early retirement" within the 2007-2013 programming period should consider the possibility of increasing the acreage of the holding, which will be a step towards the improvement of the agrarian structure.

Measure 2. Support for semi-subsistence farms

Aid for semi-subsistence farms under RDP 2004-2006 was assumed in the form of annual premium (constituting the equivalent of EUR 1,250) paid for up to 5 years. The aim of this support was to improve the income situation of holdings of small economic potential and thus to improve the conditions for restructuring of this group of holdings.

In accordance with the assumptions of RDP 2004-2006, measure "Support for semi-subsistence farms" was to contribute to support for restructuring of agricultural holdings of small economic potential and the improvement of competitiveness of the Polish agricultural sector under the conditions of integration with the European Union. 14% of financial means were intended for this measure under RDP.

As a result of the analysis concerning the division of applications submitted, from the regional point of view, the greatest interest in aid granted under that measure was noted for agricultural producers in voivodships with the greatest absolute number of holdings of 2-4 ESU economic size, i.e. in lubelskie, mazowieckie, świętokrzyskie and łódzkie.

The measure "Support for semi-subsistence farms" was most popular in localities where the problem of low share of industrial farming was relatively high.

The measure assumed a number of projects possible to implement that should affect the achievement of objectives of these measures, above all increase the economic effectiveness of agricultural holdings.

In order to improve viability of agricultural holdings the agricultural producers applying for aid could declare, inter alia:

- shifting of the semi-subsistence farm to organic production;
- joining the group or agricultural producer organisation;
- purchase of farmed animals, agricultural machines, agricultural land;
- participation in a training;
- joining the agri-environmental programme;

- providing agricultural services.

The projects usually declared by agricultural producers facilitating the increase of economic size of holdings and ensuring stronger relation with the market included:

- purchase or lease of the agricultural land (approximately 60% of the total declared purposes);
- purchase of farm animals (approximately 30% of the total declared purposes);
- purchase of agricultural machines (approximately 15% of the total declared purposes);
- completion of a training (approximately 8% of the total declared purposes);
- shifting of the semi-subsistence farm to organic production (approximately 6% of the total declared purposes);
- achievement, within the utilisation of payment for semi-subsistence farms, of the annual value of sale of agricultural products originating from own farming to the amount of at least PLN 20,000 (approximately 4% of the total declared purposes);

As the respective projects are currently implemented by the semi-subsistence farms, it may be assumed that the aforementioned measures taken by farms of small economic potential will have impact on increasing the economic viability of farms. As the respective projects are currently implemented by the semi-subsistence farms, it may be assumed that the aforementioned measures taken by farms of small economic potential will have impact on increasing the economic viability of farms.

Measure 3. Support for farming in less-favoured areas (LFA)

Taking into consideration the ability of Polish agriculture to compete with producers on the domestic market as well as with EU producers on the common market who receive a full scope of direct payments and obtain the support for rural development co-financed by the EU, financial aid for less-favoured areas is especially important in the context of maintaining vitality of rural areas and of ensuring the continuity of farming.

At the same time, this measure is also vital as far as the preservation of landscape values of rural areas is concerned. This in turn is of special importance in the new Member States where fallowing is a serious problem leading to unfavourable changes in the biodiversity of the landscape.

The implementation of the above mentioned measure has resulted in promoting environmentally-friendly management methods and raising awareness concerning the binding law.

RDP 2004-2006 Measure 3 is continued in the programming period 2007-2013.

Measure 4 - Supporting agri-environmental actions and increasing animal welfare

The agri-environmental programme is one of the most difficult and the most innovative measures under RDP 2004-2006. The last campaign witnessed the greatest interest in joining the agri-environmental programme. The growing interest in the programme is a proof that environment protection measures are promoted on a wider scale among farmers. Moreover, the educational significance of the is invaluable. On average every 25 holdings with an area larger than 1 hectare implemented the programme on the national level. On the regional level, the figures vary - the largest percentage of holdings implementing the programme could be observed in the zachodniopomorskie voivodship (every 10 holdings). However, in the case of the śląskie voivodship every 100 holdings implemented the programme (according to data from March 2007).

The percentage of issued decisions in relation to submitted applications amounted to almost 100%. This means that only a small percentage of the submitted applications was rejected due to formal reasons. This in turn proves that potential beneficiaries are well prepared as far as meeting the formal requirements for joining the agri-environmental programme is concerned and that agri-environmental advisers were very probably committed to helping them.

“Buffer zones” was the least popular among all agri-environmental packages. The lack of interest on behalf of potential beneficiaries may have been caused by the low payments. During the period when the objectives for 2007-2013 were drawn up, the amount of payments were reviewed, including also the payments under the above mentioned package. The review should encourage beneficiaries to take on more obligations within the framework of the package in the future.

For the programming period 2007-2013 two actions have been planned: a number of packages will be continued (after their requirements have been verified) and new ones will be added. The following packages implemented during the former period will be continued: sustainable agriculture, organic farming, soil and water protection, buffer zones, protection of local livestock breeds.

Under the packages, emphasis has been placed on issues connected with the natural environment. On the basis of conclusions drawn from the implementation of natural environment packages in the programming period 2004-2006, connected inter alia with the need to draw up different requirements taking the nature-value of the habitat, as well as the planned measure Nature 2000 payments into consideration, a new approach to natural environment packages has been proposed. Support of measures aiming at maintenance of extensive meadows and extensive grasslands will be implemented under Package 3 “Extensive permanent grassland”. The new areas of support cover tasks aiming at maintaining nesting habitats of endangered bird species and high-nature value habitats in rural areas (package 4 “Protection of

endangered bird species and natural habitats outside of Natura 2000 areas” and package 5 “Protection of endangered bird species and natural habitats in Natura 2000 areas” .

Additionally, between 2007-2013 farmers actively preserving local crop varieties, including traditional orchards, are expected to be granted support (package 5 “Preservation of local crop varieties”).

Among the changes introduced on the basis of the experience gained during the former programming period, the Priority Zones have been abandoned. This means that the programme will be available across the whole country. Moreover, it addresses the demands made by farmers interested in the implementation of natural environmental packages on their holdings, which are not situated within the priority zones.

Beneficiaries of the measure adopted during the previous period may enter the new programme on the condition that they participated in the previous one for at least 3 years and that the transformation is connected with unquestionable advantage for the natural environment or animal welfare.

Payments made under agri-environmental programmes of RDP 2004-2006 have changed the attitude of people living in the rural areas and have made them more aware of the natural environment. A very important factor as far as increasing the level of knowledge and shaping the attitudes of the beneficiaries under Measure 4 of RDP 2004-2006 is concerned was the participation of agri-environmental advisers in the implementation of the programme. There are approximately 1,450 agri-environmental advisers in Poland (data as of April 2007).

Measure 5. Afforestation of agricultural land

Under Measure 5 of RDP 2004-2006 the area intended for afforestation was not restricted. This fact was noticed by experts who stressed the potential risk of degradation of habitats of high natural value. Keeping this demand in mind, there is a proposal in RDP 2007-2013 to restrict the maximum area intended for afforestation by one beneficiary to 20 ha. What is also proposed, is to exclude permanent grassland area from afforestation. The acquired experience would allow thus to take into special consideration the protection of areas of high natural value, including Natura 2000 areas, against afforestation.

During the programming period 2004-2006, many potential beneficiaries of Scheme II of the RDP 2007-2013 Measure Afforestation of agricultural and non-agricultural land requested to include land with natural succession in the afforestation programme. In order to meet the above mentioned demands, the scope of the measure concerning afforestation of non-agricultural land was extended in accordance with the potential laid down in Council Regulation (EC) 1698/2005. The possibility to be granted support for fallow land will allow beneficiaries to meet the

environmental objectives of this measure more precisely. At the same time, under this scheme also measures against afforestation of areas of high natural value will be reinforced.

Measure 6. Adjustment of agricultural holdings to the EU standards

Under this measure, the financial support was granted in order to cover the costs of undertaking adjusting the agricultural holding to the EU standards in terms of environmental protection, public health and animal health and welfare. Due to the standards determining the conditions of agricultural production, introduced as a result of the adjustments of the Polish provisions to EU requirements, Polish holdings had to implement additional projects.

Under the measure "Adjustment of agricultural holdings to the EU standards" financial aid was granted for:

- equipping agricultural holdings with devices for natural fertilizer storage;
- adjusting milk producing holdings to the EU standards as far as public health is concerned;
- adjusting laying hens' farms.

Among a number of threats to the environment connected with agriculture, the issue of solid animal waste storage (manure) and liquid animal waste storage (semi-liquid and liquid manure). Organic fertilisers should be stored in a way that prevents leakage to the soil. Animal manure is dangerous to environment mainly due to nitrogen losses. Nitrogen compounds permeating into the soil environment and then to groundwater and water courses worsen the quality of water. Moreover, leakage of ammonia and other gases worsening the quality of air is highly dangerous.

The aim of equipping agricultural holdings with devices for natural fertilizer storage was to curb the negative impact of these fertilizers on the natural environment, above all to curb the negative impact on groundwater, and to introduce and propagate environmentally-friendly actions in an agricultural holding.

The adjustment of dairy holdings to veterinary requirements concerned mainly the milking rooms and milking and milk storage infrastructure in accordance with hygiene requirements.

Generally, the implementation of undertakings contributed to achieving the aforementioned objectives by agricultural holdings, especially in the case of holdings unable to finance the necessary investments due to their lack of own investment capital. The need for public support is related mainly to investments concerning the organic fertilisers storage and milk production and storage.

Under the measure, the total of 77,395 applications for aid have been submitted, on a basis of which the assumed amount of aid is EUR 637,000,000.

By 31 December 2006, 70,381 decisions to grant payments for adjusting agricultural holdings to EU standards were made.

Moreover, the aid granted under the measure "Adjustment of agricultural holdings to the EU standards" in the scope of organic fertilisers storage equipment (manure pads, liquid manure or semi-liquid manure containers) included over 67,000 households. It is worth emphasising that investments in this scope contribute greatly to limitation of pollutants leaking into water, as a result of improper organic fertilisers storage. These investments are a priority on areas especially endangered, from which nitrogen losses to waters should be restricted (NVZ). Approximately 3,500 holdings were granted aid in these areas.

The awareness of extensive investment needs, especially in the scope of proper organic fertilisers storage triggers further financing of such investments in the scope of Measure "Modernisation of agricultural holdings" as part of RDP 2007-2013.

Measure 7. Support for agricultural producer groups

Measure "Support for agricultural producer groups" as part of RDP 2007-2013 is a continuation of RDP 2004-2006 Measure 7. From the beginning of the Plan implementation, the number of agricultural producers grew significantly. From 1 May 2004 to end-2006, 95 agricultural producer groups were established (in 2004 - 18, in 2005 - 32, in 2006 - 45 groups, respectively), especially in the following branches: pigs, cereal grain, cereal grain and oilseeds, oilseeds, tobacco, poultry, milk and birds' eggs.

It is worth emphasising that the growth of agriculture producer groups is significant in comparison to the number of groups established between 2001 and 2004, financed from national funds. Between 2001 and 2004 (until 30 April 2004), 73 groups were entered in the agriculture producer group registers kept by voivods (in 2001 - 10, in 2002 - 18, in 2003 - 34, in 2004 - 11 groups, respectively). Therefore, due to existing needs and growing interest in forming agriculture producer groups, it is justified to continue the measure in the programming period of 2007-2013.

Sectoral Operational Programme "Restructuring and modernization of food sector and rural development for 2004-2006"

General information

Sectoral Operational Programme "Restructuring and modernization of food sector and rural development 2004-2006" (SOP) has been approved by the European Commission Decision of 7 July 2004.

For the implementation of the SOP in 2004-2006 the support of EUR 1,784.15 million was granted, out of which European Union resources constituted EUR 1,192.68 million and the required national contribution amounted to EUR 591.47 million and

originated mainly from the state budget. Certain aid beneficiaries under this Programme are required to have their own resources for project co-financing.

The programme covers the following measures supporting the agricultural and rural development:

- 1) Investments in agricultural holdings;
- 2) Setting up of young farmers;
- 3) Trainings;
- 4) Support for agricultural advisory service;
- 5) Improving processing and marketing of agricultural products;
- 6) Restoring forestry production potential damaged by natural disaster and/or fire and introducing appropriate prevention instruments;
- 7) Land re-parcelling;
- 8) Rural renewal and the preservation and protection of cultural heritage;
- 9) Diversification of agricultural activities and activities close to agriculture activities to provide multiple activities or alternative incomes;
- 10) Agricultural water resources management;
- 11) Development and improvement of the infrastructure related to agriculture;
- 12) Leader+ type measure;
- 13) Technical assistance.

Implementation of tasks of the Sectoral Operational Programme "Restructuring and modernization of food sector and rural development 2004-2006" and lessons learned during its implementation for the respective measures of the Rural Development Programme 2007-2013

The SOP implementation was initiated on 16 August 2004 by initiating the collection of applications for co-financing project implementation under two measures: 1.1 "Investments in agricultural holdings" and 1.4 "Support for agricultural advisory service". From then on, other SOP measures were launched successively.

The course of SOP implementation points to the very large aid needs of possible beneficiaries, especially investment aid. Contrary to the situation occurring in the initial phase of the implementation of SAPARD pre-accession programme, SOP, from the very beginning of application collection campaigns raised significant interest among farmers and other aid beneficiaries, very often disproportionately to the volume of available funds. The demand for funds was diversified in the respective voivodships.

From the date of launching of the Programme to 31 December 2006, the total of 66,870 applications for co-financing the project implementation was submitted under the Sectoral Operational Programme for the amount of PLN 10 billion

Under the measure 1.1 "Investments in agricultural holdings", the greatest number – 29,224 applications for the amount of PLN 3.06 billion were filed. By 31 December 2006, 21,969 contracts with beneficiaries for the amount of PLN 2.25 billion were concluded (nearly 97% of allocation of funds for measure 1.1). About 27% of projects implemented by the end of 2006 concerned holdings with cereals production as the main production line, whereas 23% of projects were implemented at holdings with milk cattle as the main production line, in the case of 15% of projects implemented - pigs. About 15% of all the projects have been implemented in holdings run by young farmers. The majority of projects (90%) concluded by the end of 2006 related to the purchase of equipment and mobile machinery. Projects dedicated mainly to the purchase, construction or modernisation-related renovation of buildings or facilities used for agricultural production constituted 4% of projects, while the establishment of perennial plantations over 3%.

Polish agriculture constantly demonstrates great investment needs, the projects implemented concern highly varied production lines. On account of the size and diversity of the Polish agricultural sector it is necessary to maintain also future wide spectrum of projects supported. It should be borne in mind that the pace of submission of the applications under this measure was high – in certain voivodships the applications collection had to be closed as early as after 5 months due to the fact that the applications submitted significantly exceeded the amount of funds available for these voivodships. Simultaneously, in other voivodships the interest in the programme was considerably lower – it should be indicated here that the acceptance of funds division between the voivodships turned out an effective instrument of ensuring even distribution of the funds within the whole country.

As regards measure 1.2. „Setting-up of young farmers”, the collection of applications was initiated in mid-September 2004. The collection of applications in the respective voivodships was concluded on various dates (in the period from February to August 2005), which results from the application of the system of division of the amount available between the respective voivodships. According to data of 31 December 2006, 18,856 applications for the amount of PLN 942.8 million, i.e. 133%% of the total amount allocated to the measure 1.2 „Setting-up of young farmers” were submitted under this measure. By 31 December 2006, 14,151 contracts were concluded and premiums of the total value of PLN 707.55 million were paid thus exhausting the total funds allocated to the implementation of this measure.

As little as 10% of beneficiaries of measure 1.2 met all the criteria on the day of application submission: professional qualifications, economic viability of the holding, minimum hygiene standards, environmental protection conditions and animal welfare

conditions within an agricultural holding. The other beneficiaries are obliged to carry out the appropriate adjustments in the period not exceeding 5 years from the date of taking the holding over.

The course of measure 1.2 implementation explicitly points to the disproportion between the size of the measure budget and the size of the target group. The accessibility criteria of this measure under RDP 2007-2013 have therefore been modified for aid to aim at narrower group of possible beneficiaries, taking over holdings of greater development potential, which will ensure better effectiveness of use of the funds available.

The first years after the accession required strong advisory support to facilitate farmers familiarising with and functioning under the Poland's membership conditions in the Common Agricultural Policy and the rural development policy. Aid in this respect was available under measures: "Trainings" and "Support for agricultural advisory service" via the training and advisory companies and institutions selected by way of the tender procedure. By 31 December 2006, 65 contracts for the amount of PLN 32.8 million were concluded under the measure "Trainings", which equals 43% of the budget of this measure. The task implementation is continued and there is no threat as to failing to utilise the funds available. Under the measure "Support for agricultural advisory service" 33 contracts for the amount of PLN 167.8 million were concluded by the end of 2006, which exhausts the limit of funds available. The payments under both of the above mentioned measures will be made as planned.

The measure "Improving processing and marketing of agricultural products" has been launched on 15 September 2004. The total of 1,643 applications for co-financing the project implementation for the amount of PLN 2.92 billion have been submitted and 1,092 contracts for the amount of PLN 1.82 billion have been concluded, which fully exhausts the budget for this measure. By the end of 2006 the implementation of 433 projects had been concluded – the majority of them concerned meat and milk processing (about 24% of the number of projects each) and about 20% - fruit and vegetables processing. The projects mainly relate to: improvement and control of health conditions (26% projects), quality improvement and control (24% projects) application of new technologies (18% projects), improvement and streamlining the procedures in processing industry (15% projects). The course of implementation of the measures still confirms the strong investment needs of the enterprises, also of those active in the "basic" processing branches (milk, meat industry, fruit and vegetables processing). As regards RDP 2007-2013, the principles of support granted under this measure will be maintained to a large extent, because the lessons learned make them justified.

Under Measure "Diversification of agricultural and close to agricultural activity for ensuring diversity of measures or alternative sources of income" the total of 7,168 applications have been submitted for the amount of PLN 524 million. By 31

December 2006, 4,304 contracts for the amount of PLN 311 million were concluded. The majority of projects concluded (71%) were implemented at holdings the economic size of which does not exceed 4 ESU, i.e. those the income on agricultural production of which is low and should be complemented by other sources. The greatest number of investments – 46% - were implemented in the field of services for the rural residents and services for agricultural and forest management were the object of 29%% projects; it is justified by weak accessibility of services within the rural areas and beneficial from the point of view of future prospects of rural development. Agri-tourism and tourist services constituted the total of 16%% of the projects implemented – the development of this sector is particularly important for the rural areas and contributes to their promotion. It is estimated that under the measure jobs were created for about 4.6 thousand persons.

Under Measure "Development and improvement of technical infrastructure related to agriculture" 4,945 applications for the amount of PLN 261 million were submitted. By 31 December 2006, 3,354 contracts for the amount of PLN 158 million were concluded. The greatest number of the projects completed by 31 December 2006 related to construction or modernisation of internal roads (50% of the implemented projects and 77% of funds paid) - under the aid programmes implemented to date the funds for this purposes were highly limited. The need for projects concerning sewage channelling and treatment was large (about 38% of projects implemented and 6% of funds paid) – the line of investment is important also from the point of view of environmental protection. Projects relating to the construction or modernisation of equipment for individual energy supply from related or renewable sources (over 4% of paid funds) and relating to water supply were also implemented

A trilateral agreement between the Ministry of Agriculture and Rural Development, the President of the Agency for Restructuring and Modernisation of Agriculture and the Voivodship Marshals concerning the implementation of three measures of the Sectoral Operational Plan was signed on 7 January 2005. The measures included: "Rural renewal and the preservation and protection of cultural heritage", "Land re-parcelling" and "Agricultural water resources management". Pursuant to the agreements signed the voivodships initiated the collection of applications for the above mentioned measures in March 2005.

Under the measure "Rural renewal and the preservation and protection of cultural heritage", 3,030 applications for the amount of PLN 647.5 million were submitted, i.e. 188%% of the amount allocated to this measure. By 31 December 2006, 1,733 contracts for the amount of PLN 346.8 million were concluded. Great majority of projects implemented under this measure concerned the modernisation of centres of small localities, construction or modernisation of small sports facilities and tourism-related investments. The rural gminas demonstrated high activity in the implementation of infrastructure projects under SAPARD, which was complemented

by the willingness to implement rural renewal projects under SOP. On that account the living conditions in rural areas are improving, the development of entrepreneurship is facilitated (including entrepreneurship related to rural areas tourist functions) and local communities are consolidating.

Under the measure "re-parcelling", 44 applications for co-financing project implementation for the amount of PLN 157.8 million were submitted, i.e. 247% of the amount allocated to this measure. By the end of 2006, 31 contracts were concluded for the amount of PLN 82.6 million. Contracting of funds under this measure has been terminated. So far the implementation of neither of the projects has been finalised (data as of March 2007), and the level of partial payments by the end of 2006 amounted to 7% of the measure budget.

On the other hand, under the measure "Agricultural water resources management", 281 applications for the amount of PLN 747.2 million were submitted, which equals over 150% of the measure budget. By the end of 2006, 198 projects for the amount of PLN 447.3 million were approved, which exhausts the budget of the measure, and first partial payments for the amount of PLN 1.8 million were made.

The low level of payments made under the two above mentioned measures results from the specificity of the projects implemented in this respect, that are characteristic of long-standing period of formal preparations and implementation.

Under the Leader+ type measure the collection of applications for Scheme I was carried out between 15 September and 31 December 2004 and 167 projects for the amount of PLN 20.8 million were approved for implementation. Nearly all the projects had been implemented by the end of 2006.

The collection of applications for Scheme II was carried out between 21 April and 19 June 2006; 150 contracts were concluded as a result.

The "Leader+ type measure" aroused great interest and created a basis for the cooperation of local partners and resulted in the establishment of local strategies and action groups. Despite no great Poland's experience, as compared to the EU-UE-15 Member States, one should expect quite wide use of the Leader approach in the next programming period.

It should be borne in mind that SOP contributed to the implementation of specific projects and, as a result of promotion implemented under this Programme, increased social awareness as regards the European Union contribution in projects implemented within the rural areas. In accordance with data published by Pentor, every third rural resident can identify the Programme and has knowledge of the origin of the funds allocated to its implementation.

The current progress in SOP implementation and the assessment of impact on the agri-food sector development and the rural areas will be presented in the annual monitoring report, in mid-2007.

Moreover, pursuant to the Community guidelines for State aid in the agricultural and forestry sector 2007 to 2013 (OJ EU C 319 of 27.12.2006, p. 1) and the provisions of the Commission Regulation (EC) No 1857/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to State aid to small and medium-sized enterprises active in the production of agricultural products and amending Regulation (EC) No 70/2001 (OJ EU L 358 of 16.12.2006, p. 3), the currently applied aid programmes, individual aid and the forms of aid submitted to the European Commission pursuant to the Accession Treaty and the existing aid will continue functioning after their adjustment by 30 April 2007 to the above mentioned guidelines and the regulation.

After the necessary adjustment of the national legislation the production projects will be supported from public funds in the following forms:

- 1) subsidies to interest on investment loans in agricultural holdings and agricultural products processing, partial payment of the loans capital or dividing the amount due into instalments;
- 2) agricultural tax deductions and exemptions on account of the implementation of investment projects;
- 3) subsidies to interests on bank loans or partial payment of the loan capital for the restoration of production in agricultural holdings within the areas affected by random incidents, e.g.: storm, flood, rainstorm, hail, lightning, earth slide, avalanche, drought, negative outcome of wintering and spring frost
- 4) warranties and guarantees of the payment of investment loans within the agricultural holdings and agricultural products processing;
- 5) guarantees of payment of loans for the studying rural youth;
- 6) co-financing the costs of harvest, transport and rendering of fallen stock for agricultural producers;
- 7) co-financing agricultural crops and stock insurance contribution for the agricultural producers on account of damages resulting from storm, flood, rainstorm, hail, lightning, earth slide, avalanche, drought, negative outcome of wintering and spring frost and special emergency slaughtering due to the above mentioned phenomena;
- 8) return of part of excise duty included in price of diesel oil used in agricultural production for agricultural producers;

- 9) co-financing the costs of keeping herd-books, genetic quality or animal capacity tests and introduction of innovative breeding techniques;
- 10) co-financing the costs of delivery of and participation in contests, exhibitions and fairs.

4. JUSTIFICATION OF SELECTED PRIORITIES, CONSIDERING COMMUNITY STRATEGIC GUIDELINES, THE NATIONAL STRATEGIC PLAN AND THE EXPECTED IMPACT IN CONFORMITY WITH EX-ANTE EVALUATION

4.1. Justification of selected priorities, considering Community strategic guidelines and the national strategic plan

The strategic assumptions as regards the agricultural sector and rural areas allowed for the identification of Poland's priorities and comparing the with Community priorities. The Community priorities for the respective areas correspond to the priority axes and are of universal nature within a given axis and translate into the national priorities defined in greater detail. The detailed priorities defined on the national level, directly linked to the measures selected for implementation, have become an inherent part of the rural areas policy on the Community level and reflect its basic objectives.

The analysis allowed for the identification of Poland's priorities presented in the table below.

Areas (axis)	Community priorities	Poland's priorities
Axis 1 area: Competitiveness	Human capital	Improving the human potential
	Knowledge transfer	Improvement of vocational preparation
	Food and processing modernisation, innovation and quality	Improvement of agricultural and forestry production quality and effectiveness
		Improvement of cooperation and concentration of supply and processing
		Preparing to implement the cross-compliance principle
Physical capital	Improvement of infrastructure in rural areas	
Axis 2 area: Environment	Protection of biodiversity	Protection of biodiversity
	Soil and water protection	Environmental protection, including soil and water protection
	Negative climate changes prevention	Increase in forest cover
Axis 3 area: Quality of life	Improvement of living conditions	Improvement of living standards
		Facilitating the information obtained from the Ministry of Agriculture and Rural Development, the summarizing chapter is being prepared.
	Improvement of employment opportunities	Improvement of infrastructure in rural areas
		Support for entrepreneurship and the creation of jobs outside agriculture
Axis 4 area: Local communities	Improvement of management	Implementation of local strategies
		Creation of local partnerships, activation of communities
		Implementation of local strategies

The program approach which will be implemented on the basis of the National Strategic Plan is compliant with the National Development Strategy for 2007-2015.

The Strategy defines the objectives and identifies the areas considered most important from the point of view of achieving these objectives, at which the country's measures will be aimed. It also takes account of the most important tendencies in the development of global economy, along with objectives posed by the European Union in the renewed Lisbon Strategy. The NDS gives priority to measures that will be taken between 2007 and 2015 in order to implement Poland's vision. The document was drawn up, taking into account the sustainable development principles.

The objectives and priorities of the National Development Strategy will be implemented through measures resulting from the basic governmental documents (above all the National Reform Program for 2005-2008 for the implementation of the Lisbon Strategy). Of particular importance will be the implementation of National Strategic Reference Framework for 2007-2013 and respective operational programmes and Rural Development Programme for 2007-2013.

The main EU economic development directions specified under the Lisbon Strategy are to lead to the increase of competitiveness of the European economy, to faster creation of new jobs and development of advanced technologies.

The National Development Strategy meets the assumptions of the National Strategic Plan as regards rural development by giving priority in the context of the implementation of the renewed Lisbon Strategy, inter alia, to the following issues:

1. Population and entrepreneurship.
2. Labour market.
3. Environment and natural resources.
4. Economic development.
5. Culture.
6. Infrastructure.
7. Regional diversification.

The assumptions of both documents mentioned above reflect the directions set out in the renewed Lisbon Strategy, namely, the promotion of sustainable economic development, competitiveness and employment determining the socio-economic development, also of the rural areas. The objectives have been reflected by the priorities and measures to be implemented under the Rural Development Programme 2007-2013.

4.2. Expected impact resulting from ex-ante evaluation, taking into account the selected priorities

The measures implemented under the Rural Development Programme for 2007-2013 will have a significant impact on beneficiaries and rural areas (in a wider context) through social and economic impacts as well as environmental impacts.

The instruments available under respective Axes are complementary to each other and may create synergy which positively influences the rural population. Main synergy relations between axes are presented below:

Axis 1 and Axis 2 – Trainings and advisory provided to farmers as regards environmental protection, which are related to pro-environmental projects; allow for manufacturing high quality products (e.g. organic products) and for environmental protection;

Axis 1 and Axis 3 – increase in the added value of agricultural production (processing) and new jobs; high quality products and tourism (diversification), diversification of activity and making use of the advisory services;

Axis 1 and Axis 3 – support for the use of renewable energy sources, counteracting climate changes;

Axis 2 and Axis 3 – landscape protection, biodiversity influence the diversity (e.g. tourism), quality of life (improvement of water quality, quality of environment and landscape), services provided to residents (e.g. water and sewage management system) – environmental impact;

Axis 3 and Axis 1 – providing access to the market and conditions for the operation of enterprises, services for residents, infrastructure, quality of life, creation of new jobs under Axis 3 limits the surplus of human resources in agriculture;

Axis 4 against other axes – animation of local communities impacts the implementation of objectives of all axes, e.g. landscape protection or protection of cultural heritage, manufacturing of traditional products influences preservation and development of local identity.

Positive synergy

The economic effects will depend on the allocation of funds for individual measures and on the absorption of resources within the framework of measures aimed at the implementation of different objectives. If full absorption of resources and significant private co-financing for measures “Modernisation of agricultural holdings” and “Increasing the added value to primary agricultural and forestry production” is assumed, the individual objectives of investments implemented under the measures and the distribution of funds in the sector and sub-sectors should also be taken into account. Both those measures will undoubtedly result in an increase in productivity

which will also be enhanced by a generally decreasing employment in the food processing sector.

Other measures, such as "Setting-up of young farmers", "Producer groups", "Participation of farmers in food quality schemes" and "Vocational training" will also be able to contribute to the economic growth and employment increase but to a lesser extent than the previously listed measures.

In addition, the most important measures under Axis 2 (LFA, NATURA 2000 and agri-environmental programme) will also contribute to the accomplishment of economic and social objectives of the rural development. In the economic context, the implementation of appropriate measures will prevent the loss of a part of agricultural holdings' income thanks to the protection of natural environmental resources. Moreover, the compensation system will contribute to the stabilisation of income, and in the case of farmers conducting activity within LFAs may even result in its increase. Another economic consequence may consist in the development of services sector, supporting the pro-environmental activity and basing on the development of such activities (e.g. environmental tourism).

The measures proposed under RDP 2007 – 2013 will also have a social dimension. The environmental awareness of farmers should increase. As a result, the attitudes and behaviour of farmers towards individual elements of the natural environment, which were determined only by their economic usefulness, will quickly change.

Measures under Axis 3 will contribute to the rural development through economic and social impact, both as a result of the establishment of new micro-enterprises and the diversification into non-agricultural activities. Those activities are expected to provide new jobs and new possibilities to obtain income in rural areas.

The analysis of the RDP 2007 -2013 environmental impacts requires to concentrate on activities implemented under Axis 2. The above activities will contribute to a positive impact on the environment since the environmental protection is one of the overall objectives. At the same time it should be noted that assessment of the positive environmental impacts under measures of Axis 2 is relatively easy to implement, for they are usually very coherent. The Programme will surely contribute to achieving other results in addition to direct results. These shall include:

- considerable increase in activity of rural residents;
- increase of responsibility and motivation for individual and overall development of the rural population;
- facilitation of self-organisation of persons aspiring to improve their living standards;
- willingness to increase professional and general qualifications;

- greater awareness of the responsibility for the environment, energy and water saving;
- greater awareness of collective activities;
- improvement of the image of Polish rural areas and increase of their attractiveness;
- greater impact on the local management system;
- regulation of the matter of land ownership and registration;
- increase and diversification of demand for services;
- more discipline in the use of social assistance;
- greater respect of the values of rural heritage.

Negative synergy (potential conflicts between measures)

Taking into account the diversity of Programme measures, currently two potential conflicts concerning RDP 2007-2013 measures should be mentioned.

Firstly, the development of competition in agriculture, forestry and processing may in some cases be supported at the expense of supporting protection of the environment and nature as well as land management. Secondly, support may be provided only at the expense of the improvement of the quality of life in the rural areas, assuming that the amount of means of support is constant.

Moreover, implementation of projects under Axes and measures may sometimes lead to contradicting activities in the implementation of Programme objectives. Protection of the Natura 2000 areas will on the one hand lead to conflicts with agriculture and forestry, and on the other, with diversification and development of economic activity. It is not always possible to develop a situation generating benefits on all above levels. At the same time the development of tourism using the beauty of the landscape depends on the protection of the same natural and environmental values.

In the opinion of the Ministry of agriculture and Rural Development, measures of Axis 1, despite their focus on improving competitiveness of agricultural and forestry sectors, contribute to a great extent to the implementation of environmental objectives of the Programme. It means that selected measures aimed at improving economic result are planned in such a way so as to take account also of positive impact on the environment, creating situations generating benefits at both levels. It results, among other things, also from the fact that the scope of projects planned for implementation under Axis 1 covers also investments in environmental protection, and in the case of all investments, environmental standards must be met. At the same time, the objective of measures relating to human potential is to disseminate knowledge covering also the issues of environmental protection. Moreover, it seems that measures relating to production and promotion of high quality food in a direct

and indirect way will have positive impact on the environment. These aspects are discussed below in more detail for individual measures.

Topics relating to environmental protection are foreseen as one of the possible topics for trainings under Measure "Vocational training for people employed in agriculture and in forestry".

Measure Advisory services for farmers and forest owners focuses on the principle of cross-compliance, which in consequence should lead to higher environmental awareness in relation to statutory management requirements (SMR) in the protection of wild bird species, protection of natural habitats and wild fauna and flora, water protection, e.g. against nitrate pollution of agricultural origin.

Under Measure "Early retirement" land may be transferred in a permanent way in relation to environmental protection or afforestation.

The objective of Measure "Modernisation of agricultural holdings: is to increase the competitiveness of the agricultural sector through improvement in the effectiveness of agricultural holdings and harmonisation of agricultural production conditions with the requirements related to natural environment protection, production hygiene, work safety and hygiene and animal welfare. Under this measure it is foreseen that support will be granted to investments, whose implementation will contribute to the improvement of the situation regarding: environmental protection, animal breeding conditions, production hygiene and safety, safety at work. Under this measure projects could be implemented aimed at adjusting agricultural holdings to standards required by the provisions on:

- 1) milk production hygiene and conditions for keeping animals – provided that the project is carried out by a beneficiary of Measure "Setting-up of young farmers" according to a business plan, and the adjustment of the agricultural holding will be effected within 36 months of the start of agricultural activities;
- 2) protection of water resources against nitrate pollution from agricultural sources – provided that the adjustment takes place within 36 months and not later from the day on which the standard became binding.

The implementation of measure "Setting up of young farmers" will have positive impact on the condition of the environment. The condition for obtaining aid is the beneficiary's holding to meet the standards e.g. in the field of environmental protection. In the case of holdings, which do not meet these standards, aid may be granted only under the condition that the standards are met – also those relating to environmental protection – not later than within 3 years of taking on a holding. Moreover, it needs to be assumed that a major part of funds obtained in the form of

a premium will be used by young farmers for investments in the field of environmental protection.

Within the framework of Measure “Increasing the added value to basic agricultural and forestry production” as regards investments in environmental protection, aid will be granted to projects involving the reduction of gas emissions in:

- construction or modernisation of boiler houses;
- construction or modernisation of wastewater treatment plants and sewage network.

Moreover, in this support instrument, aid will refer mainly to processing of cereals and industrial plants for their further use as components for the production of biofuels (production of ethyl alcohol or oil), as well as use of agricultural products for the production of biogas.

Implementation of Measure “Participation of farmers in food quality schemes”, apart from economic effects, will also have positive impact on the environment. It results from the fact that the participation in the food quality schemes (system of geographical indications, designations of origin, traditional specialties guaranteed and integrated production) allows not only to achieve higher incomes, but also to take care of the impact of the whole process on the environment. It needs to be stressed that the national system, such as integrated production, is always – as a rule – pro-environmental. It is based e.g. on rational fertilisation adjusted to the real nutrition requirements of plants, and the chemical plant protection is limited only to substances, which are safe for the environment.

“Information and publicity” measures are aimed at focusing the consumer attention on specific features of high quality products (produces under the system of geographical indications, designations of origin, traditional specialties guaranteed and integrated production), which should lead to the increase in the demand for these products, and in the end lead to increased interest of producers in producing high quality food. Therefore, the measure should lead to the promotion of the environmentally-friendly food production.

Measure “Agricultural producers groups” creates a possibility of supporting the creation of producer groups undertaking food production using environmentally-friendly methods.

5. INFORMATION CONCERNING AXES AND MEASURES SUGGESTED UNDER EACH AXIS AS WELL AS THEIR DESCRIPTION

5.1. General requirements

Four axes were identified among the priority support directions for rural areas in the EU:

Axis 1: Improving the competitiveness of the agricultural and forestry sector;

Axis 2: Improvement of the environment and the countryside;

Axis 3: The quality of life in rural areas and diversification of the rural economy;

Axis 4: Leader.

The above mentioned directions of support fully reflect Poland's needs in respect of rural development and establish fundamental areas, according to which the specific instruments for support will be programmed.

Axis 1: Improving the competitiveness of the agricultural and forestry sector (Article 20 of the Council Regulation (EC) No 1698/2005)

Taking into account the low level of specialization of agricultural holdings, underinvestment in the area of agricultural production infrastructure and fragmentation of holding structure, which translates into lower production effectiveness, it will be necessary to provide adequate support instruments as well as to incur expenditure to cover the costs of agricultural holdings' adjustment to increasing Community requirements (including those related to environmental protection) and more intense competitive pressure exerted by producers from other EU Member States and third countries. In order to meet this objective, the activities intended to support the agricultural holdings restructuring process and strengthening of the assets, with the possibility to limit support for the largest holdings.

In addition, the support instruments of the European Agricultural Fund for Rural Development should aim at further improvement of food industry competitiveness, particularly as regards micro and small enterprises and support for the creation of added value of the primary agricultural production.

The improvement of agricultural sector competitiveness will also be implemented through the support for production quality, rural infrastructure improvement and setting-up of agricultural producer groups.

As regards human resources in rural areas in Poland, there is a need for a wide support in the area of education and skills improvement.

The increase of education level and skills improvement will be implemented through vocational training, information and training activities and provision of the access to advisory services. This support will cover both the agricultural and forestry sector.

The previous activities carried out by advisory services for farmers and inhabitants of rural areas focused mainly on preparation of the farmers for integration with the EU and on enabling the use of aid from Community funds. The new challenges imply the need for greater engagement of advisory services in the process of upgrading skills in and knowledge on the modern farming methods, managing the holding as an enterprise, application of the cross-compliance principle, production standards, public health, animal welfare, food quality and application of good agricultural and forestry practice compliant with environmental protection requirements and active protection of natural resources.

The improvement of competitiveness of agriculture requires land re-parcelling through the improvement of the transfer of utilised agricultural area from the ineffective holdings or land not used for agricultural purposes to the efficient holdings. What is also necessary is technical modernization of holdings (both in respect of industrial and sustainable technologies), development of production services, creation of efficient production and trade chains, particularly with regard to quality products, which include all links from scientific laboratories to trade and gastronomy.

On the other hand, in order to accelerate adequate structural changes, the instruments of support targeted at young farmers will be planned. Moreover, income sources will be ensured for the persons in pre-retirement age, who abandon agricultural production.

Balance for Axis 1: Improving the competitiveness of the agricultural and forestry sector:

In the case of Poland, the greater emphasis shall be put on activities related to restructuring of agricultural holdings and agri-food industry (ca. 40%) and adjustment of age structure among farmers and area structure of the holdings (ca. 45%). The remaining measures, including measures relating to the development of human capital, food quality etc. – ca. 15%.

Axis 2: Improvement of the environment and the countryside (Article 36 of the Council Regulation (EC) No 1698/2005)

According to the modern concept of the agriculture model, which takes into consideration the outcome of the European Council meeting in Göteborg that introduced the issue of sustainable development as a necessary condition for achieving other economic development objectives - apart from their basic function which is the production of agricultural products, rural areas play an important role in

the protection of environment, including the protection of water resources and soils, land management, protection and preservation of habitats and biodiversity.

The sound condition of the environment and biodiversity of Poland are exceptional as compared to other European countries. Therefore, special support instruments and incentives for farmers will be introduced which will be favourable for conservation and improvement of natural habitats and species sanctuaries constituting the public good. The objective will be implemented by means of direct measures concerning appropriate agricultural practices within the agricultural holdings, such as the promotion of sustainable management, appropriate use of soils and waters protection, land structure management, the restoration of the values or the conservation of valuable habitats which are used for agricultural purposes. The areas included in the Natura 2000 network and the areas where measures compliant with the Water Framework Directive (2000/60/EC) are to be implemented within the scope of Community activities related to water policy are of special importance in this respect.

The Rural Development Programme for 2007-2013 provides for the measure "Natura 2000 payments and payments linked to the Water Framework Directive" which consists of Scheme I: Natura 2000 payments and Scheme II: Payments linked to the Water Framework Directive (Water environment programme).

The measure will be implemented after the development of management plans (or other equivalent instruments for managing these areas) required by the EC are developed for Natura 2000 areas, as well as water management plans for the Payments linked to the Water Framework Directive.

Until launching of the measure the budget necessary for its implementation, estimated to amount to c.a. EUR 550 million, will be included into Programme Axis 2, under the measure Water environment programme. Out of this sum about EUR 450 million will be allocated for the scheme "Natura 2000 payments".

Preservation and good condition of environment in rural areas, including achievement and maintaining of good condition of water and soil, depends inter alia on the continuity of land use in these areas, and traditional meadow and pasture use. This concerns also areas where it is hardly profitable due to impediments caused by lower quality of soil, and hill or foothill location. In these regions, there is a risk of marginalisation and abandonment of agricultural activity on utilised agricultural area of lower quality. , it will be necessary to provide support for the use of utilised agricultural area in these regions. The area planned to be covered with the instruments supporting avoidance of marginalisation and abandonment of agricultural activity within arable land of lower quality constitutes over 53% of the country area.

The improvement of the environment and sustainable use of rural areas concerns not only arable land but also the forests. The instruments are planned which will contribute to the increase of the forest cover in Poland by allocating utilised agricultural area (used and set aside) for afforestation.

The majority of measures that can be implemented with regard to the environmental protection are planned for many years ahead and their implementation will permanently affect sustainable and multifunctional development of rural areas. Due to universal character of the measures and diverse offer, the support instruments will be used both by strong and well managed agricultural holdings and by small and traditional ones that function on the basis of high labour input and low environmental impact.

The environmental monitoring under Axis 2 may be carried out by entities dependent on the Minister of Agriculture and Rural Development.

Balance for Axis 2: Improvement of the environment and the countryside:

The pro-environment activities in Poland, such as agri-environmental program and the support for Natura 2000 areas (foreseen after the elaboration of management plans), are important from the point of view of well-preserved natural resources and related potential for implementation. These activities shall be promoted both in the areas of high natural values and areas exposed to an excessive environmental pressure excised by agriculture. Support for less favoured areas is an instrument much more common and more accessible to farmers than agri-environmental programmes. Nevertheless, the agri-environmental programmes will have a more significant role in the future than currently.

Axis 3: The quality of life in rural areas and diversification of the rural economy (Article 52 of the Council Regulation (EC) No 1698/2005)

Improvement of the quality of life in rural areas is an objective that is connected both with basic economic and social development trends of agricultural holdings by means of strengthening the economic potential, restructuring and modernisation, as well as with good living conditions in terms of quality of environment and landscape, and with social and technical infrastructure.

The instruments available under Axis 3 are complementary to the priorities defined under the first two axes and may create synergy which positively influences the rural population. Encouraging economic activity in rural areas will indirectly influence also the possibility to concentrate agricultural production and the transfer of population involved in agriculture to other sectors of economy, which in turn will help to provide conditions favourable for transformations within agricultural sector, including in particular the reduction of hidden unemployment, enlargement of farm size, modernisation of farms, improvement of competitiveness and market orientation of production.

The first group of measures concerns diversification of economic activities. In Poland, such measures provide a great chance for rural population, mostly due to large human resource base and high level of unemployment. The most important tasks include an increase in the added value of products e.g. by conditioning, stimulation of the market in local and regional products, tourism, trade, advisory and other services.

In this context the priority is to ensure the employment and income through development of non-agricultural activities. The low income resulting from insufficient use of labour resources of rural families is a key social and economic problem. Agriculture will absorb increasingly less labour resources while the strategic vision assumes that the rural areas will maintain the active character. Therefore, rural labour resources should be increasingly employed in non-agricultural activities. In view of the above, it is especially important to provide a wide support for the process of creating non-agricultural jobs in rural areas and for facilitating the employment of rural population in local towns.

It is the towns that have to play a particular role in the process of rural development as they are the places where rural population may find jobs and increase their level of education and skills, as well as satisfy their health needs and cultural aspirations. It is therefore especially important to support the development of those functions of small towns and selected gminas, directly connected with restructuring processes in rural areas, including in particular health services, secondary level education, development of small enterprises in non-agricultural sectors, tourism and spa functions.

The second group includes the instruments aimed at improving the quality of life. They concern rural renewal, and improvement of cultural and natural heritage. They take fully into account important social and cultural functions which will undoubtedly contribute to improvement of the quality of life and may be an additional factor, governing structural transformations and counteracting depopulation, a factor that may create even stronger feeling of identification of rural population with their region, with all its traditions and values.

Balance for Axis 3: Quality of life in rural areas and diversification of the rural economy:

In Poland, both the instruments supporting creation of new jobs (40% of the funds allocated for axis 3) and the quality of life (60% of the funds allocated for axis 3) are strongly related and should be implemented under the observance of the principle of complementarity with measures taken by other funds.

Axis 4: Leader (Article 61 of the Council Regulation (EC) No 1698/2005)

LEADER is a cross-sectional approach, allowing for realisation and implementation of the objectives, in particular those of Axis 3.

The main objective of Axis 4 is mobilisation of rural population through social capital building in rural areas, increase in the potential for acquisition and use of financial resources, as well as improvement in the management of local resources and their valorisation.

In order to stimulate rural communities, social partners must be involved in the process of planning and implementation of local initiatives. The LEADER approach supports this objective.

The LEADER is an approach to rural development which consists in the elaboration of a rural development strategy by local rural communities and implementation of the innovative projects resulting from it and combining available resources, knowledge and skills of representatives of 3 sectors, namely: public, economic and social. Those representatives form the so called Local Action Group – an inter-sectoral partnership which autonomously selects the projects, and the implementation of those projects helps to achieve the objectives of the jointly developed strategy.

Such a bottom-up approach will strengthen the coherence of decisions made at the local level. It will increase the quality of management and contribute to the strengthening of social capital in rural communities and will also encourage application of innovative solutions in regional development.

Elaboration of local strategies brings many benefits, the most important being: better use of local resources (human, natural), adjustment of actions to the needs of entities operating within a particular area. Besides, the local approach helps to lay down the desired and best adjusted directions of development. It also facilitates more precise identification of the problems of a given area and the ways to solve those problems.

The number of applications submitted by beneficiaries in the 2004-2006 programming period proves that there is a huge interest in the Leader, which shows the need to implement this instrument taking into account the changes necessary to improve the implementation. Under Scheme II of the Pilot Leader + Programme for 2004 – 2006, about 162 Local Action Groups are to be established.

It has been planned that Local Action Groups operation covers approx. 50% of the rural areas which meet the requirements of the Leader approach, and the number of Local Action Groups should be increased by about 50% as compared to the number of Local Action Groups already established in the programming period 2004 – 2006.

All these elements involved in the LEADER approach will certainly be conducive to better implementation and fund absorption under the remaining axes, particularly under Axis 3, where the nature of measures and their basic objective correspond to the concept of making Local Development Strategies.

The implementation of Axis 4 will in long term contribute to achievement of objectives of the renewed Lisbon Strategy and of the Göteborg Strategy, including increase of the number of jobs and of economic diversity of rural areas. The implementation of the LEADER approach will allow for the strengthening of social capital in rural areas, the improvement of self-organisation and management at the local level. The implementation of bottom-up integrated local strategies will help to maintain sustainable growth of rural areas, including the conservation of rural cultural and natural heritage.

Balance for Axis 4: Leader:

Actions carried out by Local Action Groups (LAGs) aimed at proper functioning of LAGs, achieving skills and activation within the areas of LAGs constitute approx. 20% of funds allocated for Axis 4, whereas the implementation of local development strategies, implementing the objectives of Axis 3 - approx. 80% of funds. Both directions are complementary and important, it is therefore necessary to create the potential of Local Action Groups so that they can effectively realise local development strategies and contribute to the realisation of Axis 3. Due to financial scope the implementing of local strategies will be of growing importance in a long term within the territory of the whole country.

Information concerning base indicators is included in Annex 7 to the Programme.

5.2. Requirements concerning all or some of the measures

The cross-compliance requirements that affect the implementation of the respective Programme measures are compliant with the requirements provided for in the Council Regulation (EC) No 1782/2003.

Poland has approved the Single Area Payment Scheme (SAPS). On that account the provisions of Article 42 (5) and Article 69 of the Council Regulation (EC) 1782/2003 are not applicable. Also the selection of the Single Area Payment Scheme makes aid provided for beef, veal (Article 132) producers, sheep and goats (Article 114 (1) and Article 119) not applicable. On that account Poland does not participate in the establishment of the tobacco fund and does not apply the system of support for tobacco producers provided for in Article 13 (2) (b) of the Regulation 2075/1992.

The minimum mandatory requirements define obligatory standards, in particular of environmental protection, which must be observed when undertaking agricultural activity. The standards apply for some measures under Axis 2, namely Support of management in mountain areas and in less-favoured areas (LFA), Natura 2000 payments and payments linked to Water Framework Directive, agri-environmental programme and afforestation of agricultural land.

The requirements mean the obligatory standards, referred to in Article 5 of the Council Regulation No 1782/2003, included in the ordinance of the Minister of Agriculture and Rural Development of 7 April 2004 on minimum mandatory requirements of maintaining arable land in good agricultural condition (Dz.U. No 65, item 600, and of 2005, no 36, item 326 and No 80, item 702). The list of requirements is given in Annex 8 to the Programme.

When preparing the Programme the Community guidelines concerning i.a. innovation or renewable energy production were taken into account. It is reflected in the scope of support for individual measures of Axis 1 and 3 (*Modernisation of agricultural holdings, Adding value to agricultural and forestry products, Establishment and development of micro-enterprises, Basic services for the economy and rural population*).

Objectives for these measures were formulated in a uniform way for the whole country, therefore the project selection process does not specifically take into account innovation or renewable energy, however, assuming that purchase of new machinery and equipment will be first of all supported, the use of the newest available technologies will be ensured. The bioenergy production sector will be supported as well, by co-financing of projects concerning biofuel production (ethyl alcohol, oil) and processing other agricultural products for energy purposes. Investments concerning environmental protection will also be co-financed.

It should be stressed that the Programme will be implemented horizontally, taking into account the regional differences, by means of the opportunity of diversification of the access criteria and the spatial diversification resulting from the specific character of particular measures and first of all by separating the less favoured areas, areas particularly vulnerable to pollution by nitrates from agricultural sources and sites covered by Natura 2000 network. A possibility of dividing funds intended for financing of some measures between voivodships has been ensured. This division will be based on measurable indicators describing the potential and needs of regions with reference to respective support instruments. These indicators shall be specified by a resolution of RDP Monitoring Committee. That way balanced access to support will be ensured, and at the same time the adjustment to specific character of respective regions is also guaranteed. Such solution refers mainly to investment-oriented measures.

For "Modernisation of agricultural holdings" the division of the amount will reflect the area of UAA and number of potential beneficiaries of this measure in respective regions.

Measure "Adding value to basic agricultural and forestry production" will be implemented horizontally without allocating funds to specific voivodships. Wide range

of supported sectors of processing and marketing agricultural products shall allow for taking account of investment needs in all regions of the country.

The implementation of certain instruments by the local government units (Marshall's offices) and the implementation of the Leader approach by Local Action Groups consisting of the representatives of the regions and local communities will constitute an important element of the regionalisation of the implementation of the measures of the Rural Development Programme for 2007-2013.

"Farmer" means a natural or legal person, or a group of natural or legal persons, whatever legal status is granted to the group and its members by national law, whose holding is situated within Community territory, as referred to in Article 299 of the Treaty and who exercises an agricultural activity.

The amount of support presented for respective Programme measures in EUR is only of indicative nature. For the calculation the exchange rate of PLN 3.9038, being an average rate for 2006, estimated on the basis of monthly exchange rates published by the European Central Bank has been applied.

The Measure implementation system for Measures: "Modernisation of agricultural holdings" and "Adding value to basic agricultural and forestry production" will be verified after 2 years of Programme implementation. System verification aims at evaluating its efficiency and effectiveness in achieving the assumed Programme objectives.

The entire territory of the country has been classified as the Convergence Objective area.

The Republic of Poland shall guarantee verifiability and control of all the measures under the Programme. In relation to this, there are control solutions provided, which guarantee that the eligibility criteria and the commitments will be met.

5.3. Required information in reference to the axes and measures

5.3.1. Axis 1: Improving the competitiveness of the agricultural and forestry sector

Title of the measure

Vocational training for persons employed in agriculture and forestry

Measure code

111.

Legal basis

Article 20 (a) (i) and Article 21 of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277/1 of 21 October 2005).

Point 5.3.1.1. of Annex III to Commission Regulation (EC) No 1974/2006 of 15 December 2006 laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 368/15 of 23 December 2006).

Justification

Improvement in the knowledge and skills of persons employed in this sector is a prerequisite for increase in agriculture and forestry competitiveness and for adjustment of production processes to the growing requirements of environment protection, production quality and safety, and animal welfare. In Poland, where the level of education of rural population is generally low, training support is particularly important in development of agriculture and forestry sectors.

Measure objective

The objective of measure is vocational training of farmers and forest owners, which is to lead to restructuring and modernisation of agriculture, increased competitiveness and profitability of agricultural and forestry activity, and achieving compliance with relevant national and EU standards.

Scope

Farmers and forest owners will be covered by professional training, on voluntary basis. Trainings concerning the following topics will be carried out under the measure:

- a) minimum cross-compliance requirements for agricultural holdings;
- b) dissemination of up-to-date technologies in agriculture and forestry;

- c) dissemination of the environmentally friendly methods of agricultural production, particularly integrated and organic farming;
- d) dissemination of agricultural and forestry production quality standards;
- e) economics and management of agricultural holdings or forestry production;
- f) establishment of new market oriented farm production lines;
- g) popularisation of new directions of agricultural activity in order to obtain additional income;
- h) improvement of the production quality and hygiene;
- i) observation of animal welfare conditions;
- j) environmental protection in the agricultural holdings, with particular emphasis on the holdings in Nitrate Vulnerable Zones (NVZ);
- k) use of computers and software to streamline agricultural holding and forestry management;
- l) requirements for safe production and storage of feedstuffs on the farms in the context of food safety.

Support is not intended for trainings constituting a part of curriculum in agricultural and forest schools, at the level of secondary or tertiary educational institution.

Minimum Community requirements

Projects involving normal school education cannot be financed.

Definition of Beneficiary

Beneficiaries of trainings are institutions or private and public entities conducting educational activity within the territory of the Republic of Poland.

Description of the measure

Training will cover courses, workshops, study visits and apprenticeships. Beneficiaries will be institutions selected by open competition. The terms and conditions of training competitions, including: the topics, framework agenda and number of participants, will be laid down by the Managing Authority which will appoint experts in order to evaluate and select the submitted projects.

Trainees will be selected by the beneficiary from among those interested (farmers, forest owners).

The beneficiary may not commission a sub-contractor to carry out training or any of its parts. Final beneficiaries of support are farmers and forest owners.

Trainees do not bear any costs related to their participation in the training.

Details of the scope of support

Financial aid covers the following:

- refund of documented costs borne on account of the training delivery;
- surcharge for operational costs (electricity, heating, use of office space, telephones, faxes, computers, administrative costs, etc.), not exceeding 15% of documented direct costs of trainings.

The support will be granted to entities conducting the trainings, on the grounds of accounting documents or documents equivalent to them, accompanied by the documents proving that the training actually did take place.

The surcharge for operational costs that will be financed on the basis of an invoice, for the amount not exceeding 15% of documented direct costs of trainings.

The payment will be a refund - interim payments are allowed, however not more frequently than every two months.

Definition of training providing bodies

Trainings shall be carried out by institutions and public or private entities, as well as consortia of such entities, experienced in organising trainings for farmers and forest owners and having at their disposal qualified training staff and training base.

Entities operating in the area of production, trade and distribution of machinery, materials, products and equipment for agriculture and forestry will not be authorised to conduct trainings, with the exception of state organisational units having no legal personality on the grounds of forest regulations and of legal persons operating on the basis of the act on agricultural advisory units.

Support level

The level of aid cannot exceed 100% of eligible costs.

Division of role with other EU financial instruments (ESF)

Assistance granted under this measure does not coincide with the scope of aid from the European Social Fund. ESF projects may concern inter alia retraining of farmers so that they could find a job or start economic activity outside the agriculture sector, while projects under Rural Development Programme concern exclusively vocational training related to agricultural or forestry activity.

Financing

Total cost in EUR: 40,000,000.

Public spending in EUR: 40,000,000.

Transitional provisions

None

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Output	Number of participants in trainings	400,000
	Number of training days received	800,000
Result	Number of participants that successfully ended a training activity related to agriculture and/or forestry	300,000
Impact	Labour productivity	47.8% increase (including 0.49% from RDP) Target value: EUR 22,270/person

Supplementary indicators specific for the Programme and quantified target values

Type of indicator	Indicator	Target value 2007-2013
Output	Number of projects	500
	Number of trainings	10,000
Result	Number of persons evaluating the trainings as meeting their professional expectations	224,000

Title of the measure

Setting up of young farmers

Measure code

112

Legal basis

Article 20 (a) (ii) and Article 22 of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277/1 of 21 October 2005).

Article 13 and point 5.3.1.2. of Annex II to Commission Regulation (EC) No 1974/2006 of 15 December 2006, laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 368/15 of 23 December 2006).

Justification

About one fifth of agricultural holdings in Poland are run by the persons over 55 years of age. In order to stimulate the transfer of holdings to young educated farmers support from public funds is needed. Transfer of agricultural holdings to young and active farmers with the relevant professional qualifications creates favourable conditions for structural changes in agriculture and leads to an increase in the competitiveness of the agricultural sector. However, young farmers setting up on their own have to incur considerable expenses related to, inter alia, modernisation of the agricultural holding. Therefore, it is necessary to provide financial support that will enable young farmers to carry out their investment plans.

Measure objective

The objective of this measure is to stimulate structural changes in the agricultural sector by helping young, qualified persons to take over or to set up agricultural holdings.

Description of the measure

Support is intended only for the persons who start running an agricultural holding on their own for the first time.

Support is granted to person who:

- 1) has neither owned an agricultural property of at least 1 ha of agricultural land so far nor conducted agricultural activity; or
- 2) conducts agricultural activity and has become the owner of an agricultural property of at least 1 ha of agricultural land:

- a) received by inheritance or
- b) received by inheritance or donation before reaching the age of 18 or during school education or
- c) in a manner not mentioned in (a) or (b) – only during the first selection of applications (in 2007).

Aid cannot be granted after 18 months of the commencement of agricultural activity.

Definition of Beneficiary

Natural person

Definition of setting up of agricultural activity

The date of commencement of agricultural activity is:

- a) the date of the first acquirement of agricultural property of an area of no less than 1 ha of UAA.
- b) in the case of persons, who are owners of agricultural property of an area of no less than 1 ha of UAA for the first time before 18 years of age – date of 18th birthday, notwithstanding point c) and d).
- c) in the case of persons, who acquired agricultural property of an area of no less than 1 ha of UAA for the first time before completing their school or university education – date of completion or termination of education;
- d) in the case of persons, who acquired agricultural property of an area of no less than 1 ha of UAA for the first time before commencing obligatory military service or during such service - date of completion, under the condition that the service was commenced no later than 12 months of the date set in accordance with the provisions of point a), b) or c).

If before the date set in accordance with the provisions of point a), b), c) or d) at least one of the following events occurred:

- 1) commencing production in specific special branch of agricultural production;
- 2) filing an application for the entry into the register of producers;
- 3) registration of farm animals;
- 4) taking on KRUS insurance as beneficiary other than household member;
- 5) application for aid from national or EU resources allocated to objectives relating to the development or adjustment to agricultural production (SAPARD, RDP 2004-2006, SOP Restructuring and modernisation of agriculture and rural development 2004-2006, RDP 2007-2013) or for a preferential loan granted by ARMA;

then the date of commencement of agricultural activity is the earliest date of the abovementioned events..

Business plan

Business plan should include:

- 1) objectives, concept and milestones of development of the holding;
- 2) description of the initial situation of the holding, in particular information on the holding resources and the production structure;
- 3) description and schedule of the planned investments, including those directed at adapting standards of hygiene, environmental protection and animal welfare, required by the provisions of law;
- 4) initial and target economic performance of the holding;
- 5) information on the manner of acquiring necessary skills (if applicable) and planned training or advisory;
- 6) information on other plans for development of the holding.

The holding of the beneficiary will be controlled in order to verify the compliance with the business plan. The control will be performed at least once, no later than 5 years from the date of the individual decision granting support.

Verification of business plan will be based on appropriate documents submitted by the beneficiary, on-the-spot checks and cross-checks.

In justified cases the business plan being implemented may be amended.

Possibilities to acquire necessary skills

Beneficiaries, who on the day of submitting the application do not meet the conditions concerning occupational skills and competence, may receive support on the condition that they will acquire such skills and competences within 36 month from the date of issuing decision on granting aid.

Possibility to combine support under different measures by a business plan

Not foreseen.

Accessibility criteria

The beneficiary shall:

- 1) on the day of application submission be of age but less than 40 years old;
- 2) possess adequate occupational skills and competence i.e. agricultural education or professional experience in agriculture;
- 3) develop agricultural activity in compliance with business plan assumptions;

- 4) use at least 70% of the premium amount for purposes connected with development of the holding, as foreseen by the business plan;
- 5) be fully insured in KRUS at least within three years following the payment of aid, pursuant to the provisions on social insurance of farmers, as a farmer, and in virtue of the Act;
- 6) keep running the holding for at least 5 years following the date on which the funds were disbursed.

The transferred holding:

- 1) shall cover agricultural land of the size equal to or larger than the average in a particular voivodship, and not exceed 300 ha; if the voivodship average is lower than the national average, the national average shall apply;
- 2) is or will be owned by the beneficiary, or leased (for the period of at least 5 years) from the agricultural property of the State Treasury or a local government unit;
- 3) meets the standards relating to hygiene, environmental protection and animal welfare, or will adapt to such standards within 3 years from the date of commencing agricultural production.

If within the specified period the beneficiary will not fulfil obligations concerning: husbandry management and the KRUS insurance, the implementation of the business plan objectives, acquiring necessary skills and meeting the standards, the granted aid is wholly or partially returned.

Form and amount of aid

Single premium of PLN 50,000 (EUR 12,808.00). Equivalent of amount expressed in EUR is of indicative nature.

In accordance with Annex to the Council Regulation (EC) No. 1698/2005 on support for rural development by European Agriculture Rural Development Fund (EAFRD) the premium does not exceed the equivalent of EUR 55,000.

Financing

Total cost in EUR: 420,000,000

Public expenditure in EUR: 420,000,000

Transitional provisions

Not applicable

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Output	Number of assisted young farmers	33,600
	Total volume of investments (EUR)	315,000,000
Result	Increase in gross value added in supported holdings	119% of initial value
Impact	Economic growth	50.1% increase (including 0.41% from RDP)
	Labour productivity	47.8% increase (including 0.49% from RDP) Target value: EUR 22,270/person

Supplementary indicators specific for the Programme and quantified target values

Type of indicator	Indicator	Target value 2007-2013
Result	Size of holdings of young farmers after the business plans has been accomplished (supplementary indicator for calculating the average size of a young farmer's holding, as compared to the Voivodship average)	373,454 ha on a national scale
	Average size of holdings of young farmers, as compared to the Voivodship average	120% on a national scale

Title of the measure

Early retirement

Measure code

113.

Legal basis

Article 20 (a) (iii), and Article 23 of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277/1 of 21 October 2005).

Article 14 and point 5.3.1.1.3. of Annex II to Commission Regulation (EC) No 1974/2006 of 15 December 2006, laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 368/15 of 23 December 2006).

Justification

According to CSO data, out of the total number of 780 thousand individual holdings with an area of over 1 ha of farmland whose owners are insured in KRUS, over 260 thousand holdings (i.e. 33%) are run by farmers aged 50 to 59. i.e. of age that allows them to apply for early retirement over the period 2007 – 2013.

The age structure of farmers, who applied for direct payments in 2006, i.e. active managers of agricultural holdings, shows that persons over 55 years old constitute 20.1%.

The measure shall contribute to the improvement of age structure, as well as of the education of persons running agricultural holdings through greater participation of younger persons, who are usually better educated.

Objective of the measure

The measure is aimed to improve the agricultural system in the country, to accelerate the alternation of generations among persons running agricultural holdings, and to improve the profitability and competitiveness of agricultural holdings as a result of their transfer to younger persons well prepared for the profession of a farmer.

The measure will be one of the instruments mitigating the effects of transformation process in the rural areas and contributes to the improvement of profitability of agricultural production and the life standard in rural areas and, indirectly, to unemployment reduction among the rural youth, as it provides a source of income for those who give up commercial farm production.

Description of the measure

Aid shall be granted to agricultural producers who decide to stop their agricultural activity for the purpose of transferring the holdings to their successors or other agricultural producers. Early retirement support shall be targeted at agricultural producers who are not yet of normal retirement age, are covered by the agricultural social insurance, run their own agricultural holdings (or a holding being the property of their spouse), and decide to transfer their holdings. Early retirement support shall be the source of income after the person concerned stops their agricultural activity.

Land belonging to the holding being transferred shall:

- 1) be taken over in whole by a successor who meets the following requirements:
 - is under 40;
 - starts running an agricultural holding for the first time;
 - has appropriate professional qualifications to carry out agricultural activity;
 - submitted a business-plan for the holding being taken over,
- 2) be transferred for the purpose of enlarging the holding of another agricultural producer, who meets the following requirements:
 - is an agricultural producer under 50;
 - has appropriate professional qualifications to carry out agricultural activity;

As regards the need to provide a development plan of the holding being taken over, only the fact of providing such plan shall be controlled.

It is assumed that 50,400 farmers will benefit from this measure, i.e. 7,200 persons per year – about 1/5 of the potential number of farmers who could be eligible for the early retirement support.

The amount of allocation for early retirement measure under RDP 2007–2013 is EUR 2,187,600,000. The funds from this programming period will be allocated for the payments to the beneficiaries of RDP 2004-2006 early retirement measure (c.a. 67% of the budget) as well as for the measure under RDP 2007-2013.

The early retirement pension will amount to PLN 896.19, i.e. 150% of the minimum pension and including an allowance for the farmer's spouse and when the holding with an area of min. 10 ha was transferred to a person below 40 years of age it will amount to PLN 1583.27, i.e. 265% of the minimum pension.

The 2007–2013 early retirement pensions will be more economical, because:

- 1) with considerably reduced funds, the measure will allow to support a number of beneficiaries similar to that of 2004 – 2006 period;
- 2) the early retirement pension has been reduced to an amount close to an average retirement benefit allocated to farmers under the social insurance system, however, this benefit is higher than that under insurance and more attractive;
- 3) early retirement pension will be paid only up to the age of 65, i.e. for a shorter time than under the previous programme.

The scope of measures

Making early retirement possible for agricultural producers in the pre-retirement age.

Non-commercial farming activity continued by the early retirement measure beneficiary shall not be eligible for support under the Common Agricultural Policy.

Accessibility criteria

Application may be lodged by an agricultural producer who:

1. owns an agricultural holding covering not less than 3 ha of agricultural land, or 1 ha of agricultural land in the Małopolskie, Śląskie or Świętokrzyskie Voivodship, and transfers the holding:
 - a) if the holding is transferred to a successor, it must be transferred to this successor definitely and in whole (a plot kept by the transferor for his/her own needs is not taken into account). The area of the holding transferred to a successor cannot be smaller than the average size of a holding in a particular voivodship. In voivodships where the average size of a holding is larger than the country's average, the size of the holding being transferred may be equal to the average size of a holding in Poland. The minimum size requirement does not apply to holdings being transferred to the transferor's descendants,
 - b) if the holding is transferred so as to enlarge another holding (plots kept by the transferor for his/her own needs are not taken into account), the size of the holding after enlargement cannot be smaller than the average size of a holding in a particular voivodship. In voivodships where the average size of a holding is larger than the country's average, the size of the holding after enlargement cannot be smaller than the average size of a holding in Poland.

Definition of beneficiary

Agricultural producer is entitled to early retirement if he/she is a natural person and meets the following requirements:

- 1) is over 55 and yet has not reached the retirement age (men – 65 years, women – 60 years);
- 2) has been running agricultural activity as self-employed in an agricultural holding for at least 10 years prior to applying for early retirement and has been paying the retirement insurance provided for in the provisions on farmers' social insurance for at least 5 years;
- 3) was paying his/her retirement insurance on the day of applying for early retirement;
- 4) has transferred his/her agricultural holding;
- 5) has ceased to run any market-oriented agricultural activity;
- 6) is not a pensioner.

Relation to national pension systems

Only when early retirement beneficiary acquires the right to a retirement pension, he/she will receive state pension under the social insurance scheme and the early retirement support in the amount reduced by the sum of state pension. In the new programming period 2007-2013 this situation will concern only women who, as the main beneficiary of early retirement measure, become pensioners at the age of 60.

If the spouse of the beneficiary of the early retirement support increased by the spouse allowance acquires the right to a retirement pension, or enters into paid employment subject to social insurance, except of non-agricultural business activity, the spouse allowance will be deducted from the early retirement support.

A person receiving early retirement support is obliged to make a pension fund contribution to farmers' pension fund. If the early retirement support includes a benefit for the farmer's spouse, the person who is receiving the early retirement is also obliged to make a pension fund contribution to farmers' pension fund for his/her spouse.

Relation to economic activity started by young farmers

The successor of the farmer, who gives up farming against early retirement pension, may apply for young farmer premium subject to conditions specified for young farmer measure. If the farm taken over from a farmer, who applies for early retirement pension, does not comply with holding size required for early retirement pension granting, the young farmer may make efforts to take over additional farmland area so as to comply with this requirement.

The links between early retirement and the requirements of the measure „Setting up of young farmers“ are as follows:

- 1) both measures have common definition of the successor and common education criteria;
- 2) a farm exceeding the national average is the criterion of young farmer measure accessibility, while in the early retirement measure this criterion is threshold above which an allowance to the early retirement pension will be granted if the farm is transferred to a person below 40 years of age;
- 3) the number of beneficiaries of the young farmer measure is convergent with the number of persons who will receive the early retirement support, though it must be taken into account that the number of persons, who take over farms from the early retirement beneficiaries and are below 40 years of age, is expected to be about 50% of the early retirement beneficiaries. i.e. about 3600 persons/year;
- 4) correlation of both measures is also connected with the converging date of application submission.

In the end both measures are addressed to young farmers, as the aim of early retirement measure, apart from ensuring income to a person who gives up farming, is the transfer of the farms to younger persons with better education, better prepared for farming and open to changes and development.

In view of high prices of farmland in Poland and land purchase problems, the early retirement measure will help setting up of young farmers.

Time frame of aid eligibility

A beneficiary will receive early retirement till the age of 65.

Aid payment

The early retirement support will be paid out once a month.

The amount of aid

The amount of early retirement support is determined on the basis of the minimum state pension. The support is an adequate percentage of that state pension.

The basic amount of aid is PLN 896.19 (EUR 229.57), i.e. 150% of the minimum state pension. The equivalent of the amount expressed in EUR is of indicative nature.

Early retirement support may be increased by PLN 597.46 (EUR 153.05), i.e. 100% of the minimum pension on account of a benefit for the spouse and by PLN 89.62 (EUR 22.96), i.e. 15% of the minimum pension when the holding with an area of min. 10 ha was transferred to a person below 40 years of age.

The support shall be added up, with the reservation that the total amount of the aid does not exceed PLN 1,583.27 (EUR 405.57), i.e. 265% of the minimum pension. The equivalent of the amount expressed in EUR is of indicative nature.

The aid amount resulting from the minimum pension (PLN 597.46) in force as of 1 March 2006 will change in accordance with the periodical re-assessments of the domestic minimum pension. Referencing of the aid amount to the pensions is intended to emphasize the attractiveness of this measure. Analogous solutions were adopted when early retirement pensions were established in the period 2004 – 2006.

In accordance with Annex to the Council Regulation (EC) No. 1698/2005 on support for rural development by European Agriculture Rural Development Fund (EAFRD) the maximum annual amount of early retirement support for the person who transfers the holding is EUR 18,000.

Financing

Total cost in EUR: 2,187,600,000

Public expenditure in EUR: 2,187,600,000

Transitional provisions

The number of 2004–2006 beneficiaries is 53,400. With an averaged early retirement support the commitments resulting from RDP 2004–2006 appropriated to the RDP 2007-2013 budget will amount to EUR 1,480 million. Hence, allocation for 2007-2013 beneficiaries was assumed at the level of EUR 707.6 million.

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Output	Number of farmers to retire early	50,400
	Number of agricultural producers, who retired early in the 2004-2006 programming period.	53,400
	Number of hectares released	450,000
	Area of holdings transferred (ha of UAA) by agricultural producers, who retired early in the 2004-2006 programming period.	480,000
Result	Increase in gross value added in supported holdings	100% of initial value
Impact	Economic growth	50.1% increase (including 0.41% from RDP)
	Labour productivity	47.8% increase (including 0.49% from RDP) Target value: EUR 22,270/person

Supplementary indicators specific for the Programme and quantified target values

Type of indicator	Indicator	Target value 2007-13
Result	Average age of the farmer who is taking over a holding	30

Title of the measure

Advisory services for farmers and forest owners

Measure code

114.

Legal basis

Article 20 (a) (iv) and Article 24 of Council Regulation (EC) 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277/1 of 21 October 2005).

Article 15 and point 5(3)(1)(1)(2) of Annex II to Commission Regulation (EC) No 1974/2006 of 15 December laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 368/15 of 23 December 2006).

Justification

It is necessary to introduce a farm advisory system for farmers and forest owners in order to improve a sustainable management of holdings, including the observance of cross-compliance principle. Due to the fact that the adjustment of agricultural holdings to EU standards is going to be a difficult process for most farmers and forest owners, they will be able to apply for financial aid for advisory services within the framework of this measure. Buying advisory services is voluntary and will not be monitored. The advisor who provides advisory services for the farmer cannot inform about or apply for fining the farmer if the holding does not fulfil the cross-compliance requirements; the advisor is obliged to be diligent and maintain confidentiality.

Increase in the competitiveness and profitability of agricultural and forest holdings is not possible without keeping to cross-compliance which defines requirements concerning land management, environmental protection, public health, plant health, animal welfare and health as well as fulfilling the work safety standards based on the Community legislation. The holding which does not fulfil these requirements will receive reduced support or may be entirely deprived of funds under direct support and related payments. The first element of holding restructuring should be the evaluation whether a given holding fulfils the cross-compliance requirements. It is not possible without an efficient agricultural advisory system. This measure provides for access to advisory services for farmers who receive direct payments and forest owners.

Objectives of the measure

Making it possible for farmers and forest owners to receive support through advisory services in order to:

- 1) adjust their agricultural holding to comply with the principle of cross-compliance, i.e. in the scope of land management, environmental protection, public health, animal welfare and health and plant health;
- 2) increase of the competitiveness and profitability of agricultural and forest holdings;
- 3) support restructuring, development and innovation in agricultural and forest holdings;
- 4) protect the natural environment;
- 5) improve occupational safety.

Scope and action

Farm advisory services concerning farming principles laid down in the Council Regulation (EC) No 1782/2003 of the European Union will be provided with respect to the evaluation of fulfilment of the cross-compliance requirements as well as safety at work and providing help to fulfil these requirements in case of:

- agricultural holdings;
- forest holdings.

Advisory service is a single advisory action related to a certain requirement of cross-compliance.

A catalogue of advisory services with flat maximum rates for their provision will be specified by the Minister of Agriculture and Rural Development. Advisory services will above all take into account the statutory management requirements, good agricultural practices in accordance with environmental protection requirements, occupational safety and forest management. Beneficiaries will be able to apply for a refund for advisory services defined in the catalogue of advisory services. The first stage of action is to assess a holding's adjustment to cross-compliance and safety at work requirements. The condition for receiving a refund will involve paying eligible costs by the beneficiary and keeping a record of them. The beneficiary is allowed to use a package of advisory services defined in the catalogue of advisory services only once.

Moreover, under this measure only those beneficiaries will be granted aid who in the previous year received direct payments for the use of services.

Detailed conditions to be met by institutions and entities engaged in providing advisory services under this measure will be laid down by the Minister of Agriculture and Rural Development.

Definition of Beneficiary

Farmers and forest owners, who own agricultural holdings (and in the year preceding the provision of service received direct payments) or forests in the territory of the Republic of Poland.

A description of the advisory system

Advisory services for farmers will be provided by advisory institutions and entities, both private and public, whose economic activity is based on providing agricultural advisory services in Poland. Public advisory entities, i.e. agricultural advisory centres and agricultural chambers, will provide advisory services within the framework of this measure. These entities will not be required to receive accreditation. Private advisory entities and the national organizational units, having no legal personality on the grounds of forest regulations, have to receive accreditation by the Minister of Agriculture and Rural Development. In order to receive accreditation, it is necessary to employ well-qualified and experienced staff with tertiary agricultural or related education. All advisory institutions have to provide the beneficiaries with comprehensive help. This help should include all aspects of the natural environment, public health, etc. in the scope of forestry or agriculture. Every beneficiary will have a free choice of advisory institution or entity, which will provide him/her with individual advisory services. Each type of advisory services should be recorded in the advisory service sheet. The advisor will systematically visit the supported holdings and be in permanent contact with farmers.

The quality control of advisory services provided within the framework of this measure will be conducted by the Agricultural Advisory Centre in Brwinów, which is the institution responsible for the standards of providing farm advisory services, but is not authorised to provide such services.

Entities operating in the area of production, trade and distribution of machinery, materials, products and equipment for agriculture and forestry, with the exception to state organizational unit, having no legal personality on the grounds of forest regulations, will not receive accreditation.

The amount of aid

The granted aid will amount to 80% of eligible cost paid for each advisory service. However, the aid will not amount to more than 1,500 EUR/holding during the whole programme.

Under this financial limit beneficiary will be able to make use of advisory service multiple times.

The volume of aid does not exceed the equivalent of EUR 1,500 per holding in accordance with the provisions of the Annex to Council Regulation No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).

Payment calculation principles

Rates for individual advisory services will be laid down in the form of flat rate amounts defined in the catalogue of services.

For all beneficiaries: obligation to conclude an agreement with an advisory institution or entity whose services he/she will be using.

Geographical scope

The measure is implemented in the whole of Poland.

Number of beneficiaries

There are 1,500,000 entitled to receive aid. The estimated amount of beneficiaries between 2007-2013 is around 600,000.

Financing

Total cost in EUR: 437,500,000

Public expenditure in EUR: 350,000,000

Area of support

Not applicable

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-13
Output	Number of forest holders supported	30,000
	Number of farmers supported	570,000
Result	Increase in gross value added in supported holdings	107% of initial value
Impact	Labour productivity	47.8% increase (including 0.49% from RDP) Target value: EUR 22,270/person

Supplementary indicators specific for the Programme and quantified target values

Type of indicator	Indicator	Target value 2007-13
Result	Number of provided services	1,200,000

Title of the measure

Modernisation of agricultural holdings

Measure code

121.

Legal basis

Article 20 (b) (i) and Article 26 of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277/1 of 21 October 2005).

Article 17 and point 5(3)(1)(2)(1) of Annex II to Commission Regulation (EC) No 1974/2006 of 15 December 2006 laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 368/15 of 23 December 2006).

Justification

Agricultural holdings in the Republic of Poland are in the process of adjustment to the conditions of functioning on the EU Single Market. It is necessary to grant financial aid for investments aiming at improvement of the competitiveness of agricultural holdings through modernisation of the technical production infrastructure, adjustment of the production profile, scale and quality to the market needs, improvement of food safety, improvement of animal welfare, environmental protection and work safety.

Objective of the measure

The measure is intended to support modernisation of holdings in order to improve their effectiveness through better use of the means of production, quality improvement, agricultural activity differentiation and harmonisation of agricultural production conditions with the requirements related to natural environment protection, production hygiene and animal welfare.

Scope of the measure

The aid is granted for investments in modernisation of primary plant or animal production, excluding forest and fish production. The project should concern the production of food and non-food products (including agricultural products used for the purpose of renewable energy production), as well as preparation for sale or direct sale of agro-products produced in holdings. The scope of projects may cover investments the production and use of energy from renewable resources for the agricultural production purposes.

Aid is granted for investments, which do not lead to an increase in production, for which there are no outlets. In the case of the development of milk production, support may be granted if the beneficiary owns a milk production quota reflecting the milk production in that holding.

Aid may be granted for investments aiming at adjusting an agricultural holding to the statutory EU standards:

- 1) existing – on the condition that the investment is conducted by the beneficiary of the measure called “Setting up of young farmers” in accordance with a business plan and on the condition that the adjustment of an agricultural holding takes place within 36 months from the date of setting up on the agricultural holding;
- 2) newly introduced – on the condition that the adjustment takes place no later than 36 months from the day on which the standard became obligatory.

A description of requirements and objectives concerning the improvement of the overall performance of agricultural holdings

Aid is granted for an investment, which:

- 1) contributes to the improvement of the overall performance of an agricultural holding:
 - a) increase in gross value added of the holding (GVA), in particular as a result of production technology streamlining or introducing innovation, change of profile or production scale, the improvement of production quality or increasing the value added of a product, or
 - b) improvement in a holding as far as environmental protection is concerned, or
 - c) improvement in a holding as far as animal welfare is concerned, or
 - d) improvement in a holding as far as hygiene and production safety is concerned, or
 - e) improvement in a holding as far as road infrastructure is concerned,
- 2) meets the statutory requirements;
- 3) is economically viable;
- 4) it is not a replacement investment.

The holding, which the investment refers to, is economically vital (the economic value of the holding amounts to at least 4 ESU) and is run by a person with adequate professional qualifications. In case of natural persons who are beneficiaries of the measure “Setting up of young farmers”, within RDP 2007-2013, aid may be granted to persons without required professional qualifications provided that they complete

their education within a period defined according to the obligation undertaken under "Setting up of young farmers".

The holdings taken over by the beneficiaries of the measure „Setting up of young farmers“ require considerable investment outlays, including those associated with farm production commencement. Therefore, it is necessary to allow the beneficiaries of the measure „Setting up of young farmers“ to benefit from other forms of aid, particularly aid for investments in the agricultural holdings. Aid under "Modernisation of agricultural holdings" measure is made dependant on the occupational competence. Therefore, given the aid granting conditions under the measure „Setting up of young farmers“, a grace period is introduced to allow the beneficiaries to complement their occupational competences. Occupational competences should be complemented within the time set up for the beneficiary in connection with the premium granted under the measure „Setting up of young farmers“.

Types of investment

With this measure tangible and non-tangible investments aimed at the modernisation of agricultural production will be supported, in particular:

1. tangible investments:

- a) building or renovation combined with modernisation of buildings,
- b) purchase or installation of machines, devices, including computer equipment,
- c) establishing and modernization of orchards or perennial plantations,
- d) purchase, installation or the building of technical infrastructure elements, which directly influence the running of agricultural activity, preparation for sale or direct sale;

2. non-tangible investments:

- a) purchase of patents, licenses, including software licenses,
- b) services connected with the preparation of technical or economic documentation referring to the project and technical supervision, connected directly with the implementation of the project.

At the level of national legislation restrictions will be introduced as regards the scope of supported investments (eligible costs) taking account of the need to eliminate the increase in production in some sectors.

The agricultural production equipment in agricultural holdings in Poland is insufficient in the aspect of quality and quantity and it is, therefore, of utmost importance to modernize it. Due to the high costs of capital assets purchase and relatively low

incomes gained from agricultural activity in Poland, it is allowed to buy second-hand equipment but not older than 5 years.

Moreover, it is also allowed to obtain machines or devices through leasing.

The definition of the various types of beneficiaries

Natural person, legal person or sole shareholder company running agricultural activity in plant or animal production.

Natural person is of age but has not reached the retirement age yet.

Over the first period of the Programme implementation, in order to facilitate access to public funds by entities who have so far received no support, the possibility to use of aid is limited as regards beneficiaries of the Measure "Investment in Agricultural Holdings" of the Sectoral Operational Programme „Restructuring and modernisation of food sector and rural development 2004-2006". Detailed principles in this regard are specified by national law.

A description of the newly introduced Community standards (and the obligatory standards in case of young farmers receiving support for setting up)

Investments that are made in order to adjust agricultural holdings to Community standards which have been obligatory for less than 36 months, can be supported within this measure. These investments may concern the adjustment to the standards laid down in the Council Directive 91/676/EEC concerning the protection of waters against pollution caused by nitrates from agricultural sources, i.e. adjusting agricultural holdings to the standards defined in action programmes implemented in order to limit the escape of nitrogen from agricultural sources on nitrate vulnerable zones (NVZs). Action programmes for specific NVZ, obligatory pursuant to the local legislation (in accordance with the Regulation of the General Director of the Regional Water Management Board), have been introduced since 2004 and comprise 4-year-period. These Programmes include, inter alia, the adjustment of holdings to standards of organic fertilizer and bulky feed storage. Investment aid for adjusting to these standards may be granted not later than 36 months after the deadline for adjustment of holdings on NVZ laid down in the action programme.

If new Community rules concerning agricultural holdings are introduced, the scope of the investment aid for adjusting to Community standards within the Programme will be modified.

Investments that are undertaken in order to adjust the holdings of the beneficiaries, of "Setting up of young farmers" measure under RDP 2007-2013 to Community standards may be supported within this measure in terms of:

1. production hygiene - 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;
2. animal welfare:
 - a) Council Directive 98/58/EC of 20 July 1998 concerning the protection of animals kept for farming purposes;
 - b) Council Directive 1999/74/EC laying down minimum standards for the protection of laying hens;
 - c) Council Directive 91/629/EEC laying down minimum standards for the protection of calves;
 - d) Council Directive 97/2/E amending Directive 91/629/EEC laying down minimum standards for the protection of calves;
 - e) Commission Directive 97/182/EC amending the Annex to Directive 91/629/EEC laying down minimum standards for the protection of calves;
 - f) Council Directive 91/630/EEC laying down minimum standards for the protection of pigs;
 - g) Council Directive 2001/88/EC amending Directive 91/630/EEC laying down minimum standards for the protection of pigs;
 - h) Commission Directive 2001/93/EC amending Directive 91/630/EEC laying down minimum standards for the protection of pigs.

Investment aid granted in order to adjust to the above mentioned directives may be granted provided that the adjustment takes place no later than 36 months from the date of setting up on the agricultural holding.

The holdings taken over by the beneficiaries of young farmer measure are adjusted to the EU standards to a different extent. In order to help young farmers to start up holdings it is necessary to support the investments, which adjust such holdings to the EU standards. These investments which are necessary from the point of view of food safety, environmental protection and animal welfare, are a burden for a new holding and the farmers are reluctant to take on such investments as they are not a source direct economic benefit in their eyes.

Type of aid

The aid has the form of reimbursement of a part of the eligible project cost.

Maximum amount of aid granted to a single beneficiary and for a single agricultural holding under the measure, during the RDP implementation, cannot exceed PLN 300,000 (EUR 76,848.2). The EUR equivalent is of indicative nature.

Only projects with the eligible cost exceeding PLN 20,000 may be accepted for implementation. This restriction shall not apply to projects comprising only natural fertilizer storage equipment or projects concerning the adjustment to Community standards.

Intensity of aid

The financial aid cannot exceed:

- 40% of the costs of eligible investment;
- 50% of the costs of eligible investment implemented by a natural person who on the day of submission of the application for aid was younger than 40 years old;
- 50% of the costs of eligible investment implemented in the mountain areas, other less favoured areas, agricultural areas covered by Natura 2000 network, or in the areas where restrictions are enforced by the Directive 2000/60/EC;
- 60% of the costs of eligible investment implemented by a natural person who on the day of submission of the application for aid was younger than 40 years old, in the mountain areas, other less favoured areas, agricultural areas covered by NATURA 2000 network, or in the areas where restrictions are enforced by the Framework Water Directive;
- 75% of the costs of eligible investment undertaken due to the implementation of the nitrates directive - applies to the agreements concluded till 30 of April 2008.

Financing

Total cost in EUR: 4,449,830,000

Public expenditure in EUR: 1,779,932,000

Transitional provisions

Not foreseen.

Cohesion with the first pillar

The scope of granted aid within this measure does not overlap the scope of aid granted within the support schemes implemented in Poland and co-financed within the CAP I pillar, referred to in Annex I to the Commission Regulation (EC) No 1974/2006 laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).

- Fruit and vegetables (Article 14 (4) and Article 15 of the Council Regulation (EC) No 2200/96)

According to the Council Regulation (EC) No 2200/96 operations financed in relation to supporting the preliminary recognized agricultural producer groups and recognized fruit and vegetable producer organizations are not financed under "Modernisation of agricultural holdings" measure.

- Wine (Title II Chapter II of the Council Regulation 1493/1999)

Article 21 of the Council Regulation (EC) No 1493/1999 is applicable to Poland. This Article exempts Poland from the support mechanism provided for in Title II Chapter II of the Council Regulation (EC) No 1493/1999. The establishment and modernisation of vine plantations will be supported under "Modernisation of agricultural holdings" measure.

- Olive oil (Article 8 (1) of the Council Regulation (EC) No 865/2004)

Olive oil is not produced in Poland, therefore Article 8 (1) of the Council Regulation (EC) No 865/2004 is not applicable.

- Hops (Article 6 of the Council Regulation (EC) No 1952/2005)

Poland does not apply investment support instruments to hops producer groups owing to the provisions of Article 6 of Council Regulation (EC) No 1952/2005. Therefore there is no risk of double founding.

- Apiculture (Article 2 of the Council Regulation (EC) No 797/2004)

Support for apiculture is coherent under RDP 2007-2013 and National Apiculture Programme in Poland drawn up on the basis of the Council Regulation (EC) No 797/2004 and the Commission Regulation (EC) No 917/2004. The Programme does not take into account the investment costs corresponding to the scope of eligible costs specified for the measure "Modernisation of agricultural holdings". Therefore, the scope of support under CAP and RDP 2007-2013 are complementary to one another and do not overlap.

- Sugar (the Council Regulation (EC) No 320/2006)

Aid granted under the measure "Modernisation of agricultural holdings" does not coincide with aid provided under CAP.

- Tobacco (Article 13 (2) (b) of the Council Regulation (EEC) No 2075/92), beef and veal (Article 132 of the Council Regulation (EC) No 1782/2003), sheep and goats (Article 114 (1) and Article 119 of the Council Regulation (EC) nr 1782/2003), direct payments (Article 42 (5) and Article 69 of the Council Regulation (EC) No 1782/2003)

Poland has approved the Single Area Payment Scheme (SAPS). Therefore the provisions of Article 42 (5) and Article 69 of the Council Regulation (EC) No 1782/2003 are not applicable. Also the selection of the Single Area Payment Scheme makes aid provided for beef, veal producers (Article 132), sheep and goats (Article 114 (1) and Article 119) not applicable. On that account Poland does not participate in the establishment of the tobacco fund and does not apply the system of support for tobacco producers provided for in Article 13 (2) (b) of the Council Regulation (EC) No 2075/1992.

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-13
Output	Number of farm holdings that received investment support	59,378
	Total volume of investments (EUR)	from 2,729,229,067 to 5,117,304,500
Result	Number of holdings introducing new products and/or new techniques	44,533
	Increase in gross value added in supported holdings	119% of initial value
Impact	Economic growth	50.1% increase (including 0.41% from RDP)
	Labour productivity	47.8% increase (including 0.49% from RDP) Target value: EUR 22,270/person

Supplementary indicators specific for the Programme and quantified target values

Type of indicator	Indicator	Target value 2007-13
Output	Number of projects	79,171
Result	Material indicators	no target values

Title of the measure

Increasing the added value to basic agricultural and forestry production

Measure code

123.

Legal basis

Article 28 of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277/1 of 21 October 2005).

Article 19 and point 5.3.1.2.3 of Annex II to Commission Regulation (EC) No 1974/2006 of 15 December laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 368/15 of 23 December 2006).

Justification

Support of agricultural products processing is of crucial importance because the sector is one of the most important branches of Polish economy, both in respect of employment and the production value. The aid will be addressed first of all to small and medium-sized enterprises. In the European Union such enterprises add most to the increase in Gross Domestic Product and they provide more than half of the jobs. Aid for larger enterprises will contribute to improvement of their competitive position on the global market. Aid provided under this measure will also influence the situation of agricultural producers, who due to their contracts with processing plants or entities operating in wholesale trade will achieve stabilisation of sale of agricultural products.

The measure will be implemented horizontally, without allocating funds to respective voivodships. The wide range of supported sectors of processing and marketing of agricultural products will allow to take account of all investment needs in the whole country.

Objective of the measure

Improvement of competitiveness of enterprises operating in agricultural products processing and marketing sector, conditioned by the added value increase, production quality, costs reduction, development of new products, processes and production technology, as well as improvement of the production conditions in line with effective standards and with those being implemented.

Scope of aid

Aid may be granted to projects related to the processing and marketing of agricultural products covered by Annex 1 to the EC Treaty, excluding fisheries products. It should be noted that the processed product should also be an agricultural product as this is a demarcation line with programmes co-financed under Common Fisheries Policy and structural funds 2007-2013.

The aid is granted for implementation of projects related to modernisation or construction of agricultural products processing plants or wholesale trade infrastructure for agricultural products. Support is directed to investment, whose objective is to improve the overall performance of enterprises and the environmental standards, as well as to adjust to recently implemented Community standards (this concerns micro-enterprises exclusively).

Kind and size of beneficiary enterprise

Natural person, legal person or organisational unit without legal personality that:

- is registered as operating in processing or marketing of agricultural products;
- acts as an entrepreneur running a small or medium-sized enterprise or an enterprise⁶¹ employing less than 750 persons, or an enterprise with turnover not exceeding EUR 200 million.

Over the first period of the Programme implementation, in order to facilitate access to public funds by entities who have so far received no support, the possibility to use aid is limited as regards beneficiaries of the Measure "Improving processing and marketing of agricultural products" of the Sectoral Operational Programme „Restructuring and modernisation of food sector and rural development 2004-2006". Detailed principles in this regard are specified by national law.

Description of requirements and objectives in relation to overall performance of enterprises

The aid may be granted to entities able to implement the planned investment, which is verified against analysis of data concerning past economic activity and financial projections included in the business plan. Implementation of the project must lead to improvement of overall performance of the enterprise reflected by increase of added gross value. The requirement is not applicable to the environmental protection projects.

An investment within the project must meet all the requirements of the law applicable to this investment.

⁶¹ Within the meaning of recommendation 2003/361/EC (OJ L124 of 20.05.2003, p. 36).

The aid may be granted to the entities which meet hygienic, sanitary, environmental protection and animal welfare standards.

The supported projects are implemented by entrepreneurs who acquire the raw materials on the basis of long-term agreements with agricultural producers or first processors of agricultural products.

Investments involving increase of production capacity may be granted aid, provided that the raw material base and the possibility to sell planned production have been documented.

The projects cannot concern retail sale.

Main production sectors

Under the measure, support will be granted in particular to the following sectors: processing of milk (excluding butter production), meat, fruit and vegetables (excluding production of wine-product and wine-based drinks), cereals (excluding malt production), potatoes, eggs, honey, flax and hemp, oilseeds, high protein crops, processing agricultural products for energy purposes, as well as to the services of freezing and storage of agricultural products.

Financial support is granted for the projects associated with wholesale of the following agricultural products: fruit and vegetables, flowers and plants, milk and dairy products, cereals and seeds of crops and vegetables.

Detail list of activities, according to Polish Classification of Activities, which are covered by aid under this measure will be defined in national legislation.

Type of investment (material – non-material)

Financial support may be given in particular for investments involving:

1. Material investments:

- a) construction, modernisation or reconstruction of buildings or facilitates constituting infrastructure of processing plants or of agricultural products wholesale;
- b) purchase or installation of new machinery or equipment for processing, storage or preparation of products for sale;
- c) purchase or installation of measurement and control devices, as well as equipment for production process or storage control;
- d) purchase of special means of transport;
- e) purchase or installation of devices for improvement of protection of environment.

2. Non-material investments:

- a) purchase of software for managing the enterprise and controlling production and storage processes;
- b) implementation of quality management systems;
- c) preparation of technical documentation for the project;
- d) preparation of a business plan;
- e) patent rights and license charges;
- f) costs of spatial planning supervision, design supervision, building control and conservator.

Defining the standards for granting micro-enterprises grace period, in line with new community norms

As of 1 January 2007, there are no new community norms under grace period according to article 28 point c Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277/1 of 21 October 2005).

In case new Community laws are introduced during the implementation of the Programme, micro-enterprises are guaranteed the right to make investments in accordance with the above mentioned laws.

Type of aid

The aid has the form of refund of part of project eligible costs. The maximum aid per one entity during RDP implementation will be not more than PLN 20,000,000 (EUR 5,123,213.3). The amount of aid granted for implementation of one project cannot be lower than PLN 100,000 (EUR 25,616.1). The EUR equivalents are of indicative nature.

Intensity of aid

The financial aid cannot exceed:

- 1) 25% of the cost of eligible investment implemented by the entrepreneur who is not a small or medium-sized enterprise;
- 2) 40% of the cost of eligible project implemented by the entrepreneur acting as small and medium-sized enterprise;
- 3) 50% of the cost of eligible project implemented by an entrepreneur acting as small or medium-sized enterprise:
 - who acquires the raw materials on the basis of the long-term agreements with producer groups or provisionally recognised or recognised fruit and vegetable producer groups or

- who is registered as an agricultural producer group or association thereof or who is a provisionally recognised or recognised fruit and vegetable producer group or
- who implements a project related to the processing of agricultural products for energy purposes.

Principal demarcation criteria

The description of demarcation lines is provided in Chapter 10.2.

Measure/Fund	Demarcation lines
„Diversification towards non-agricultural activities“ / EARDF	1. Volume of aid - maximum PLN 100,000. 2. Applicant – farmer, household member, farmer’s spouse (natural person not insured under ZUS on the grounds of social insurance provisions).
„Creation and development of micro-enterprises“ / EARDF	The list of supported sectors is specified in national legislation, and in the case of projects involving processing of agricultural products (covered by Annex 1 to EC Treaty) or edible forest products, the amount of aid may not exceed PLN 100,000.
CAP instruments	Different scope of aid specified at the level of programmes or cross-checks in fruit and vegetable sector. Detailed information in this regard are described in Chapter "Cohesion with the first pillar".
Structural Funds / ERDF	Aid refers to the production of goods not covered by Annex 1 to EC Treaty.

In order to eliminate the possibility of double financing of projects, cross checks will be implemented. Detailed rules referring to cross-checks will be specified at the national level.

Financing

Total cost: EUR 4,400,000,000

Public expenditure: EUR 1,100,000,000

Transitional provisions

None

Cohesion with the first pillar

Pursuant to Article 5 of Council Regulation (EC) No 1698/2005 and Article 2 of Commission Regulation (EC) 1974/2006, the conditions of granting aid under the respective RDP measures are coordinated with the Common Agricultural Policy support systems. In general, RDP is the main source of support for the adjustments

of processing and marketing of agricultural products, whereas other systems provided for by Community regulations are not so widely implemented. On that account, exclusion of the possibility to grant co-financing for the same operation from more than one source has been reflected by appropriate programme solutions or systems ensuring cross-checks aiming at avoiding double-financing, Poland will introduce an exception referred to in Article 5 (6) of Council Regulation No 1698/2005, as regards fruit and vegetables.

Fruit and vegetables

The support in the fruit and vegetables sector relates to the investment aid for the provisionally recognised agricultural producer groups, compliant with Article 4 of Commission Regulation (EC) No 1943/2003 and Article 1 (b) of Commission Regulation (EC) No 2113/2004, implemented on the basis of the approved plan of obtaining recognition. The aid covers the co-financing of the costs relating to storage and preparation for sale of fruit and vegetables. Support for recognised fruit and vegetables producer groups is granted when the producer organisation establishes an operational fund co-financed under Commission Regulation (EC) No 1433/2003. The operational programmes for recognised agricultural producer groups will cover information about the scope and amount of costs of measures implemented under the programme.

It should be borne in mind that it will be impossible for the projects financed under the above mentioned instruments to obtain support under RDP. This condition will be implemented by means of cross-checks carried out at the Agency for Restructuring and Modernisation of Agriculture, who will implement the above mentioned aid instruments.

Introduction of such exception pursuant to the provisions of Article 5 (6) of Council Regulation No 1698/2005 as regards fruit and vegetables and type of support results from the need to provide for non-discrimination of RDP 2007-2013 beneficiaries.

Wine

Poland produces small quantities of wine intended for producers' own personal use. Wine production from national crops within the next few years should not exceed 25 thousand hl per annum. On that account, Article 21 of Council Regulation (EC) No 1493/1999 is applicable to Poland. This Article exempts Poland from the support mechanism provided for in Chapter II Title II of Council Regulation (EC) No 1493/1999.

Olive oil

Owing to the climatic conditions olive oil is not produced in Poland, which is why Article 8 (1) of the Regulation 865/2004 is not applicable.

Hops

Poland does not apply investment support instruments to hops producer groups due to the provisions of Article 6 of Council Regulation (EC) No 1952/2005. In consequence, there is no risk of double funding.

Honey

Support for apiculture is coherent under RDP 2007-2013 and National Apiculture Programme in Poland drawn up on the basis of the Council Regulation (EC) No 797/2004 and the Commission Regulation (EC) No 917/2004. The Programme does not take into account the investment costs corresponding to the scope of eligible costs specified for the Measure "Increasing the added value to basic agricultural and forestry production." Therefore, the scope of support under CAP and RDP 2007-2013 are complementary to one another and do not overlap.

Sugar

The sector of sugar production is not covered by the scope of support under the RDP Measure "Increasing the added value to basic agricultural and forestry production." So far (2nd quarter of 2007) no programme has been developed as to the diversification of activity for entities abandoning sugar production (pursuant to Article 6 of Council Regulation 320/2006). In the case of drawing up such programme, its cohesion with RDP will be ensured on the basis of mechanisms excluding aid overlapping, taking into account appropriate cross-checks.

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-13
Output	Number of enterprises supported	1,500
	Total volume of investments (EUR)	3,162,500,000
Result	Number of enterprises introducing new products and/or techniques	300
	Increase in gross value added in supported holdings	130% of initial value
Impact	Economic growth	Increase by 50.1% (including 0.41% from RDP)
	Labour productivity	Increase by 47.8% (including 0.49% from RDP) Target value: EUR 22,270/person

Programme-specific additional indicators and quantified target values

Type of indicator	Indicator	Target value 2007-13
Output	Number of projects	3,500
Result	Increase of sale profitability in enterprises supported	130% of initial value
	Number of projects concerning new products and/or techniques	700

Title of the measure

Improvement and development of infrastructure related to the development and adjustment of agriculture and forestry

Measure code

125.

Legal basis

Article 20 and 30 of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277/1 of 21 October 2005).

Commission Regulation (EC) No 1974/2006 of 15 December 2006, laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 368/15 of 23 December 2006).

Justification

The Measure will be implemented within the framework of two schemes:

- 1) Scheme I – Land re-parcelling;
- 2) Scheme II – Agricultural water resources management.

Scheme I:

The aid granted under this scheme is to contribute to the improvement of the land use structure of agricultural holdings and forest area. Reduction of the number of registry plots will improve farming effectiveness through a reduction of transport costs and work mechanisation enhancement and will allow each of the re-parcelled registry plots to be accessible for technical infrastructure facilities. Within the re-parcelling project post-reparcelling procedures are conducted. These take the environmental requirements into consideration. These procedures cover in particular the provision of a necessary network of access roads to agricultural land and forest areas.

Pursuant to the experience gathered in the course of implementation of measure "Land re-parceling" under SOP "Restructuring and Modernisation of food sector and rural development" research will be conducted as regards economic effectiveness of projects. The results thereof will allow for introducing an element of economic evaluation to the evaluation of projects under this measure.

Scheme II:

The aid granted under this scheme applies to implementation of projects concerning land improvement, as well as projects concerning the forming of a longitudinal and

cross section and a horizontal water course bed, providing that these are carried out to improve water conditions in the soil, facilitate its cultivation and provide measures of flood protection of agricultural land, including in particular:

- construction or modernisation of land improvement facilities used for water retention and water level control, e.g. weirs, gates, water reservoirs, stages of fall etc.;
- construction or modernisation of gravity irrigation systems;
- modernisation of the existing land improvement facilities in order to adjust them to gravity irrigation;
- construction or modernisation of water inflow and outflow facilities within the land improvement systems;
- projects to improve water use conditions for agricultural purposes;
- projects to improve protection of agricultural land against flood.

Objective of the measure

Scheme I

1. Improvement of the land use structure of agricultural holdings through land re-parcelling.
2. Setting out and developing the functional network of access roads to agricultural land and forest areas and access roads to agricultural buildings.
3. Delimitation of land necessary for technical and social infrastructure under post-reparcelling procedure without applying the expropriation procedure.

Scheme II

1. Improvement of the soils quality through the regulation of water conditions.
2. Increase of water retention.
3. Improvement of the agricultural land protection against flooding.

Scope of aid

Scheme I:

- 1) preparation of land re-parcelling project (geodesy and legal documents);
- 2) post re-parcelling management related to the organization of agricultural production space.

Scheme II:

- 1) preparation of technical documentation for the projects;

- 2) costs of construction and installation works concerning land improvement, including those related to water retention, and in particular construction and modernisation of artificial water reservoirs, dams and gravity and pressure irrigation facilities;
- 3) cost of land purchase for investment (the costs cannot constitute more than 10% of the total eligible costs of the project).

Definition of Beneficiary

Scheme I – Poviast governor (Starosta)

Scheme II - Voivodship Melioration and Water Installations Board

Form and amount of aid

The aid is granted in the form of reimbursement of eligible costs incurred for projects' implementation.

Scheme I:

Aid may be granted to projects:

- 1) that are in conformity with the Act of 26 March 1982 on re-parcelling and exchange of land (Dz. U. of 2003, No. 178, item 1749, as amended), in particular those implemented by Starosta on the request of more than 50% of agricultural holding owners that own land on the planned re-parcelling area, or by owners whose land amounts to half of the planned re-parcelling area;
- 2) that are in accordance with a multi-annual investment programme;
- 3) for which objectives of land re-parcelling project have been drawn up;
- 4) for which an evaluation of impact on the environment was conducted in accordance with the Act of 27 April 2001 - Environmental Protection Law (Dz. U. of 2006, No. 129, item 902, as amended);
- 5) which are not to be implemented in NATURA 2000 and protected areas;
- 6) for which the maximum cost of re-parcelling design will not exceed an amount of:
 - a) EUR 500/ha for land re-parcelling in the following regions: Lubelskie, Podkarpackie, Małopolskie, Śląskie and Świętokrzyskie Voivodships;
 - b) EUR 350/ha for land re-parcelling in the remaining regions;
- 7) that concern post re-parcelling management related to the organization of agricultural production space - projects submitted for implementation under the Sectoral Operational Program "Restructuring and modernisation of the food sector and rural development 2004 – 2006".

- 8) for which the maximum cost of post-reparcelling work will not exceed EUR 900/ha of reparcelled land;

Scheme II

Aid may be granted to projects:

- 1) that are in conformity with the Act of 18 July 2001 – Water Law (Dz. U. of 2005, No. 239, item 2019, as amended), in particular those:
 - a) implemented at the request of land owners to make an investment in building specific land improvement facilities;
 - b) for which, after the project has been implemented, the land owners reimburse 20% of the construction costs for specific land improvement facilities – these costs are listed in the final report on investments made under the investment payment, which is a part of the government revenue;
- 2) concerning construction of land improvement facilities for water retention and irrigation of agricultural lands;
- 3) for which an investment estimate has been drawn up;
- 4) that are in conformity with the Act of 27 July 2001 – Environmental Protection Law (Dz. U. of 2006, No 129, item 902, as amended), in particular as regards the environmental impact assessment procedure;
- 5) that are in conformity with the Act of 16 April 2004 – Environmental Protection Act (Dz. U. No 92, item 880, as amended), in particular as regards:
 - a) not contributing to deterioration of nature habitats, plant and animal habitats in Natura 2000 areas,
 - b) obtaining voivod's decision on the conditions for carrying out works in an area of landscape and ecological value, in areas of mass bird hatching and with concentration of protected species, as well as in spawning grounds, winter habitats and areas of mass fish and other water organisms migration, including in Natura 2000 areas, nature reserves, etc.

Level of support

The level of aid cannot exceed 100% of eligible costs.

The required national contribution of public funds of at least 25% of eligible project costs originates from the state budget.

Principle demarcation criteria

The description of demarcation lines is provided in Chapter 10.2.

Measure/Fund:	Demarcation lines
Scheme I – Land re-parcelling	
European Fisheries Fund	Scope of aid: <ul style="list-style-type: none">– roads within the areas of fishing ports, landing sites and shelters or roads constituting the only access roads to fishing ports, landing sites and shelters.
Structural Funds	Scope of aid: <ul style="list-style-type: none">– voivodship, powiat and gmina roads, excluding the roads sectioned off as a result of re-parcelling and roads within the areas of fishing ports;– motorways, expressways, national roads, national roads in towns having the rights of powiats, access roads to the seaports of: Gdańsk, Gdynia, Szczecin, Świnoujście, Kołobrzeg, Elbląg, Police, Darłowo, including roads within the areas of the ports in question.
Scheme II – Agricultural water resources management	
Structural Funds	<ol style="list-style-type: none">1. Beneficiary: The Regional Water Management Boards, Voivodship Water and Melioration Boards, territorial government units and their unions, entities rendering services of own tasks of territorial government units, State Forests National Forest Holding and its organisational units, water companies.2. The scope of aid targeted at projects related to flood protection and water management for non-agricultural purposes.

Cross-checks shall be carried out in order to eliminate the possibility of double funding. Detailed rules referring to cross-checks will be specified at the national level.

Financing

Total cost: EUR 600,000,000

Public expenditure: EUR 600,000,000

Scheme I: EUR 160,000,000

Scheme II: EUR 440,000,000

Provisional provisions

The aid may be granted for the implementation of projects concerning:

1. Post re-parcelling management, related to the organization of agricultural production space - projects submitted for implementation under the Sectoral Operational Program "Restructuring and modernisation of the food sector and rural development 2004 – 2006". Liabilities from the period 2004-2006 are estimated at EUR 14 million.
2. Agricultural water resources management, submitted for implementation under Measure 2.5. „Agricultural water resources management“ within the Sectoral Operational Program "Restructuring and modernisation of the food sector and rural development 2004-2006". Liabilities from the period 2004-2006 are estimated at EUR 5 million.

Total liabilities for 2004-2006 amount to 19 EUR million.

State aid

Not applicable

Geographical scope

The whole country

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-13
Output	Number of projects	Scheme I: 350 Scheme II: 800
	Number of projects financed under commitments taken in the 2004-2006 programming period.	Projects approved for implementation under Measure 2.2 "Land re-parcelling" of the Sectoral Operational Programme "Restructuring and Modernisation of food sector and rural development 2004-2006": 5 Projects approved for implementation under Measure 2.5 "Management of agricultural water resources" of the Sectoral Operational Programme "Restructuring and Modernisation of food sector and rural development 2004-2006": 23
	Total volume of investments (EUR)	Scheme I: 160,000,000

Scheme II:

		440,000,000
	Total value of investments (EUR) under commitments taken in the 2004-2006 programming period.	<p>Projects approved for implementation under Measure 2.2 "Land re-parcelling" of the Sectoral Operational Programme "Restructuring and Modernisation of food sector and rural development 2004-2006": 5,000,000</p> <p>Projects approved for implementation under Measure 2.5 "Management of agricultural water resources" of the Sectoral Operational Programme "Restructuring and Modernisation of food sector and rural development 2.5": 14,000,000</p>
Result	Increase in gross value added in supported holdings	<p>Scheme I: 110% of initial value</p> <p>Scheme II: 120% of initial value</p>
Impact	Labour productivity	<p>Increase by 47.8% (including 0.49%% from RDP)</p> <p>EUR 22,270 per person</p>

Programme-specific additional indicators and quantified target values

Type of indicator	Indicator	Target value 2007-13
Output	Average number of holdings taking part in the re-parcelling project	Scheme I: 70
Result	Total area of land covered by re-parcelling procedures	Scheme I: 210 thousand ha
	Average areas of a holding which is covered by re-parcelling procedures	Scheme I: 8 ha
	Average number of registry plots in holdings following re-parcelling	Scheme I: 5
	An indicator of the decrease in the number of plots in holdings following re-parcelling	Scheme I: 0.5
	Road density (km/100ha) of sites covered by re-parcelling procedures	Scheme I: 4 km/100 ha
	Area of agricultural land on which regulation of water conditions was conducted (specific land improvement)	Scheme II: 60,000 ha
	Area of agricultural land on which the protection against flood is improved	Scheme II: 50,000 ha
	Water retention	Scheme II: 150 000 000 m ³
	Material effects of the investment (basic land improvement)	Scheme II: no target values

Title of the measure

Participation of farmers in food quality schemes

Measure code

132.

Legal basis

Article 32 of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277/1 of 21 October 2005).

Article 22 and item 5.3.1.3.2. of Commission Regulation (EC) No 1974/2006 of 15 December 2006 *laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)* (OJ L 368/15 of 23 December 2006).

Justification of the intervention

The support for high quality food schemes is of special important because the market of high quality products has just started to develop in Poland. The participation in the system of protected geographical indications, protected designations of origin, traditional specialties guaranteed, organic farming and integrated production allows achieving higher incomes while at the same time protecting the national heritage and taking care of the impact of the whole process on the environment. The manufacturing of products covered by such schemes allows changing the manner of competition - high quality products are manufactured instead of large number of homogeneous products. Cooperation between producers covered by the food quality schemes contributes to the increase of economic potential of the entities operating on the market.

However, effective achievement of the objectives requires the consumers to be willing to pay more for products manufactured under the schemes. Recognisability level for products included in the supported food quality schemes is low, which, at present, limits the possibility to obtain higher income by their producers. Hence the need for State aid in this regard. The aid is to cover the higher production costs (arising from e.g. additional control) until the costs are reflected in higher price of the products on the market.

Objective of the measure

1. Improvement of the quality of production and agricultural products intended for human consumption.
2. Increase in consumption of high quality food.
3. Support for farmers producing high quality food.

Scope of aid

The objective of the measure is achieved through financial support for farmers participating in the food quality schemes. The measure is implemented on the whole territory of the Republic of Poland.

Beneficiary

Agricultural producer – a natural person, legal person or organisational unit without legal personality that has been entered into the producers' register pursuant to Act of 18 August 2003 on national system for the registration of producers, agricultural holdings and register of applications for aid (Dz. U. of 2004, No. 10, item 76) and manufactures products participating in food quality schemes.

List of Community and national food quality schemes eligible for support

The objective of the measure is implemented through the financial support for farmers participating in voluntary food quality schemes:

1. Community schemes:

- a) System of geographical indications and designations of origin within the meaning of Council Regulation (EC) No 510/2006 of 20 March 2006 *on the protection of geographical indications and designations of origin for agricultural products and foodstuffs*;
- b) System of traditional specialities guaranteed within the meaning of Council Regulation (EC) No 509/2006 of 20 March 2006 *on agricultural products and foodstuffs as traditional specialities guaranteed*;
- c) Organic production within the meaning of Council Regulation (EEC) No 2092/91 of 24 June 1991 *on organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs*.

2. National scheme:

- a) a) Integrated production (IP) within the meaning of the Act on plant protection of 18 December 2003. (Dz. U. of 2004 no 11, item 94, as amended);
- b) Other national food quality schemes.

Justification for the aid for the Integrated Production scheme

The integrated production system meets all criteria for food quality schemes adopted by the Member States and laid down in Commission Regulation 1974/2006 (EC) No 1974/2006 of 15 December 2006 *laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)*.

Integrated production (IP) is a developing pro-environmental management system which takes into account the newest achievement of science and agricultural technology and under which food is produced. Under the system high quality fruit, vegetable and agricultural crops are produced. The specificity of farming consists in appropriately selected crop rotation, rational fertilization based on the actual nutrient requirements of plants. As opposed to the conventional farming, the use of chemical plant protection products is limited to the products which are safe for natural environment, including useful plants and animals. It is prohibited to use products which are toxic or highly toxic for people. Plant protection products are applied only when other methods of reducing the occurrence of agrophages prove to be insufficient and in the smallest possible doses when the agrophage exceeds the infestation threshold or on the basis of signalling. The integrated production system is a system which contains detailed obligations concerning the farming methods which are laid down in the (IP) methodologies and guarantee that the products obtained using a given method will significantly exceed the commercial product value in terms of plant health and environmental protection.

Integrated production (IP) is a system which includes product descriptions, and compliance with those descriptions is verified by an independent control authority. In the IP system the product is obtained in accordance with the rules laid down in the Act on plant protection of 18 December 2003 (Dz.U. of 2004, No 11, item 94, as amended) and in the Ordinance of the Minister of Agriculture and Rural Development of 26 July 2004 on integrated production (Dz.U. of 2004, No 178, item 1834, as amended). Production under IP system is carried out on the basis of detailed methodologies (approved by the Chief Plant Health and Seed Inspector) which specifically determine the method of crop production. Compliance of the crop farming method with the IP methodologies and the applicable law provisions in this respect is verified by means of checks which include:

- the control of the IP notebook covering all producers;
- On-the-spot check during plant growth;
- Check on the quality of produce.

The State Plant Health and Seed Inspection is a body which controls and supervises production and issues IP certificates to attest the product quality. IP certificate attests that product has been obtained in accordance with the IP rules.

Integrated production (IP) is a system open for all producers and their participation is voluntary. In order to participate in the system, a producer has to apply to the State Plant Health and Seed Inspection, undergo controls and observe the principles which are to ensure the production of high quality food.

Integrated production (IP) is a transparent system and ensures full traceability of the products obtained under the system. One of the basic principles of the

Integrated Production system consists in the traceability of the place of origin of a product. The objective has been achieved using appropriate producer registration. Upon the first declaration to participate in the IP system a producer is registered under a unique number which is confirmed with a relevant certificate. The registration numbers are granted in accordance with the so called NUTS codes associated with the administrative country division so as to enable quick identification of the producer. Products bearing an IP registered mark also bear the IP certificate number which includes the producer Number.

Integrated production (IP) is a production system which corresponds to the expected economic situation on the market. It is one of the answers to the growing requirements of consumers who expect the agricultural products placed on the market to meet severe criteria. Consumers turn their back on the anonymous food products which are not controlled and may contain harmful residues, and market operators demand more and more often from the food producers to provide a certificate that the products are of good quality and do not pose a threat for the health of customers.

Other national food quality schemes.

If under this Measure other national food quality schemes will be supported, they will have to meet all the criteria presented below and laid down in Commission Regulation 1974/2006 of 15 December 2006 *laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)*.

1. Specificity of the final product obtained under such schemes is associated with detailed obligations bound to the farming methodologies so as to guarantee: special features, including the production process, or the final product quality which is considerably higher than trading quality in respect of public health, animal and plant health, animal welfare and environmental protection.
2. The schemes include applicable product specifications, and compliance with these specifications is reviewed by an independent control body.
3. The schemes are open for all the producers.
4. The schemes are transparent and ensure full traceability of products.
5. The schemes respond to the current or expected market opportunities.

List of products eligible for aid under the quality scheme selected under the Measure "Participation of farmers in food quality schemes"

1. Aid under the described Measure may be granted only to the producers of the products:

- a) whose names have been registered as "Protected Designation of Origin" (PDO) or "Protected Geographical Indication" (PGI) within the meaning of Council Regulation (EEC) No 510/2006 of 20 March 2006 *on the protection of geographical indications and designations of origin for agricultural products and foodstuffs*, or
- b) which have been registered as Guaranteed Traditional Speciality (GTS) within the meaning of the Council Regulation (EC) No 509/2006 of 20 March 2006 *on agricultural products and foodstuffs as traditional specialties guaranteed*, or

are agricultural products listed in Annex 1 to Treaty establishing the European Community and are intended for human consumption.

At present, at national level, the following applications for registration in the Community system of food quality, meeting the requirements of the above measure are either being examined or have already been accepted and sent to the European Commission:

- **as Protected Designation of Origin:** bryndza podhalańska (Commission Regulation (EC) no. 642/2007) oscypek (published in the Official Journal of the European Union pursuant to Article 6 (2) of Council Regulation (EEC) No 510/2006), redykołka, podkarpacki miód spadziowy, wiśnia nadwiślanka, karp zatorski, miód drahimski (applications submitted to the European Commission), lipiec białowieski, „miód z Sejneńszczyzny” or „miód z Łódzkiej”, śliwka szydlowska, fasola wrzawska (applications processed at the national level);
- **as Protected Geographical Indication:** miód wrzosowy z Borów Dolnośląskich, kiełbasa lisecka, wielkopolski ser smażony, „truskawka kaszubska” or "kaszëbskô malëna", suska sechłońska, miód kurpiowski, fasola korczyńska, jabłka łąckie (applications submitted to the Commission), ;
- **as Traditional Specialty Guaranteed:** staropolski miód pitny czwórniak, staropolski miód pitny trójniak, staropolski miód pitny dwójniak, staropolski miód pitny półtorak, olej rydzowy, kiełbasa myśliwska, kabanosy, kiełbasa jałowcowa (applications submitted to EC).

The list has not been closed yet. Aid under the measure will be accessible to agricultural producers who manufacture other products to be registered as Protected Designation of Origin, Protected Geographical Indication or Traditional Specialty Guaranteed.

2. Organic farming products, both plant and animal, manufactured in accordance with the provisions of Council Regulation (EEC) No 2092/91 of 24 June 1991 *on organic production of agricultural products and indications referring thereto*

on agricultural products and foodstuffs and preserves and products manufactured or obtained from the abovementioned products.

3. Products of integrated production (IP) within the meaning of the Act on plant protection of 18 December 2003 (Dz. U. of 2004 no 11, item 94, as amended) which include only unprocessed products of plant origin for which integrated production methodologies were developed and approved. Twenty methodologies were developed to include the following products: gooseberry, American blueberry, peach and apricot, red beet, onions, pears, apples, cauliflower, common cabbage, raspberry, carrot, field-grown cucumber, hotbed cucumber, pepper, hotbed tomatoes, black and red currant, hotbed lettuce, plums, strawberries, sour cherries and potatoes.

Indication of the official authorities responsible for the supervision of the functioning of the quality scheme and description of the organisational arrangements for the supervision

a) System of protected designations of origin, protected geographical indications and traditional specialties guaranteed

Minister of Agriculture and Rural Development

The Minister of Agriculture and Rural Development is responsible for acceptance, evaluation and submission to the Commission of the applications for registration, applications for the change of specification and acceptance and examination of reservations and objections to the applications for registration originating from other countries. The special consultative and advisory authority was appointed for the minister – Traditional and Regional Agricultural Products and Foodstuffs Board – for the purposes of technical evaluation of the applications. The task of the Minister of Agriculture and Rural Development is also to authorise certifying bodies, accredited by the Polish Accreditation Center in compliance with the PN-EN 45011:2000 standard to carry out control, issue and withdraw certificates of compliance with the specification. The Chief Inspector of the Agricultural and Food Quality is a body reporting to the Minister of Agriculture and Rural Development.

Chief Inspector of the Agricultural and Food Quality

The Chief Inspector of the Agricultural and Food Quality carries out state supervision of the authorised certifying bodies and may carry out control of compliance with the specification.

Certifying bodies

The certifying bodies are authorised to carry out control, issue and withdraw certificates of compliance with the specification. They must be accredited by the Polish Accreditation Center in compliance with the PN-EN 45011:2000 and authorised by the Minister of Agriculture and Rural Development.

Polish Accreditation Center

The Polish Accreditation Center is the body granting accreditation to certifying bodies in compliance with the programme of accreditation of bodies certifying regional and traditional products with respect to the PN-EN 45011:2000 standard. The Polish Accreditation Center is independent from the Minister of Agriculture and Rural Development.

b) Organic Farming

Minister of Agriculture and Rural Development

The task of the Minister of Agriculture and Rural Development is also to authorise certifying bodies, accredited in the scope of organic farming in compliance with the PN-EN 45011:2000 standard to carry out control, issue and withdraw certificates of compliance for the organic production.

Agricultural and Food Quality Inspection

The Inspection carries out state supervision of the authorised certifying bodies as regards organic farming, carries out border inspection of organic farming products, authorises import of organic farming products from the third countries, accepts the applications of producers who intend to initiate organic production.

Certifying bodies

The certifying bodies, upon accreditation at the PAC and obtaining authorisation of the Minister of Agriculture and Rural Development, carry out control, issue and withdraw certificates of compliance.

Polish Accreditation Center

The Polish Accreditation Center is the body granting accreditation to certifying bodies in compliance with the programme of accreditation of bodies certifying organic products with respect to the PN-EN 45011:2000 standard. The Polish Accreditation Center is independent from the Minister of Agriculture and Rural Development.

c) Integrated production (IP)

Minister of Agriculture and Rural Development

The Minister of Agriculture and Rural Development carries out supervision of the State Plant Health and Seed Inspection.

State Plant Health and Seed Inspection

The State Plant Health and Seed Inspection is responsible for the supervision of the functioning of the Integrated Production system and the certification thereof.

Chief Plant Health and Seed Inspector

The Chief Plant Health and Seed Inspector authorises detailed methodologies of cultivation under integrated production.

Voivodship Plant Health and Seed Inspector

The Voivodship Plant Health and Seed Inspector accepts producers' applications for the IP system via the closest organisational unit of the Inspection and enters the beneficiary into the register. In addition, he/she is authorised to carry out control of Integrated Production and to issue certificates of application of integrated production. He/she carries out control of trainings in IP in the scope of implementation of the programmes of trainings and of issuing the certificates of attending such trainings.

Amount of support according to the type of eligible system

1. System of protected designations of origin, protected geographical indications and traditional specialties guaranteed:
 - PLN 3200 (EUR 819.7)/year for five years.
2. Organic farming – PLN 996 (EUR 255.1) /year for five years.
3. Integrated production – PLN 2,750 (EUR 704.4)/year for five years – in the case of this system, if it is introduced the sum of the costs of implementation thereof and contributions to producer groups, without the costs of external control is refunded up to the amount of PLN 750 (EUR 192.1) per year.

The EUR equivalent is of indicative nature.

The above amounts are the maximum rates of support for an agricultural producer participating in a given system. Agricultural producer receives support on the grounds of costs actually born.

The amount of support does not exceed the equivalent of EUR 3000 per annum per a holding, pursuant to the Annex to the Council Regulation (EC) No 1698/2005 on supporting rural development under European Agriculture Rural Development Fund (EAFRD), which will also be verified.

Justification of fixed costs

Support rates have been estimated on the grounds of fixed costs relating to the producer's participation in respective food quality systems. Support is paid after one year of participation in the system for the period of maximum 5 years. Fixed costs have been estimated on the grounds of costs relating to the functioning within the

framework of a given food quality system. These costs cover annual payments, including contributions for producer groups relating to the participation in the system and costs of controls under respective systems.

Contributions may be paid only to producer groups, which provide the associated entities with appropriate services resulting from the participation in food quality systems. In the case of integrated production, costs relating to the entry into the system are also reimbursed.

Financing

Total cost: EUR 100,000,000

Public expenditure: EUR 100,000,000

Transitional provisions

None

Conformity with the 1st pillar of the Common Agricultural Policy

Support under the Measure Participation of farmers in food quality schemes is separated from aid in the beekeeping sector (Article 2 of the Council Regulation (EC) No 797/2004), from aid for sheep and goat producers (Article 114 (1) and Article 119 of the Regulation (EC) No 1782/2003), from aid to sugar producers (Council Regulation (EC) No 320/2006), specific measures for agriculture in the outermost regions (Title II of the Council Regulation (EEC) No 2019/93, on smaller Aegean islands – Title II of the Council Regulation (EEC) No 2019/93) and aid for beef and veal producers (article 132 of the Regulation (EC) No 1782/2003).

Support under the Measure Participation of farmers in food quality schemes does not coincide as regards the scope of support with support that can be obtained pursuant to the Council Regulation (EC) No 2826/2000 on information and publicity actions for agricultural products on the internal market.

Due to the different scope of support under the Measure Participation of farmers in food quality schemes cannot overlap with this system (Article 42 (5) and Article 69 of the Regulation (EC) No 1782/2003) and with support for tobacco producers (Article 13 (2) (b) of the Council Regulation (EEC) No 2075/92), hops (Article 6 of the Council Regulation (EC) No 1952/2005).

Due to the fact that Poland introduced support for olive oil producers (Article 8 (1) of the Council Regulation (EC) No 865/2004) or wine producers (Title II, Chapter II of the Regulation (EC) No 1493/1999), such support cannot overlap with support under this Measure.

Appropriate procedures to avoid overlapping of support under the Measure Participation of farmers in food quality schemes with the scope of measures of the operational fund referred to in the Council Regulation No 2200/96 of 28 October

1996 on the common organization of the market in fruit and vegetables (OJ EU L 96, p. 55 of 21.01.1996) have been introduced. Poland will apply the exception referred to in Article 5 (6) of Council Regulation (EC) No 1698/2005 as regards the fruit and vegetable sector. Introduction of such exception pursuant to the provisions of Article 5 (6) of Council Regulation No 1698/2005 as regards fruit and vegetables and type of support results from the need to provide for non-discrimination of RDP 2007-2013 beneficiaries.

In order to avoid double funding checks are carried out at the level of Paying Agency before payment of the funds under this Measure. If any of the costs, on the basis of which the amounts of support had been estimated under the respective systems, was financed under the operational fund, the producer cannot obtain support under this Measure. The deadlines of applications submission will be set in a way for agricultural producers to submit applications under the Measure Participation of farmers in food quality schemes, when the expenditure from the operational fund for the previous year of the activity of producer organisations had already been settled.

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Output	Number of supported holdings covered by quality systems	69,000
Result	Value of agricultural production with recognised quality symbol or standard	250% of the value from year 2008 ⁶²
Impact	Economic growth	Increase by 50.1% (including 0.41% from RDP)
	Labour productivity	Increase by 47.8% (including 0.49% from RDP) target value: 22 270 EUR/person

⁶² Estimated value. It depends to a large extent on the registration rate of products names as protected designation of origin, protected geographical indication or traditional specialty guaranteed. The level of this indicator is higher than the estimated increase of the agricultural production value with the recognised quality symbol or standard because it takes into account the increase of prices of products participating in these systems.

Additional indicators and quantified target values specific for the Programme

Type of indicator	Indicator	Target value 2007-2013
Output	Number of projects	74,900
Result	Percentage increase of the level of production of products participating in the quality system	100% ⁶³

⁶³Estimated value for the end of the programming period. Its achievement largely depends on the pace of registration of product names as Protected Designation of Origin, Protected Geographical Indication and traditional specialties guaranteed.

Title of the measure

Information and publicity

Measure code

133.

Legal basis

Article 33 of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277/1 of 21 October 2005).

Article 23 and point 5.3.1.3.3 of Annex II to Commission Regulation (EC) No 1974/2006 of 15 December 2006, laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 368/15 of 23 December 2006).

Objective of the measure

The Measure is intended to:

- increase demand for agricultural products and foodstuffs covered by food quality schemes;
- deepen the consumers' knowledge of the advantages of products covered by food quality schemes;
- deepen the consumers' knowledge of the food quality schemes;
- support producer groups of entities actively participating in the food quality schemes;

Justification

Currently, poor knowledge of the existing Community and national production and control schemes for high quality products is observed both among the consumers and the producers. As a result there is low demand for and supply of these products. Publicity and information activities will allow to turn up the consumers' attention to the specific features of the high quality products. Reaching and informing the consumer aims to increase the demand for these products. This should facilitate product sale on the one hand, and encourage producers to undertake high quality food production on the other. An increased demand may have a positive impact on the producers' activation and increased employment in the rural areas.

Scope

Information and publicity activities may be carried out across the whole Community market by the producer groups, which originate from Poland. The measure is

implemented on the basis of reimbursement of a part of eligible costs to the producer groups which carry out information and publicity activities. Only publicity and information projects implemented on the internal market are eligible for support.

Form of Aid

Producer groups may be reimbursed up to 70% of eligible costs actually incurred for implementation of information and publicity activities.

Definition of Beneficiary

Producer groups. To be eligible for aid a producer group have to:

- include entities which actively participate in the food quality schemes in respect of specific products or production method and may produce documents which confirm that the producer group or natural persons, legal persons or organizational units without a status of legal person gathered in the producer group manufacture or produce on the territory of the Republic of Poland products which are concerned by the Measure;
- originate from the Republic of Poland and act pursuant to an appropriate agreement or any other relevant document establishing its structure, objective and method of operation.

Professional and interprofessional organisations, which represent one or more sectors, are not deemed to be producer groups.

List of the schemes eligible for aid under the quality scheme selected under Measure "Information and Publicity Activities"

1. Community schemes:

- a) System of geographical indications and designations of origin within the meaning of the Council Regulation (EC) No 510/2006 of 20 March 2006 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs;
- b) System of traditional specialities guaranteed within the meaning of the Council Regulation (EEC) No 509/2006 of 20 March 2006 on agricultural products and foodstuffs as traditional specialities guaranteed;
- c) organic farming products within the meaning of the Council Regulation (EEC) No 2092/91 of 24 June 1991 on organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs.

2. National schemes:

- a) Integrated production (IP) within the meaning of the Act on plant protection of 18 December 2003 (Dz. U. of 2004 No 11, item 94, as amended);
- b) Other national food quality schemes.

Justification for the aid for the Integrated Production scheme

The integrated production system meets all criteria imposed on food quality schemes adopted by the Member States and laid down in the Commission Regulation 1974/2006 (EC) No 1974/2006 of 15 December 2006 laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).

Integrated production (IP) is a developing pro-environmental management system, which takes into account the most recent achievements of science and agricultural technology, under which food is produced. Under the scheme high quality fruit, vegetable and agricultural crops are produced. The specificity of farming consists in appropriately selected crop rotation, rational fertilization based on the actual nutrient requirement of plants. As opposed to the conventional farming the use of chemical plant protection products is limited to the products which are safe for natural environment, including useful plants and animals. It is prohibited to use the products which are toxic or highly toxic for people. Plant protection products are applied only when other methods of reducing the occurrence of agrophages prove to be insufficient and in the smallest possible doses when the agrophage exceeds the infestation threshold or on the basis of signalling. The integrated production system is a system which contains detailed obligations concerning the farming methods which are laid down in the (IP) methodologies and guarantee that the products obtained using a given method will significantly exceed the commercial product value in terms of plant health and environmental protection.

Integrated production (IP) is a system which includes product descriptions, and compliance with those descriptions is verified by an independent control authority. In the IP system the product is obtained in accordance with the rules laid down in the Act on plant protection of 18 December 2003 (Dz.U. of 2004, No 11, item 94, as amended) and in the Ordinance of the Minister of Agriculture and Rural Development of 26 July 2004 on integrated production (Dz.U. of 2004, No 178, item 1834, as amended). Production under IP system is carried out on the basis of detailed methodologies (approved by the Chief Plant Health and Seed Inspector) which specifically determine the method of crop production. Compliance of the crop farming method with the IP methodologies and the applicable law provisions in this respect is verified by means of checks which include:

- Check of the IP Notebook covering all producers;
- On-the-spot check during plant growth;
- Check on the quality of produce.

The State Plant Health and Seed Inspection is a body which controls and supervises production and issues IP certificates to attest the product quality. The IP certificate attests that product has been obtained in accordance with the IP rules.

Integrated Production (IP) is a system open for all producers and their participation is voluntary. The potential participant must declare his/her willingness to the State Plant Health and Seed Inspection, submit to the checks and observe the rules which are to ensure production of high quality food.

Integrated production (IP) is a transparent system and ensures full traceability of the products obtained under this system. One of the basic rules of Integrated Production consist in the traceability of the place of origin of a product. This objective has been achieved using appropriate producer registration. Upon the first declaration to participate in the IP system a producer is registered under a unique number which is confirmed with a relevant certificate. The registration numbers are granted in accordance with so called NUTS codes associated with the administrative country division so as to enable a quick identification of the producer. Products bearing an IP registered mark also bear the IP certificate number which includes the producer Number.

Integrated production (IP) is a production system which corresponds to the expected economic situation on the market. It is one of the answers to the growing requirements of the consumers who expect the agricultural products place don the market to meet severe criteria. The consumers turn their back on the anonymous food products which are not controlled and may contain harmful residues, and the market operators demand more and more often from the food producers to provide a certificate that the products are of good quality and do not pose a threat for the health of customers.

Other national food quality schemes

If other national food quality schemes are supported under this Measure, they will have to meet all criteria listed below.

The food quality schemes recognized by the Member States meet the following criteria:

- Specificity of the final product obtained under such schemes is associated with detailed obligations bound to the farming methodologies so as to guarantee: Special features, including production process, or the final product quality which is considerably higher than trading quality in respect of public health, animal and plant health, animal welfare and environmental protection;
- The schemes include applicable product specifications, and compliance with these specifications is reviewed by an independent control body;
- The schemes are open for all the producers;

- The schemes are transparent and ensure full traceability of products;
- The schemes respond to the current or expected market opportunities.

List of products eligible for aid under the particular quality schemes selected under the Measure "Information and Publicity Activities"

1. Aid under the described Measure may be granted only to the producers of the products:
 - a) whose names have been registered as "Protected Designation of Origin" (PDO) or "Protected Geographical Indication" (PGI) within the meaning of Council Regulation (EEC) No 510/2006 of 20 March 2006 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, or
 - b) which have been registered as "Guaranteed Traditional Speciality" (GTS) within the meaning of the Council Regulation (EC) No 509/2006 of 20 March 2006 on agricultural products and foodstuffs as traditional specialities guaranteed.

List of products eligible for aid coincides with the list of products which may be registered under particular schemes.

A present, at the national level, the following applications for registration in the Community system of food quality, concerning products meeting the above mentioned requirements are either being examined or have already been accepted and sent to the European Commission:

- **as Protected Designation of Origin:** bryndza podhalańska (Commission Regulation (EC) No 642/2007), oscypek (published in the Official Journal of the European Union pursuant to Article 6 (2) of Council Regulation (EEC) No 510/2006), redykołka, podkarpacki miód spadziowy, wiśnia nadwiślanka, karp zatorski, miód drahimski (applications submitted to the European Commission), lipiec białowieski, „miód z Sejneńszczyzny” or „miód z Łódzkiej”, śliwka szydlowska, fasola wrzawska (applications examined on the national level);
- **as Protected Geographical Indication:** miód wrzosowy z Borów Dolnośląskich, kiełbasa lisecka, andruty kaliskie, wielkopolski ser smażony, rogal świętomarciński, „truskawka kaszubska” or "kaszëbskô malëna", suska sechłońska, miód kurpiowski, fasola korczyńska, jabłka łąckie (applications submitted to the European Commission), obwarzanek krakowski (applications examined on the national level);
- **as Traditional Specialty Guaranteed:** staropolski miód pitny czwórniak, staropolski miód pitny trójniak, staropolski miód pitny dwójniak, staropolski miód pitny półtorak, olej rydzowy, kiełbasa myśliwska, kabanosy,

kielbasa jałowcowa, pierekaczewnik (applications submitted to the European Commission).

The list has not been closed yet. Aid under the measure will be accessible to agricultural producers who produce other products which will be registered as Protected Designation of Origin, Protected Geographical Indication or Traditional Specialty Guaranteed.

2. Organic farming products, plant and animal, manufactured in accordance the provisions of Council Regulation (EEC) No 2092/91 of 24 June 1991 on organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs and preserves and products manufactured or obtained from the abovementioned products.
3. Products of integrated production (IP) within the meaning of the Act on plant protection of 18 December 2003 (Dz. U. of 2004 No 11, item 94, as amended) which include only unprocessed products of plant origin for which integrated production methodologies were developed and approved. So far, twenty one methodologies were developed (they cover the following products: gooseberry, American blueberry, peach and apricot, red beet, onions, pears, apples, cauliflower, common cabbage, raspberry, carrot, field-grown cucumber, hotbed cucumber, pepper, hotbed tomatoes, black and red currant, hotbed lettuce, plums, strawberries, sour cherries and potatoes).

Cohesion with the first pillar of CAP. Administrative criteria and principles intended to ensure that the operations for which aid for development of rural areas is granted on exceptional basis under the support mechanisms specified in Annex I to the Council Regulation (WE) No 1974/2006 and under the support schemes established by the Regulation (EC) 2826/2000.

In order to ensure that the publicity and information activities covered by refund under this Measure are not additionally funded under the Measure "Support of promotional and informational measures on the markets in agricultural products" or by aid granted for the market of fruit and vegetables, and the professional and interprofessional organisations representing one or more sectors are not deemed to be "producer groups", the following solutions have been provided for:

- a) in accordance with Regulation (EC) 2826/2000 the publicity measure and this information and publicity activities are administered and implemented by one public body so that control is easier and more efficient;
- b) the beneficiaries who receive aid under Regulation (EC) 2826/2000 cannot apply for aid to support information and publicity activities under RDP;
- c) the groups, which apply for aid, have to produce a relevant agreement or other document which determines their structure, objective and method of

operation. Thus, the professional and interprofessional organizations which represent one or more sectors cannot be recognised as producer groups;

- d) where a contractor appointed to implement specific activity under RDP (such as advertising company, publisher etc.) is commissioned to carry out similar operations at the same time (such as organization of stand at the same fair) by the beneficiaries of aid under Regulation (EC) 2826/2000, the accounting evidence related to financing of such operation are subject to control in order to avoid double funding. In the light of risk analysis the technical (on-the-spot checks) are also more frequent.
- e) appropriate procedures are applied to avoid coincidence of aid under the Measure "Information and publicity" with the scope of operational fund referred to in the Council Regulation (EC) No 2200/96 of 28 October 1996 on the common organization of the market in fruit and vegetables (O.J. L 96, p. 55 of 21.1.96).

In order to avoid double funding checks are carried out at the level of Paying Agency and Implementing Agency in order to eliminate funding of the same operations from two sources.

Poland will apply the exception referred to in Article 5 (6) of Council Regulation (EC) No 1698/2005 as regards fruit and vegetable sector.

Introduction of such exception pursuant to the provisions of Article 5 (6) of Council Regulation No 1698/2005 as regards fruit and vegetables and type of support results from the need to provide for non-discrimination of RDP 2007-2013 beneficiaries.

Ex-ante supervision procedure for the information, publicity and advertising materials

In order to check conformity of all information, publicity and advertising materials with the EU and Polish regulations such materials have to be submitted by the beneficiary for approval. The materials designed by the producer group have to comply with these regulations. Compliance is checked before the production of a given material is commenced. Materials which have not been approved are not covered by aid. Information, publicity and advertising materials are subject to ex-ante control in cooperation with the Managing and the Implementing Authority.

Description of the types of eligible activities

Information and publicity activities which are eligible for aid must concern products participating in the food quality schemes.

Under the implemented activity a group of producers should inform on the particular features or properties of products. In particular, emphasis should be placed on the features or properties which have given grounds for registration as Protected Designation of Origin (PDO), Protected Geographical Indication (PGI) or Traditional Specialty Guaranteed (TSG). In the case of organic farming and integrated production products it should be stressed that these products have been obtained using such environment friendly methods.

Under the Measure organization of and participation in the fairs and exhibitions is permitted. Under the Measure various publicity campaigns may be launched and products may be advertised as well as information on the features and properties may be disseminated through selected channels which allow to reach the consumer. The activities may be addressed both to specific target groups and to general consumers. However, only information, publicity and advertising activities carried out on the internal market are eligible for aid.

The most important message of these activities should be rather the quality of the products participating in the food quality schemes than their origin. The origin may be the main and overriding reason for the information and publicity campaigns only in the case of products covered by the EU system of Protected Designation of Origin (PDO), Protected Geographical Indication (PGI).

Amount of Aid

70% of actually incurred eligible costs approved for information and publicity activities.

Financing

Total cost: EUR 42,857,143

Public expenditure: EUR 30,000,000

Transitional provisions

None

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Output	Number of projects	1,350
Result	Value of agricultural production with recognised quality symbol or standard	250% of the value from 2008 ⁶⁴
Impact	Economic growth	Increase by 50.1% (including 0.41% from RDP)
	Labour productivity	Increase by 47.8% (including 0.49% from RDP) Target value: EUR 22,270 per person

Additional indicators and quantified target values specific for the Programme

Type of indicator	Indicator	Target value 2007-2013
Output	Number of supported producer groups covered with quality schemes	370 ⁶⁵
Result	Number of publicity campaigns	400 ⁶⁶ throughout the whole 2008-2015 period
	Number of publicity campaigns addressees	20,000,000 ⁶⁷

⁶⁴ Estimated value for the end of the programming period. Its achievement largely depends on the pace of registration of product names as Protected Designation of Origin, Protected Geographical Indication and traditional specialties guaranteed.

⁶⁵ Estimated value for the end of the programming period. Its achievement largely depends on the pace of registration of product names as Protected Designation of Origin, Protected Geographical Indication and traditional specialties guaranteed.

⁶⁶ Estimated value for the end of the programming period. Its achievement largely depends on the pace of registration of product names as Protected Designation of Origin, Protected Geographical Indication and traditional specialties guaranteed.

⁶⁷ Number of addresses of the publicity campaigns has been estimated on the assumption that the cost necessary to reach one addressee is EUR 1.5.

Title of the measure

Agricultural producer groups

Measure code

142.

Legal basis

Article 20 (d) (ii) and Article 35 of the Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277/1 of 21 October 2005).

Article 25, point 5.3.1.4.2 of the Annex II and Annex III to the Commission Regulation (EC) No 1974/2006 of 15 December 2006, laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 368/15 of 23 December 2006).

Objective of the measure

Strengthening of the institutional structure in the primary production to support the agricultural producers through encouraging for establishment of agricultural producer groups and cooperation.

Particularly, the objective consists in the adjustment of production in holdings carried out by agricultural producer groups' members to the market needs, joint marketing of products, including preparation for sale, centralisation of sales and deliveries to the wholesalers.

The measure will also foster establishment of the common principles concerning information on the products.

Scope of the measure

Flat-rate aid is granted to agricultural producer groups in the first 5 years of their functioning in order to facilitate the establishment and administrative activity. The group may benefit only once within the period of its activity.

Justification

Polish agricultural producers take up joint activities on the market to a limited extent. Strong individual approach of the agricultural producers, followed by large fragmentation of agricultural holdings, limits their competitiveness. Therefore the continuation of the Measure initiated in the previous programming period is also necessary in 2007-2013. In particular the adjustment to the market requirements of the production carried out in the holdings of members of agricultural producer groups; common marketing of products including preparation for sale, its centralization and delivery to wholesale recipients constitute the main benefits.

Form and amount aid

The support shall take the form of annual payments within the period of the first 5 years from the date of entering the group in the agricultural producers group register carried out by a voivodship marshal competent for the group's seat.

It shall constitute a flat rate being a percentage of the net revenue value of the group from the sale of products or groups of products which have been produced in the agricultural holdings of the group members in particular years:

- 1) 5%, 5%, 4%, 3% and 2% of the value of production sold, being PLN equivalent of the amount of up to EUR 1,000,000 in the first, second, third, fourth and fifth year respectively; or
- 2) 2.5%, 2.5%, 2%, 1.5% and 1.5% of the value of the sold production, being PLN equivalent of the amount above EUR 1,000,000 in the first, second, third, fourth and fifth year respectively.

The aid amount for the agricultural producer group will not exceed PLN equivalent of:

- 1) EUR 100,000 in the first and second year;
- 2) EUR 80,000 in the third year;
- 3) EUR 60,000 in the fourth year;
- 4) EUR 50,000 in the fifth year.

The volume of aid does not exceed the amount of aid specified in the Annex to Council Regulation (EC) No. 1698/2005 on support for rural development by European Agriculture Rural Development Fund (EAFRD).

Definition of Beneficiary Agricultural producer groups within the meaning of the Act of 15 September 2000 on agricultural producer groups and their associations and amendments to other acts (Dz.U. of 2000, No 88, item. 983 as amended) formally entered into the registry carried out by the marshal competent for the group's seat, in the period covered by RDP 2007-2013.

Description of the procedure for recognising the agricultural producer groups

The agricultural producer group, carrying out activity as an entrepreneur being a legal entity, is entered on its request into the register carried out by the voivodship marshal competent for the group's seat, on the condition that:

- 1) it was established by producers of one agricultural product or a group of products;
- 2) it acts on the basis of the statute or an agreement called the foundation act;

- 3) it consists of members, shareholders or stockholders hereinafter referred to as group members, out of which no one can have more than 20% of votes on the general meeting or the meeting of partners;
- 4) at least half of the documented income of the group originates from the sale of group's products, on account of which it was established, produced in holdings of its members;
- 5) the principles of production that the group's members have to follow are determined, including those relating to quality and quantity of products or groups of products and preparation methods of products for sale.

Sectors concerned

The support under this Measure will cover plant and animal production sectors as well as the special branch of agricultural production. The detailed list of products or product groups covered by financial aid for the support of agricultural producer groups is provided in Annex 10 to the Programme.

With the extension of the list of products or product groups covered by financial aid for the support of agricultural producer groups, Poland will notify the European Commission about the subsequent sectors covered by the support.

Consistency with the CAP 1st pillar

RDP 2007-2013 provides support only to agricultural producer groups registered in accordance with the Act on groups of agricultural producers and their associations and amendments to other acts (Dz.U. of 2000, No 88, item 983, as amended). The Act fails to provide the possibility of registration of groups which can be beneficiaries of financial instruments aimed at the facilitation of establishment and administrative activity of groups under the CAP 1st pillar (e.g. referring to the fruit and vegetables sector).

Geographical scope

The whole country.

Number of beneficiaries

350 agricultural producer groups

Financing

Total cost: EUR 140,000,000

Public expenditure: EUR 140,000,000

Transitional provisions

Commitments regarding the aid granted to producer groups established in the years 2004-2006 under RDP 2004-2006 will be transferred to the RDP 2007-2013

financing, Estimated amount of expenditure for commitments taken in under RDP 2004-2006 amounts to EUR 10 million.

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Output	Number of agricultural producer groups covered by aid	350
	Number of agricultural producer groups covered by aid in the 2004-2006 programming period	100
	Turnover achieved by agricultural producer groups covered by the support in the context of an agricultural product the support relates to (EUR)	2,690,000,000
Result	Number of holdings which entered the market (due to the participation in the producer group)	12,250
Impact	Economic growth	Increase by 50.1% (including 0.41% from RDP)
	Labour productivity	Increase by 47.8% (including 0.49% from RDP) Target value: EUR 22,270 per person

Additional indicators and quantified target values specific for the Programme

Type of indicator	Indicator	Target value 2007-13
Output	Average number of agricultural producer group's members	35

5.3.2. Axis 2: Improvement of the environment and the countryside

Title of the measure

Support of management in mountain areas and in less-favoured areas (LFA)

Measure codes

211, 212.

Legal basis

Article 36 (a) (i) and (ii), Article 37 of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277/1 of 21 October 2005).).

Justification

The implementation of the measure is to prevent depopulation of rural areas classified as mountain and less-favoured areas and losing their agricultural character and resulting social, economic and environmental effects. LFA payments are to constitute compensation for incurred costs and lost income as a result of farming in these areas.

Objectives of the measure

1. To ensure continuation of agricultural land use and thereby contribute to the maintenance of a viability of rural areas.
2. Maintenance of landscape values of rural areas.
3. Maintenance of environmentally friendly sustainable farming.

Description of the Measure

The measure is an instrument of financial aid for farms in the areas where the agricultural production is impeded due to difficult natural conditions. Compensatory allowances for farms in mountain areas and in less-favoured areas are intended to compensate for the existing impediments as compared to agricultural holdings located outside LFAs.

Within the delimitation of mountain and other less-favoured areas the following areas have been distinguished:

- 1) mountain areas - where agricultural production is considerably impeded by difficult climatic conditions and topographical features. Mountain areas include gminas and registered districts where more than half of the agricultural land is situated over 500 m above the sea level;
- 2) lowland areas – where agricultural productivity is impeded by low quality soils, less favourable climatic and water conditions, less favourable topographical

features and demography, with a considerable share of population employed in the agricultural sector;

- 3) areas affected by specific natural handicaps include gminas and surveying districts located in upland areas which according to of the Act on agricultural tax of 15 November 1984 are covered by agricultural tax reductions due to natural handicaps (Dz.U. No 52 item 268 as amended); at least 50% of agricultural land is situated over 350 m above the sea level.

These gminas are characterised by at least two of the following four features:

- 1) average area of agricultural holdings amounts to less than 7.5 hectares;
- 2) the soils are in danger of water erosion;
- 3) the share of agricultural holdings, which seized their agricultural production amounts to more than 25% of all agricultural holdings;
- 4) the share of permanent grasslands amounts to more than 40% in the land use structure.

Mandatory requirements

The minimum mandatory requirements define obligatory standards, in particular of environmental protection, which must be observed when undertaking agricultural activity.

Pursuant to Article 51 (3) of the Council Regulation (EC) No 1698/2005, by the time of transition from the Single Area Payment Scheme to the Single Payment Scheme, minimum mandatory requirements specified in Article 5 of the Council Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers and amending certain regulations (OJ EU L 270 of 21.10.2003, p. 1; OJ EU Polish Special Edition, Chapter 3, Vol. 40, p. 269) are in force.

From the moment of Poland's transition to the Single Payment Scheme (SPS), mandatory requirements mean commitments falling outside the appropriate compulsory standards established according to Articles 4 and 5 and Annexes III and IV of the Council Regulation (EC) No 1782/2003.

Definition of Beneficiary

Aid under this Measure is intended for farmers.

Accessibility criteria

Aid under this measure may be granted provided that:

- 1) the beneficiary is a farmer, independent or dependent holder of an agricultural holding located in the territory of the Republic of Poland and within the LFA;

- 2) agricultural parcels to which support is related are used as arable land, orchards, permanent meadows or pastures;
- 3) the area of agricultural land within a given agricultural holding situated in the LFA and used for farming is at least 1 hectare;
- 4) the beneficiary meets the mandatory requirements in his whole agricultural holding;
- 5) the beneficiary shall undertake to run agricultural activity on the area for which he received LFA financial support and support for activity in mountain areas for at least 5 years from the date of the first payment.

Beneficiaries, who had undertaken to maintain agricultural activity for at least 5 years from the date of the first payment under Rural Development Plan for 2004-2006 will be able to apply for payments under conditions specified in the Rural Development Plan for 2007-2013.

Geographical scope

The Measure is implemented in areas identified as eligible for LFA support – rural gminas and rural parts of urban-rural gminas as well as registered district specified in the Annex 1 to the Programme.

Form and amount of aid

Support has the form of annual flat rate payments (compensatory allowances) per hectare of agricultural land situated in mountain areas and other less-favoured areas and remaining in agricultural use.

The rates of payments for farming in mountain areas and other less-favoured areas are specified separately for different types of LFA.

Indicative budget for 2007-2013 – EUR 2,448,750,000

Rates of payments for respective LFA types

LFA type		Payment PLN (EUR)/ha
Mountain LFA		320 (81.9)
Lowland LFA	lowland zone I	179 (45.9)
	lowland zone II	264 (67.6)
Areas affected by specific natural handicaps		264 (67.6)

The EUR equivalent is of indicative nature.

Payment rates do not exceed the maximum amounts set forth in the Annex to Council Regulation (EC) no. 1698/2005 *on support for rural development by the European Agricultural Fund for Rural Development* (OJ of 21 October 2005). The annual payment provided to beneficiaries is a product of the multiplication of

following multipliers: rate established for a given type of LFA and number of hectares declared in the application, taking account of degressivity.

Degressivity

LFA payments are subject to degressivity depending on the total area of agricultural parcels or parts thereof covered by support. Up to the area of agricultural holdings or parts thereof not exceeding 50 ha, the LFA payment is granted in the amount of 100% of baseline rate, for each subsequent ha between 50 and 100 ha in the amount of 50% of baseline rate. For each subsequent ha between 100 and 300 ha payment is calculated in the amount of 25 % of baseline rate. LFA payment may not be paid to the area of agricultural parcels or parts thereof exceeding 300 ha.

Number of beneficiaries

The estimated number of beneficiaries annually receiving support – 750,000.

Financing

Total cost: EUR 2,448,750,000

Public expenditure: EUR 2,448,750,000

Area

The area of 9,228.29 thousand ha of agricultural land in less favoured areas.

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Output	Number of agricultural holdings supported	750,000
	Area of agricultural land supported under the Measure ⁶⁸	9,128,290 ha
Result	Area under successful land management ⁶⁹	16,811,708 ha
Impact	Reversing biodiversity decline	Decrease by 20% FBI target value: 0.6 (60%)
	Maintenance of high nature value farmland and forestry	RDP target value: 590,000 ha
	Improvement in water quality	Increase by 13% Target value: 55 kg N/ha
	Climate change prevention	Increase from 2.05 to 3.04 Mtoe Target value: From 5.95 to 6.94 Mtoe

⁶⁸ The actual area of agricultural land covered by the aid under this measure, except for the areas lying within the borders of LFA and intended for afforestation and farmers not applying for LFA support.

⁶⁹ Value of the indicator calculated in line with the guidelines of the Common Monitoring and Evaluation Framework at the level of the whole Axis 2.

Programme-specific additional indicators and quantified target values

Type of indicator	Indicator	Target value 2007-2013
Result	Patch Density Index – number of complexes forming the mosaic of agricultural land and forests per area unit in gminas covered by LFA	In 95% of gminas covered by LFA the Patch Density Index will decrease by no more than 5%

Title of the measure

Agri-environmental programme (Agri-environmental payments)

Measure code

214.

Legal basis

Article 36 (a) (iv) and Article 39 of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277/1 of 21 October 2005).

Article 27 and point 5.3.2.1.4 of Annex II to Commission Regulation (EC) No 1974/2006 of 15 December 2006, laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 368/15 of 23 December 2006).

Justification

Implementation of Agri-environmental programme is to contribute to sustainable development of rural areas and to keep biodiversity in these areas. The main aim of the programme is to promote rural production based on methods meeting requirements of protection of the environment and nature.

Objectives

Improvement of natural environment and rural areas, in particular:

- 1) restoring the values or maintenance of the status of valuable natural habitats used for agricultural purposes and retaining biodiversity in rural areas;
- 2) promotion of sustainable management system;
- 3) proper use of soils and water protection;
- 4) protection of endangered local species of farm animals and local crop varieties.

Description of the Measure

The measure includes 9 agri-environmental packages. Within the framework of each package, there are agri-environmental variants, which contain sets of tasks exceeding applicable baseline requirements, and which do not agree with other instruments of Common Agricultural Policy (CAP).

List of available agri-environmental packages

Within the framework of agri-environmental programme the following agri-environmental packages are going to be carried out (Annex 11 to the Programme):

Package 1. Sustainable farming

Package 2. Organic farming

Package 3: Extensive permanent grassland;

Package 4. Protection of endangered bird species and natural habitats outside of Natura 2000 areas

Package 5. Protection of endangered bird species and natural habitats in Natura 2000 areas

Package 6. Preservation of endangered genetic plant resources in agriculture⁷⁰

Package 7. Preservation of endangered animal genetic resources in agriculture⁷¹

Package 8. Protection of soil and water

Package 9. Buffer zones

Mandatory requirements

The *mandatory requirements* define obligatory standards, in particular of environmental protection, which must be observed when undertaking agricultural activity.

Mandatory requirements for the agri-environmental programme cover (pursuant to Article 39 (3) of Council Regulation (EC) No. 1698/2005): minimum standards (Article 5 of Council Regulation (EC) No. 1782/2003), statutory management requirements (SMR) along with relevant national legislation (Annex 11 to the Programme). National legislation contains requirements regarding the application of natural and mineral fertilisers, which are compliant with Directive 91/676/EEC and refer to holdings outside nitrate-vulnerable zones (NVZs). Moreover, basic requirements specified in the national legislation refer to keeping the holdings clean and tidy and protecting habitats.

Mandatory requirements constitute a reference for the calculation of agri-environmental payments.

Pursuant to Article 51 (3) of the Council Regulation (EC) No 1698/2005, until the moment of the adoption of Single Payment Scheme (SPS) in place of Single Area Payment Scheme (SAPS) by Poland, beneficiaries of agri-environmental programme

⁷⁰ Pursuant to Article 39 (5) of Council Regulation 1698/2005 all variants under this package are in line with *insitu* protection.

⁷¹ Pursuant to Article 39 (5) of Council Regulation 1698/2005 all variants under this package are in line with *insitu* protection.

are the subject for control within the scope of *mandatory requirements* defined in Article 5 of the Council Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers and amending some regulations (OJ L 270 of 21 October 2003, p. 1, OJ Polish special edition, Chapter 3, vol. 40, p. 269).

From the moment of the adaptation of Single Payment Scheme (SPS) by Poland, beneficiaries of the agri-environmental programme are subject to controls regarding mandatory requirements set forth in Article 39 (3) of Council Regulation (EC) No 1698/2005.

The agri-environmental payment cannot be granted for mere observance of requirements resulting from the "polluter pays" principle. Thus, requirements resulting from action plans based on the Nitrate Directive cannot be financed under the agri-environmental programme. Depending on requirements specified in respective programmes, if they are compliant with the requirements of the Agri-environmental programme, this may refer to packages: sustainable farming, protection of soil and water resources, buffer zones.

Form and amount of aid

Agri-environmental payment is paid as a lump sum, and is a compensation of the income foregone, additional costs incurred and transaction costs. Agri-environmental payments are granted to the farmers who accept agri-environmental obligations voluntarily. Mandatory requirements are not covered in the agri-environmental payment.

The payment is a multi-annual aid, it is paid annually, following the fulfilment of the specified sets of requirements under a given variant. Agri-environmental payments are determined as per one ha of land, livestock unit or running meter of linear element. Caps on payments apply to area, depending on the crops, which means that aid cannot exceed maximum quota set in the annex to Council Regulation (EC) 1698/2005.

Agri-environmental payment is granted for agricultural land used as arable land, meadows, pastures and orchards (only in the case of the package Organic farming and the package Preservation of endangered genetic plant resources in agriculture).

Transaction costs are taken into account in the implementation of Package 4. Protection of endangered bird species and natural habitats outside of Natura 2000 areas and Package 5. Protection of endangered bird species and natural habitats in Natura 2000 areas in the form of elaborating flora and fauna documentation. Elaboration of the flora and fauna documentation is a prerequisite for obtaining agri-environmental payments.

Within the framework of each agri-environmental package possibilities of agri-environmental variants were developed; they are presented in the tablet below together with the amount of payment:

No	Packages	No	Agri-environmental variants	Volume of payment [PLN (EUR)]
1.	Sustainable farming	1.	Variant 1.1 Sustainable management system	360 PLN/ha (92.2 EUR/ha)
2.	Organic Farming	2.	Variant 2.1 Agricultural cultivation (with conformity certificate)	790 PLN/ha (202.4 EUR/ha)
		3.	Variant 2.2 Agricultural cultivation (in transition)	840 PLN/ha (215.2 EUR/ha)
		4.	Variant 2.3: Extensive permanent grassland (with conformity certificate)	260 PLN/ha (66.6 EUR/ha)
		5.	Variant 2.4: Extensive permanent grassland (in transition)	330 PLN/ha (84.5 EUR/ha)
		6.	Variant 2.5 Vegetable cultivation (with conformity certificate)	1300 PLN/ha (333 EUR/ha)
		7.	Variant 2.6 Vegetable cultivation (in transition)	1550 PLN/ha (397 EUR/ha)
		8.	Variant 2.7. Herbs cultivation (with conformity certificate);	1050 PLN/ha (269 EUR/ha)
		9.	Variant 2.8 Herbs cultivation (in transition)	1150 PLN/ha (294.6 EUR/ha)
		10.	Variant 2.9. Horticultural and berry cultivation (with conformity certificate)	1540 PLN/ha (394.5 EUR/ha).
		11.	Variant 2.10. Horticultural and berry cultivation (in transition period)	1800 PLN/ha (461.1 EUR/ha).
		12.	Variant 2.11. Other horticultural and berry cultivation (with conformity certificate)	650 PLN/ha (166.5 EUR/ha)
		13.	Variant 2.12. Other horticultural and berry cultivation (in transition period)	800 PLN/ha (204.9 EUR/ha)
		3.	Extensive permanent grassland	14.
4.	Protection of endangered bird species and natural habitats outside of Natura 2000 areas	15.	Variant 4.1. Protection of bird breeding habitats	1 200 PLN/ha (307.4 EUR/ha).
			Variant 4.2. Small sedge-moss communities	1 200 PLN/ha (307.4 EUR/ha).
			Variant 4.3. Tall sedge swamps	800PLN/ha (204.9 EUR/ha)
			Variant 4.4. Litter meadows Molinion and Cnidion	1 200 PLN/ha (307.4 EUR/ha).
			Variant 4.5. Xerothermic grass	1 200 PLN/ha (307.4 EUR/ha).
			Variant 4.6. Semi-natural wet meadows	800 PLN/ha (204.9 EUR/ha)
			Variant 4.7. – Semi-natural mesic meadows	800 PLN/ha (204.9 EUR/ha)
			Variant 4.8. Species-rich Nardion grasslands	800 PLN/ha (204.9 EUR/ha)
			Variant 4.9. Salt marshes	1 190 PLN/ha (304.8 EUR/ha).
			Variant 4.10. Natural lands	550 PLN/ha

				(140.9 EUR/ha)
5.	Protection of endangered bird species and natural habitats in Natura 2000 areas	16.	Variant 5.1. Protection of bird breeding habitats	1 370 PLN/ha (350.9 EUR/ha).
		17.	Variant 5.2. Small sedge-moss communities	1 390 PLN/ha (356.1 EUR/ha).
		18.	Variant 5.3. Tall sedge swamps	910 PLN/ha (233.1 EUR/ha)
		19.	Variant 5.4. Litter meadows Molinion and Cnidion	1 390 PLN/ha (356.1 EUR/ha).
		20.	Variant 5.5. Xerothermic grass	1 380 PLN/ha (353.5 EUR/ha).
		21.	Variant 5.6. Semi-natural wet meadows	840 PLN/ha (215.2 EUR/ha)
		22.	Variant 5.7. – Semi-natural mesic meadows	840 PLN/ha (215.2 EUR/ha)
		23.	Variant 5.8. Species-rich Nardion grasslands	870 PLN/ha (222.8 EUR/ha)
		24.	Variant 5.9. Salt marshes	1 190 PLN/ha (304.8 EUR/ha).
		25.	Variant 5.10. Natural lands	550 PLN/ha (140.9 EUR/ha)
6.	Preservation of endangered genetic plant resources in agriculture	26.	Variant 6.1. Local crop varieties commercial production	570 PLN/ha (146 EUR/ha)
		27.	Variant 6.2. Seed production of local crop varieties	800 PLN/ha (204.9 EUR/ha)
		28.	Variant 6.3. Seed production at the request of gene bank	4700 PLN/ha (1204 EUR/ha).
		29.	Variant 6.4. Traditional orchards	2100 PLN/ha (537.9 EUR/ha).
7.	Preservation of endangered animal genetic resources in agriculture	30.	Variant 7.1. Preservation of local cattle breeds	1140 PLN/unit. (292 EUR/unit.).
		31.	Variant 7.2. Preservation of local horse breeds	1500 PLN/unit. (384.2 EUR/unit).
		33.	Variant 7.3. Preservation of local sheep breeds	320 PLN/unit. (82 EUR/unit.)
		34.	Variant 7.4. Preservation of local pig breeds	570 PLN/unit. (146 EUR/unit.)
8.	Soil and water protection	35.	Variant 8.1. Undersown catch crop	330 PLN/ha (84.5 EUR/ha)
		36.	Variant 8.2. Winter catch crop	420 PLN/ha (107.6 EUR/ha)
		37.	Variant 8.3. Stubble catch crop	400 PLN/ha (102.5 EUR/ha)
9.	Buffer zones	38.	Variant 9.1. Maintenance of 2-metre buffer zones	44 PLN /100 rm (11.3 EUR/100 rm)
		39.	Variant 9.2. Maintenance of 2-metre buffer zones	110 PLN/100 rm (28.2 EUR/100rm)
		40.	Variant 9.3. Maintenance of 2-metre field baulks	40 PLN /100 mb (10.2 EUR/100rm)
		41.	Variant 9.4. Maintenance of 2-metre field baulks	100 PLN/100 rm (25.6 EUR/100rm)

Methodological principles for agri-environmental calculations under the agri-environmental programme

Indicators characterizing average economic results of holdings adopted as referential level for agri-environmental payments calculations under agri-environmental programme were worked out on the basis of CSO data of 2001, 2002 and 2003 and of the data characteristic for income and costs from this period. The source of the data were, apart from this, the studies of Institute of Agricultural and Food Economics of National Research Institute derived from its own long-term research conducted on a representative sample of agricultural holdings in Poland.

The data concerning Standard Gross Margin coefficient in 2002 (SGM) are the last data calculated in conformity with the data calculation applied in the EU. Therefore they were suggested for the calculations.

On the basis of the above data, the following was defined:

- lost income;
- additional costs connected to expenditures for agro-technical activities concerning the protection of the environment
- additional costs relating to specific factors resulting from package description;
- savings (for the implementation of specific package in agri-environmental programme).

Loss (i.e. lost income) resulting from:

- production extension, caused by limitation of expenditure for means of production (fertilizers, plant protection products);
- resignation from grasses reseeding and from cultivation measures limiting;
- reduction in animal stocking.

In payment calculation the double calculation of payment for the same practices was eliminated.

The planned number of local species of farm animals in agri-environmental programme for 2007-2013 and financial projection of the costs of implementation

Species / Breed / Variety	National population size		Total budget for 2007-2013
	2005 ⁷²	2013 ⁷³	
TOTAL	11,232	65,950	192,082,800
Bovine	810	10,350	48,196,500
Polish red cattle	735	4,000	18,860,000
Polish white-backed cattle	75	350	1,736,500
Polish red-and-white cattle	-*	3,500	16,905,000
Polish black-and-white cattle	-	2,500	10,695,000
Horses	1,318	10,800	68,625,000
Polish horses	261	1,700	9,525,000

⁷² The current population number is covered by Protection of Genetic Resources Programme

⁷³ The maximum number of females covered by payment under RDP 2007-2013

Species / Breed / Variety	National population size		Total budget for 2007-2013
	2005 ⁷²	2013 ⁷³	
Hucul Horses	506	2,000	12,750,000
Małopolski horses	349	1,200	7,845,000
Slaski horses	202	1,000	6,255,000
Wielkopolski horses	-	900	5,850,000
Sokolski horses	-	2,000	13,200,000
Sztumski horses	-	2,000	13,200,000
Sheep	8,004	40,300	63,775,800
Wrzosowka sheep	1,833	7,000	11,946,000
Swinairka sheep	228	1,200	1,782,000
Olkuska sheep	179	800	1,197,900
Polish mountain sheep -- coloured variety	142	1,000	1,485,000
Polish merino sheep - coloured variety	84	600	841,500
Uhruska sheep	228	5,000	8,778,000
Wielkopolska sheep	1,376	5,000	7,425,000
Zeleznienska sheep	122	600	891,000
Korideli sheep	192	600	983,400
Kamienieska sheep	622	2,000	2,970,000
Pomorska sheep	2,998	6,500	11,253,000
Podhalanska mountain shee	-	5,000	7,095,000
Polish merino sheep - old type	-	5,000	7,128,000
Pigs	1,100	4,500	11,485,500
Pulawska pig	500	1,500	4,816,500
Zlotnicka white pig	350	1,500	3,078,000
Zlotnicka spotted pig	250	1,500	3,591,000

* until 2005 the population was not covered by Protection of Genetic Resources Programme

Degressivity

For packages: sustainable farming, organic farming, extensive permanent grassland, protection of soil and water, degressivity remains applicable, which means that the volume of aid depends on the size of area covered by support.

Area of the implementation and rules of combining of agri-environmental packages

Agri-environmental packages will be implemented by the beneficiary in accordance with the provisions of agri-environmental plan. Any number of packages may be implemented in one agricultural holding, and the payments resulting from the implementation of various packages will be summed up for a given area. A package organic farming and package sustainable farming may not be implemented at the same time in a given agricultural holding. Moreover, a beneficiary of organic farming package may not combine it with soil and water protection package. The remaining agri-environmental packages may be combined in an agricultural holding. The extensive permanent grassland package, protection of endangered bird species and natural habitats outside of Natura 2000 areas package and protection of endangered bird species and natural habitats in Natura 2000 areas package may not be implemented on the same area.

The area of agricultural land, where the agri-environmental programme is implemented, may be extended or limited only provided that the set principles are observed.

Rules for combining agri-environmental packages on the same area:

	Package 1	Package 2	Package 3	Package 4	Package 5	Package 6	Package 7	Package 8	Package 9
Package 1		-	X	X	X	+	+	+	+
Package 2	-		+	+	+	+	+	-	+
Package 3	X	+		-	-	X	+	X	+
Package 4	X	+	-		-	X	+	X	+
Package 5	X	X	-	-		X	+	X	+
Package 6	+	+	X	X	X		+	+	+
Package 7	+	+	+	+	+	+		+	+
Package 8	+	-	X	X	X	+	+		+
Package 9	+	+	+	+	+	+	+	+	

(x) packages may not be combined for they refer to different groups of utilised agricultural areas;

(+) packages may be combined;

(-) packages may not be combined.

Definition of beneficiary

Farmer

Eligibility criteria

Beneficiary may apply for agri-environmental payments under this measure if he/she:

- 1) is a farmer, independent or dependent holder of an agricultural holding located in the territory of the Republic of Poland, with the area of agricultural land of no less than 1 ha;
- 2) commits to implement the agri-environmental programme for 5 years, pursuant to the agri-environmental plan;
- 3) commits to the observance of mandatory requirements in the whole agricultural holding;
- 4) undertakes to observe the requirements associated with the individual agri-environmental packages.

A beneficiary, who intends to implement an agri-environmental programme must file an application for granting the first agri-environmental payment, complete with all required appendices. In subsequent years beneficiary shall submit subsequent applications for granting agri-environmental payments.

Beneficiaries of Measure 4: "Support for agri-environment and animal welfare" under RDP 2004 – 2006 may transform their obligation for a new 5-year obligation under

Measure. Agri-environmental programme under RDP 2007 – 2013, yet no sooner than from 2008, provided that:

- 1) current obligation has been implemented for at least 3 years;
- 2) transformation implies clear benefit for the environment or animal welfare;
- 3) current obligation has been significantly enhanced.

The beneficiary implementing the agri-environmental programme under RDP 2004-2006 within the Natura 2000 areas and receiving on that account the agri-environmental payment increased by 20%, may move to Natura 2000 payments on the condition that management plans are elaborated or other mandatory requirements for farmers are met in the form of management plans or in any equivalent form.

Geographical scope

The whole country.

Number of beneficiaries

The estimated number of beneficiaries in 2007- 2013 is 200 thousand.⁷⁴

Area of support

About 10 % of UAA (1.5 - 1.8 million ha)⁷⁵.

Financing

Budget	Total [Euro]	EU[Euro]	PL[Euro]
Agri-environmental programme	2,303,750,000.00	1,843,000,000.00	460,750,000.00

Transitional provisions

Commitments remaining for financing as regards aid granted to support agri-environmental projects and improve the animal welfare under RDP 2004-2006 will be transferred to the RDP 2007-2013 financing. The estimated amount of expenditure for commitments made under RDP 2004-2006 equals EUR 853,750,000.

⁷⁴ Additionally: number of agricultural holdings located in Natura 2000 areas – 150 thousand beneficiaries

⁷⁵ Additionally: area of agricultural land located in Natura 2000 areas – 370 thousand hectares

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Product	Number of agricultural holdings supported	200,000
	Number of agricultural holdings supported under commitments taken in the 2004-2006 programming period.	69,000
	Total area under agri-environmental support	2,073,000 ha of UAA
	Total area covered by agri-environmental support under commitments taken in the 2004-2006 programming period.	1,000,000 ha of UAA
	Physical area under agri-environmental support	1,500,000 ÷ 1,800,000 ha
	Number of packages implemented by measure beneficiaries	600,000
	Number of decisions issued under Package 6 Preservation of endangered genetic plant resources in agriculture and under Package 7 Preservation of endangered animal genetic resources in agriculture	5,300 (package 7), 28,000 (package 6)
Result	Area under successful land management ⁷⁶	16,811,708 ha
Impact	Reversing biodiversity decline	Decrease by 20% FBI target value: 0,6 (60%)
	Maintenance of high value nature farmland and forestry	RDP target value: 590,000 ha
	Water quality improvement	Increase by 13% target value: 55 kg N/ha
	Contribution to combating climate change	Increase from 2.05 to 3.04 Mtoe target value: from 5.95 to 6.94 Mtoe

⁷⁶ value of the indicator calculated in line with the guidelines of the Common Monitoring and Evaluation Framework at the level of the whole Axis 2

Quantified target values for common monitoring indicators under Package 5. Protection of endangered bird species and natural habitats in Natura 2000 areas

Type of indicator	Indicator	Target value 2007-2013
Product	Number of agricultural holdings supported	150,000
	Agricultural land area	370,000 ha of Permanent grassland

Additional indicators and quantified target values specific for the Programme

Type of indicator	Indicator	Target value 2007-2013
Result	Ratio of High Value Natural areas (package 4 and 5) to permanent grassland area	x/3,387,500 ha of Permanent grassland ⁷⁷
	Farm Bird Index (net)	0.6
	Ratio of number/area of holdings of sustainable management system to number of holdings receiving direct payments	Number ratio 1:200 Area ratio: 1:80
	Ratio of number/area of organic farms to number of holdings receiving direct payments	Number ratio 1:40 Area ratio: 1:20
	Nitrogen ratio on the areas under support	55 kg N/ha
	Green land cover in autumn- winter period as compared to arable land areas in Poland	2x ⁷⁸

Package 1. Sustainable farming

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Product	Number of agricultural holdings supported	6,000
	Total area under support	150,000 ha

Package 2. Organic farming

Quantified target values for common monitoring indicators

⁷⁷ x denotes data from referential year for agri-environmental programmes – 2008.

⁷⁸ x denotes data from referential year for agri-environmental programmes – 2008

Type of indicator	Indicator	Target value 2007-2013
Product	Number of agricultural holdings supported	25,000
	Total area under support	500,000 ha

Package 3: Extensive permanent grassland;

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Product	Total area under support	190,000 ha of Permanent grassland

Package 4. Protection of endangered bird species and natural habitats outside of Natura 2000 areas

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Product	Total area under support	220,000 ha of Permanent grassland

Package 5. Protection of endangered bird species and natural habitats in Natura 2000 areas

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Product	Number of agricultural holdings supported	150,000
	Total area under support	370,000 ha of Permanent grassland

Package 6. Preservation of endangered genetic plant resources in agriculture

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Product	Number of variants implemented in agricultural holdings supported under this package	56,000
	Total area under support	13,000 ha

Package 7. Preservation of endangered animal genetic resources in agriculture

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Product	Number of variants implemented in agricultural holdings supported under this package	10,600
	Volume of population of individual animal species and breeds covered by the protection of genetic resources	65,950 animals

Package 8. Protection of soil and water

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Product	Number of agricultural holdings supported	100,000
	Total area under support	1,000,000 ha

Package 9. Buffer zones

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Product	Number of agricultural holdings supported	200
	Length of buffer zones	650,000 running metres

Title of the Measure

Afforestation of agricultural and non-agricultural land

Measure code

221, 223.

Legal basis

Scheme I – Afforestation of agricultural land

Articles 36 (b) (i) and 43 of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277/1 of 21 October 2005).

Articles 30 and 31 and paragraph 5.3.2.2.1 of Annex II to Commission Regulation (EC) No 1974/2006 of 15 December 2006 laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 368/15 of 23 December 2006).

Scheme II – Afforestation of non-agricultural land

Article 36 (b) (iii) and Article 45 of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277/1 of 21 October 2005).

Article 30 and paragraph 5.3.2.2.3 of Annex II to Commission Regulation (EC) No 1974/2006 of 15 December 2006 laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 368/15 of 23 December 2006).

Justification

The Republic of Poland has a surplus of land with low valuation class that was or is used as agricultural land. Exclusion of such land from cultivation is economically viable due to its low productivity. Afforestation of such land contributes to their economic value and allows for an important improvement of statistical indicators related to the area of forests in the Republic of Poland. Proposed solutions related to the manner of cultivation, its composition and use of the existing self-seedings will have positive impact on biological diversity and condition of the forest plantations that are being established.

Objectives of the Measure

1. Enlargement of forest land through afforestation.

2. Conservation and consolidation of ecological stability of forest areas through reduction of fragmentation of forest complexes and creation of ecological corridors.
3. Increase of the forests participation in the global carbon balance.

Mandatory requirements

The mandatory requirements shall mean obligatory standards, in particular related to environmental protection, to be observed in the case of agricultural activity.

Pursuant to Article 51 (3) of Council Regulation (EC) 1698/2005, until the SAPS – Single Area Payment Scheme is replaced by SPS – Single Payment Scheme in Poland, mandatory requirements to be respected are those provided for in Article 5 of Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers and amending certain Regulations (OJ L 270/1 of 21 October 2003, OJ Polish Special Edition, chapter 3, vol. 40, p. 269).

From the moment of adoption of the Single Payment Scheme, the mandatory requirements shall mean the relevant compulsory standards pursuant to Articles 4 and 5 and Annexes III and IV of Council Regulation (EC) No 1782/2003.

Definition of agricultural land:

Land used as arable land and orchard outside the Natura 2000 areas (Scheme I).

Definition of farmer:

Natural or legal person or a group of natural or legal persons, regardless of the legal status of such group and its members under national law, whose holding is located in the territory of the Community set forth in Article 299 of the EC Treaty, and which undertakes agricultural production.

Rules and criteria for the selection of land for afforestation:

The afforestation needs of Poland, as estimated by the National Programme for the Augmentation of Forest Cover (NPAFC 1995, 2003) approved for implementation by Resolution of the Council of Ministers, specify that the forest cover in Poland is to increase to cover 30% of the country's area by 2020. According to NPAFC, lands of low usefulness for agriculture and susceptible to threats (e.g. erosion, water contamination) are excessively used in Poland. Considering the planned increase in forest cover of the country, it is justified to support the process of afforestation of private and municipal lands, and next to provide proper maintenance of the new plantings at early stages of their development.

The afforestation shall be adjusted to the local habitat and landscape conditions in accordance with the requirements specified in the National guidelines on organisation of agricultural and forest areas⁷⁹.

Reference to forest plans (taking account of environmental aspects)

In forests belonging to the State Treasury, simplified forest management plans are drawn up, which are commissioned for each forest complex by competent starosta, and where such complex is smaller than 10 ha, such forest is managed on the grounds of starosta decision. Requirements set forth in forestry legislation provide similar requirements as regards the elaboration of plans or decisions, specifying the principles of environmental protection in such forest complexes.

Forests in most valuable habitats are also protected on the grounds of the provisions on environmental protection, allowing for the introduction of forms of protection adequate for the values of protected habitats, for which protection plans are drawn up, and where such plan loses its validity, annual protection tasks are introduced until the time the new plan is ready.

The Programme does not provide support to land located within the Natura 2000 areas due to the fact that these areas have no management plans demonstrating land without environmental contraindications against afforestation, resulting from the protection of valuable plant and animal species and priority habitats specified in the Council Directive 79/409/EEC of 2 April 1979 on the conservation of wild birds and the Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora.

The programme takes account of the guidelines related to the multifunctional development of forest management and forestry specified in the EU Forest Action Plan.

Scope of measure

Pursuant to Article 43 of Council Regulation (EC) No 1698/2005, Measure 2.4 covers the following forms of aid:

- 1) Support for afforestation, which covers the establishment costs in accordance with the provisions of national forest legislation (the Principles of Silviculture), and of its protection against game, if justified;
- 2) Maintenance premium to cover the maintenance costs of the new forest plantation and individual protection of tree seedlings against game;

⁷⁹ Guidelines concerning delimitation of agri-forest border (document of the Ministry of Agriculture and Rural Development and the Ministry of the Environment, 2003); introduction of new guidelines results from the tendency to direct the process of afforestation towards improvement of natural environment conditions, in particular towards influencing the climate, water retention, reduction of water and air erosion, and improvement of public leisure and health conditions.

- 3) Afforestation premium, which is an equivalent for the exclusion of land from agricultural cultivation.

It is characteristic of Poland that agricultural lands are largely dispersed as far as their ownership is concerned, both in terms of area and width of parcels, which considerably limits the potential for afforestation, as the requirements of minimum area (0.5ha) and minimum width (20m) cannot be met. For lands with largely dispersed ownership it is recommended, for the sake of proper management, to renounce one of these requirements, in a precisely specified situation. It is suggested that there be an option to renounce the requirement of minimum width for lands planned for afforestation which border on existing forest complexes.

Scheme I. Afforestation of agricultural land

Scheme I applies to the use of agricultural lands for forestry purposes; these are established artificially (through planting). Aid granted under Scheme I covers:

- 1) Establishment of a forest plantation (afforestation support);
- 2) Maintenance of a forest plantation (maintenance premium)
- 3) Income lost due to exclusion of lands from cultivation (afforestation premium).

Scheme II. Afforestation of non-agricultural land

Scheme II applies to the use of abandoned agricultural lands, or other lands for which afforestation constitutes a reasonable use, for forestry purposes (e.g. protection against erosion). There is an option to make use of natural succession within the abovementioned lands.

In the case of afforestation with trees of domestic forest forming species (Table 40) as a result of natural succession on lands intended for afforestation, it has been assumed that the trees may not be older than 20 years of age (stands of age class I), the land should be covered by trees and shrubs in more than 50%. In the case of lower canopy cover, it is planned to adapt trees at the time of preparing the land for afforestation.

Support granted under Scheme II covers:

- 1) Establishment of a forest plantation (afforestation support);
- 2) Maintenance of a forest plantation (maintenance premium).

The local government units may apply, under both Schemes, solely for support for afforestation (Article 43 (2) of the Council Regulation (EC) No 1968/2005).

The aid shall only be granted if the following requirements are met:

- 1) Afforestation of agricultural land (Scheme I) applies only to agricultural land used as arable land and orchard outside the Natura 2000 areas;

- 2) Afforestation of non agricultural land (Scheme II) may apply to agricultural land which has been set aside, in particular those with self-seedings of trees of domestic forest-forming species of I class of age (under 20) and other land which has been set aside requiring protection against erosion, located outside the Natura 2000 areas;
- 3) The afforestation may cover land intended for afforestation in the local spatial management plan or in the gmina qualifying and directions of spatial management study (principles of drawing up the above mentioned documents in the context of afforestation are presented in Annex 12 to the Programme);
- 4) The afforestation shall be compliant with fire protection requirements resulting from the rules for implementing the Forest Act;
- 5) The beneficiary will observe the mandatory requirements within the area of the whole agricultural holding (concerns Scheme I);
- 6) Minimum area of afforestation shall be 0.5ha and minimum width of the afforested parcel - 20m, excluding lands bordering on forests. In the case of an application submitted by a group of farmers, the land qualified for afforestation must have the total area of 2ha in one plot;
- 7) Maximum area of land for afforestation declared in the programming period 2007-2013 by one of the agricultural producers may not exceed 20ha;
- 8) Pursuant to the provisions on forest reproductive material, only domestic species of trees and shrubs shall be used for afforestation;
- 9) In order to adapt the plantation to the local habitat conditions, while establishing the species composition it is necessary to consider the agricultural classification of agricultural lands and nature and forest regionalisation, pursuant to the Act on forest reproductive material (Annex 13 to the Programme);
- 10) Planting material must meet the quality requirements specified in the Act on forest reproductive material;

The domestic species of trees and shrubs for afforestation are listed in table 40.

Table 40. List of main species recommended for afforestation, taking into account the seed regionalisation requirements

Tree species	
subject to seed regionalisation:	not subject to seed regionalisation:
Scots Pine (So)	Small-leaved Linden (Lp)
Norway Spruce (Św)	European Hornbeam (Gb)
Silver Fir (Jd)	Norway maple (Kl)
European and Polish Larch (Md)	Sycamore (Jw)
Sessile and common Oak (Dbbs and Dbs)	European Ash (Js)
European Beech (Bk)	Elms (Wz)
Black Alder (Olcz)	
Silver Birch (Brz)	
Admixture and biocenotic species (trees and shrubs)	
Black Elder, Red Elder, Downy Birch, Bird Cherry, Wild Cherry, Common Dogwood, Hawthorn, Common Hawthorn, Wild Pear, Wild Crab, Common Juniper, Wild Service Tree, Rowan, Swedish Whitebeam, Guelder Rose, Field Maple, Alder Buckthorn, Hazel, Large-leaved Linden, Grey Alder, Gooseberry, Mountain Currant, Red Currant, Common Sea-buckthorn, Dog Rose, Black-berried Honeysuckle, Fly Honeysuckle, Common Buckthorn, Rough-stemmed Spindle Tree, Common Spindle, White Willow, Goat Willow, Crack Willow.	

The average number of seedlings with open root systems per 1 ha of afforested land will amount to about 8000 items (specific data will be determined every time in the plan of afforestation).

Pursuant to environmental protection regulations, any afforestation planned within the landscape park and nature reserve should be subject to an opinion by the locally competent voivod (Voivodship Nature Conservator) or in the case of a national part by the director of that part in order to confirm that the afforestation is compliant with the plan of protection of this area will not worsen the condition of habitats and species considered priority by EC.

Compliance with the fire protection requirements

The afforestation shall be compliant with fire protection requirements resulting from the rules for implementing the Forest Act.

Methodology of payment calculation

Calculation of payments is based on real costs relating to the establishment, maintenance and protection of forest cultivation in various regions of the country in 2006, which were collected by the employees of the Forestry Research Institute. Since the analysis of factors shaping the costs of the establishment, maintenance and protection of a plantation showed no significant regional differences, average costs were used for the whole country (Annex 14 to the Programme).

Form and amount of aid

The afforestation support consists in additional financing of the costs of establishing the forest plantation⁸⁰, of corrections made in the second year of cultivation and of protection against animals. Pursuant to Commission Regulation (EC) No 1974/2006, the support shall have the form of flat rate payments per 1ha of afforested land.

The support shall be paid as a single payment following the establishment of forest plantation.

The amount of support shall vary depending on:

- a) The proportion of coniferous to broadleaf species in the stand;
- b) Fencing the whole or part of cultivation to protect tree seedlings against game;
- c) The lie of the land, assuming that on slopes above 12%, the costs of afforestation are increased by 40% in relation to the costs of afforestation of land with favourable lie.

The maintenance premium shall be a flat-rate payment as calculated per one hectare of the afforested land, to cover the costs of maintenance (weed and pathogen control), of individual protection of valuable trees⁸¹ (application of repellents, fencing off with three stakes, wrapping the tops of trees with sheep wool) and of early thinning, paid annually for a period of five years following the establishment of the plantation.

The afforestation premium shall be a flat-rate payment as calculated per one hectare of the afforested land to cover loss of income resulting from the conversion of agricultural land to woodland; paid annually for a period of 15 years following the establishment of forest plantation. The amount and sources of income shall be established based on income in the year preceding application for the programme. The premium shall be received by farmers whose income from agricultural activity exceeds 25% of total income of their holdings, in accordance to the levels of maximum amounts set out in Annex to the Council Regulation (EC) No 1698/2005, with the application of the PLN 3.9038 exchange rate, i.e. the average exchange rate for 2006, calculated on the basis of monthly exchange rates published by the European Central Bank. The afforestation premium shall be inheritable.

The aid shall not be granted:

⁸⁰ Payment amounts are calculated as flat rate payments, taking into account 70% of the costs resulting from afforestation and protection against animals; the beneficiary's contribution constitutes 30%.

⁸¹ Payment amounts are calculated as flat rate payments, taking into account 70% of the costs resulting from afforestation and protection against animals; the beneficiary's contribution constitutes 30%.

- 1) to farmers benefiting from the early retirement support;
- 2) for afforestation of land within the Natura 2000 areas;
- 3) for plantations of Christmas trees;
- 4) for plantations of fast-growing trees.

The afforestation support, as well as maintenance and afforestation premium shall be fully financed from the EU and national public funds (with 80% of EU contribution and 20% of national contribution). The support shall not exceed the maximum limits laid down in the Annex to Council Regulation (EC) No 1698/2005.

Calculation of the level of support is based on real costs arising from forest plantations establishment and maintenance in different regions of the country in 2006, which were collected by the Forest Research Institute employees. Since no significant regional discrepancies have been found by the analysis of factors affecting the costs of forest plantation establishment and maintenance, the average costs in the scale of the country constituted the basis (Annex 15 to the Programme).

1. Scheme I – Afforestation of agricultural land

No	Type of support	Trees	
		coniferous	broadleaf
1	Afforestation support		
A	Afforestation in areas with favourable configuration	PLN(EUR)/ha	
		4620 (1183.5)	5240 (1342.3)
B*	Afforestation on slopes above 12°:	PLN(EUR)/ha	
		5550 (1421,7)	6230 (1595,9)
C	Afforestation in areas with favourable configuration using mycorrhized seedlings with covered root systems	PLN(EUR)/ha	
		5720 (1465.2)	4160 (1065.6)
D	Afforestation on slopes above 12° using mycorrhized seedlings with covered root systems	PLN(EUR)/ha	
		6260 (1603.6)	4870 1247.5)
E	Protective measures against animals – fencing off with a 2-metre wire netting	PLN(EUR)	
	- per 1 ha of fenced area	2590 (663.5)	
	- - per 1 linear metre of fenced area	6.5 (1.7)	
2	Maintenance premium		
A	<i>Maintenance premium</i>	<i>PLN(EUR)/ha annually</i>	
	- in areas with unfavourable configuration	970 (248.5)	
	- slopes over 12°	1360 (348.4)	
B	<i>Protective measures against animals:</i>	<i>PLN(EUR)/ha annually</i>	
	- repellents	190 (48.7)	
	- three stakes	700 (179.3)	
	- woollen wrapping	280 (71.7)	
3	Afforestation premium		
A	Afforestation premium	PLN(EUR)/ha annually	
		1580 (404.7)	

2. Scheme II – Afforestation of non-agricultural land

No	Type of support	Trees	
		coniferous	broadleaf
1	Afforestation support		
A	Afforestation in areas with favourable configuration	PLN (EUR) /ha	
		4620 (1183.5)	5240 (1342.3)
B	Afforestation on slopes above 12°:	PLN (EUR) /ha	
		5550 (1421.7)	6230 (1595.9)
C	Afforestation in areas with favourable configuration using mycorrhized seedlings with covered root systems	PLN (EUR) /ha	
		5720 (1465.2)	4160 (1065,6)
D	Afforestation on slopes above 12° using mycorrhized seedlings with covered root systems	PLN (EUR) /ha	
		6260 (1603.6)	4870 (1247,5)
E	Afforestation in unfavourable conditions (land reclamation) in areas with favourable configuration	PLN (EUR) /ha	
		4420 (1132.2)	5040 (1291.0)
F	Afforestation in unfavourable conditions (land reclamation) on slopes over 12°	PLN (EUR) /ha	
		5270 (1350.0)	5960 (1526,7)
G	Afforestation using natural succession in areas with favourable configuration	PLN (EUR) /ha	
		1700 (435.5)	1790 (458,5)
H	Afforestation using natural succession on slopes over 12	PLN (EUR) /ha	
		2210 (566.1)	2310 (591.7)
I	Protective measures against animals – fencing off with a 2-metre wire netting	PLN (EUR)	
	- per 1 ha of fenced cultivation	2590 (663.5)	
	- - per 1 linear metre of fenced cultivation	6.5 (1.7)	
2	Maintenance premium		
A	Maintenance premium	PLN(EUR)/ha annually	
	- in areas with unfavourable configuration	970 (248.5)	
	- slopes over 12°	1360 (348.4)	
B	Maintenance premium for plantations established in unfavourable conditions (land reclamation)	PLN(EUR)/ha annually	
	- in areas with unfavourable configuration	1460 (374.0)	
	- - slopes over 12°	2050 (525.1)	
C	Maintenance premium for plantations established using natural succession	PLN(EUR)/ha annually	
	- in areas with unfavourable configuration	1250 (320.2)	
	- slopes over 12	1750 (448.3)	
D	Protective measures against animals	PLN(EUR)/ha annually	
	- repellents	190 (48.7)	
	- three stakes	700 (179.3)	
	- woollen wrapping	280 (71.7)	

EUR equivalent is of indicative nature.

Definition of Beneficiary

Farmer – owner of agricultural land and non-agricultural land, excluding organisational units without legal personality representing the State Treasury in the scope of management of the property of the State Treasury.

Accessibility criteria

Aid may be granted to a farmer who:

- 1) Obtains a positive decision on the land management conditions issued by a locally competent gmina authority (gmina head, mayor, president);
- 2) Obtains a positive opinion for the afforestation planned:
 - a) In landscape parks or nature reserves – issued by the locally competent voivod (Voivodship Nature Conservator),
 - b) In a national park – issued by the director of that park,
- 3) Obtains positive decision on initiation of the afforestation programme;
- 4) Makes the commitment to observe the conditions and time limits laid down in the detailed afforestation plan;
- 5) Submits a declaration of completing the afforestation.

Positive opinion issued by the locally competent voivod (Voivodship Nature Conservator) for the planned afforestation in the landscape park or the nature reserve or by the director of the park within the national park, means the consent of this authority for afforestation within this area. The consent conditions the implementation of afforestation. The opinion is based on current knowledge concerning the condition of nature conservation within a given area.

Geographical scope

Whole country

Transitional provisions

Commitments regarding the aid granted for afforestation under RDP 2004-2006 will be transferred to \ the RDP 2007-2013 financing, Estimated amount of expenditure for commitments taken in under RDP 2004-2006 amounts to EUR 183 million.

Financing

Total cost: EUR 653,501,520.

Public expenditure: EUR 653,501,520.

Budget [EUR]	Total	EU	PL
Total	653,501,520 ⁸²	522,801,216	130,700,304

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Output	Number of beneficiaries	52,000 (Scheme I – 28,000 Scheme II – 24,000)
	Number of beneficiaries receiving payments under commitments taken in 2004-2006 programming period.	scheme I – 7,500
	Land supported under the Measure	150,000 ha
	Area afforested under commitments taken in the 2004-2006 programming period	34,000 ha
Result	Area under successful land management ⁸³	16,811,708 ha
Impact	Maintenance of high value natural farmland and forestry	RDP target value: 590,000 ha
	Improvement of water quality	Increase by 13% target value: 55 kg N/ha
	Prevention of climatic changes	Increase from 2.05 to 3.04 Mtoe target value: from 5.95 to 6.94 Mtoe

Additional indicators and quantified target values specific for the Programme

Type of indicator	Indicator	Target value 2007-2013
Result	Increase in the area of land supported under the measure (which contributes to the annual reduction of CO ₂ emissions)	150,000 ha

⁸² The amount covers public resources solely. Beneficiary's own contribution of 30% of investment costs due to the lump sum nature of payment, has been taking into account in the calculation of payments for afforestation (Annex 14).

⁸³ Value of the indicator calculated in accordance with the guidelines of the Common Monitoring and Evaluation Framework at the level of the whole Axis 2.

Title of measure

Restoring forestry production potential damaged by natural disasters and introducing appropriate prevention instruments

Measure code

226.

Legal basis

Article 36 (b) and (v) and Article 48 of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277/1 of 21 October 2005).

Article 30 and 33 and Item 5.3.2.2.6 of Annex II to Commission Regulation (EC) No 1974/2006 of 15 December 2006 laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 368/15 of 23 December 2006).

Justification

Need to restore biological potential to forests destroyed due to natural catastrophes and disasters and the need to provide preventive fire protection to forests.

Objectives of the measure

Support for restoration and maintenance of forests that were destroyed by biotic and abiotic factors and introduction of mechanisms for preventing natural disasters and of fire protection devices in particular. Support will be provided on the basis of complex projects covering forests.

Scope

The objective of this Measure will be achieved by arrangement of damaged forest areas, preparation of forest planting material, gradual restoration of damaged tree stands, including nurturing and protection of nurseries; nurturing and protection of damaged tree stands of all age classes and high nature-value objects, opening forest to public through construction and modernisation of tourist and educational facilities, as well as reinforcement of fire protection of forest land.

Aid granted under this Measure will be available in the event of a natural disaster (wind, caps of snow, flood, avalanche, land slide, harmful biotic factors) or fire in forest areas anywhere in the territory of the Republic of Poland, irrespective of the proprietorship form.

The Measure covers projects related to:

- 1) preparation of forest reproductive material for the restoration of destroyed forests;
- 2) organisation of damaged forest area;
- 3) restoration of forest, including cultivation and protection of nurseries;
- 4) cultivation and protection of damaged trees and high nature-value objects;
- 5) provision of access to forests with regard to social functions of forests;
- 6) enhancement of fire protection system.

The measure will be implemented under two schemes:

Scheme I – Support for the areas damaged by natural catastrophe or disaster. These areas have been designated on the basis of notifications of the minister competent for the environment.

Scheme II – introduction of preventive mechanisms in the areas classified as areas representing the two highest fire hazard categories. The area covered by this form of support has been designated on the basis of the paper of Forest Research Institute entitled *Kategoryzacja zagrożenia pożarowego lasów Polski* [Classification of forest hazards in Polish forests] at level III NTS (groups of poviats) (Annex 4 to the Programme).

Accessibility criteria

- 1) the aid may be granted for the implementation of projects on areas hit by natural disaster or affected by biotic factors (Scheme I) or on undamaged forest areas with high fire hazard (areas representing the two highest fire hazard categories – Scheme II);
- 2) in the course of project preparation, forest inspectorate is obliged to inform forest owners on the planned project and to include private and gmina forests, put forward by their owners, in the project;
- 3) the project co-financed under the measure may not be implemented with other public funds granted for the project implementation;
- 4) the implemented project should take into account fire protection regulations resulting from fire hazard category of the given forest area.

Definition of Beneficiary

Organisational units without legal personality: forest inspectorates of State Forests National Forest Holding.

Form and amount of aid

Aid is granted under a agreement and it consists in reimbursement of the costs incurred.

Level of aid

The EAFRD contribution amounts to 80% of the total eligible expenditure, and 20% from the state budget. The level of aid granted to the Beneficiary amounts to 100% of eligible expenditure.

Geographical scope

Scheme I – implementation of the measure in respect of damaged forest potential and introduction of adequate preventive instruments covers damaged forest areas.

Scheme II – the whole territory of Poland, forest areas representing the two highest fire hazard categories.

Financing

Total cost: EUR 140,000,000

Public expenditure: EUR 140,000,000

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Product	Number of projects aimed to restore the forestry production potential and preventive investment projects	1,000
	Supported area of damaged forests	160,000 ha
	Supported area of forests within the frame of introducing prevention actions	7,533,418 ha out of the area of all forests - including 6,300,000 ha in the State Forests National Forest Holding (PGL LP)
	Total value of projects aimed at prevention and restoration of the forestry production potential (EUR)	max 140,000,000
Result	Area subject to effective land development ⁸⁴	16 811 708 ha
Impact	Preservation of land with high natural value in agricultural and forest areas	RDP target value: 590,000 ha
	Water quality improvement	Increase by 13% target value: 55 kg N/ha
	Prevention of climatic changes	Increase from 2.05 to 3.04 Mtoe target value: from 5.95 to 6.94 Mtoe

⁸⁴ Value of the indicator calculated in line with the guidelines of the Common Monitoring and Evaluation Framework at the level of the whole Axis 2.

Additional indicators and quantified target values specific for the Programme

Type of indicator	Indicator	Target value 2007-2013
Result	Area of forest land potentially endangered by biotic factors related to presence of diseases and pests	650 000 ha - fungoid diseases, 300 000 ha – insect pests
	Number of forest inspectorates broken down in terms of fire hazard level (I,II) in accordance with the latest provisions in this respect	I -163, II - 195

5.3.3. Axis 3 Quality of life in rural areas and diversification of rural economy

Title of the Measure

Diversification into non-agricultural activities

Measure code

311.

Legal basis

Articles 52-53 of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277/1 of 21 October 2005).

Article 35 of the Commission Regulation (EC) No 1974/2006 of 15 December 2006 laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 368/15 of 23 December 2006).

Justification

Measure implementation will contribute to the sustainable economic and social rural development by providing support for farmers, household members and farmers' spouses starting or developing non-agricultural activity related to production or services.

Objective

Diversification of agricultural activity towards starting or developing non-agricultural activity by farmers, their spouses and other household members, which will contribute to creation of non-agricultural income sources and promotion of employment outside agriculture in rural areas.

Scope

Aid is granted to entities starting or developing activity related to:

- 1) services for agricultural holdings or forestry;
- 2) services for the population;
- 3) wholesale and retail;
- 4) craft and handicraft;
- 5) construction and installation works and services;
- 6) services for tourists and connected with sports and leisure;
- 7) transport services;

- 8) public utility services;
- 9) processing of agricultural products and edible forest products;
- 10) warehousing and storage of products;
- 11) production of the energy products from biomass;
- 12) accounting, consulting or IT services.

Aid may be granted, provided that:

- 1) operation is justified from the economic point of view;
- 2) operation meets requirements resulting from the legislation in force referring to a given project;
- 3) activity, to which the operation is related is registered in a locality situated within:
 - a rural gmina, or
 - an urban-rural gmina, except for towns with population exceeding 5 thousand, or
 - an urban gmina, except for towns with population exceeding 5 thousand, or
- 4) Investment related to construction, repair, equipping and rendering useful real estate covered with the operation pertain to real estate located in localities referred to in Point 3;
- 5) the project provides the possibility of employment as part of non-agricultural activity started or developed
- 6) agricultural holding where the beneficiary works was covered by direct payments in the year preceding the application year.

Definition of Beneficiary

Natural person, household member in an agricultural holding, insured pursuant to the Act of 20 December 1990 on social insurance of farmers, as a farmer, or a household member or spouse of such a farmer.

Form and amount of aid

The aid has the form of reimbursement of the part of eligible costs of the project.

Maximum amount of aid granted to a single beneficiary in an agricultural holding within the period of implementation of the Programme cannot exceed PLN 100 thousand (EUR 25,616.1). The EUR equivalent is of indicative nature.

Level of aid

The maximum aid level does not exceed 50% of eligible operation costs.

Principal demarcation criteria

The description of demarcation lines is provided in Chapter 10.2.

Measure/ Fund	Demarcation lines
Modernisation of agricultural holdings / EAFRD	Scope of aid – projects concerning agricultural production
Increasing the added value of basic agricultural and forestry production / EAFRD	<ul style="list-style-type: none"> – Amount of aid - minimum PLN 100 thousand – Applicant – entrepreneur (in the case of a natural person conducting business activity, this person is not subject to insurance in the Agricultural Social Insurance Fund (KRUS) pursuant to provisions on social insurance of farmers). – Aid may be granted to projects related to the processing and marketing of agricultural products covered by Annex 1 to the EC Treaty, excluding fisheries products. It should be noted that the processed product should also be an agricultural product as this is a demarcation line with programmes co-financed under Common Fisheries Policy and structural funds 2007-2013.
Establishment and development of micro-enterprises / EAFRD	Applicant – entrepreneur (in the case of a natural person conducting business activity, this person is not subject to insurance in the Agricultural Social Insurance Fund (KRUS) pursuant to provisions on social insurance of farmers).
Structural Funds – ERDF and ESF	<p>Aid may be granted to projects related to the processing and marketing of agricultural products covered by Annex 1 to the EC Treaty, excluding fisheries products. It should be noted that the processed product should also be an agricultural product as this is a demarcation line with programmes co-financed under Common Fisheries Policy and structural funds 2007-2013.</p> <p>Under measure “Diversification towards non-agricultural activity: beneficiaries are natural persons insured under KRUS in accordance with the provisions on farmers’ social insurance, as farmer, farmer’s spouse or household member. Measure “Diversification towards non-agricultural activities” foresees investment support. Aid takes the form of reimbursement of a part of eligible costs</p>

	<p>relating to the additional non-agricultural activities taken or developed by farmers (members of their households). ESF provides for support for goals relating to gaining new professional qualifications in a field other than agriculture.</p> <p>Under the remaining programmes (OP "Innovative economy" OP Human Capital, Development of Eastern Poland, ROP), enterprises are supported. Natural persons running business activity is covered by insurance on the grounds of the provisions on social insurance system.</p>
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Cross-checks shall be carried out in order to eliminate the possibility of double funding. Detailed provisions regarding cross-checks will be set forth at the national level.

Financing

Total cost: EUR 691,160,000

Public expenditure: EUR 345,580,000

Provisional rules

Not applicable

State aid

Under this Measure the *de minimis* rule as provided for in Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to *de minimis* aid will be applied.

Geographical scope

The whole country.

Number of Beneficiaries

Estimated number of beneficiaries in 2007- 2013 is 19 750.

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-13
Output	Number of beneficiaries	19,750
	Total volume of investments (EUR)	813,129,412
Result	Increase of gross added value from supported non-agricultural activity	125% of base value
	Gross number of new jobs	21,530
Impact	Economic growth	Increase by 50.1% (including 0.41% from RDP)
	Creation of new jobs	Increase by 2.7% target value: 14,226 thousand people (including – from RDP: 79.06 thousand people)

Additional indicators and quantified target values specific for the Programme

Type of indicator	Indicator	Target value 2007-13
Output	Number of projects	21,530
Result	Increase in the number of holdings belonging to farmers conducting non-agricultural activity	19,750

Title of the measure

Establishment and development of micro-enterprises.

Measure code

312.

Legal basis

Articles 54 Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277/1 of 21 October 2005).

Commission Regulation (EC) No 1974/2006 of 15 December 2006 laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 368/15 of 23 December 2006).

Justification

Implementation of the Measure provides conditions for diversification of business activity and enhancement of job opportunities, and will therefore contribute to the sustainable economic and social rural development.

Objective

The Measure will enhance economic competitiveness, development of entrepreneurship and labour market, finally leading to an increased employment rate in rural areas.

Scope of aid

Aid is granted to entities for investments associated with setting-up or development of micro-enterprises dealing with:

- 1) services for agricultural holdings or forestry;
- 2) services for the population;
- 3) wholesale and retail;
- 4) craft and handicraft;
- 5) construction and installation works and services;
- 6) services for tourists and connected with sports and leisure;
- 7) transport services;
- 8) public utility services;
- 9) processing of agricultural products and edible forest products;
- 10) warehousing and storage of products;

- 11) production of the energy products from biomass;
- 12) accounting, consulting or IT services.

Aid may be granted, provided that:

- 1) operation is justified from the economic point of view;
- 2) operation meets requirements resulting from the legislation in force referring to this operation;
- 3) the seat or branch or place of residence of the entrepreneur and, in the case of operations related to the immovable property, the location of the immovable property are:
 - a) in a locality situated within:
 - a rural gmina, or
 - an urban-rural gmina, except for towns with population exceeding 5 thousand, or
 - an urban gmina, except for towns with population exceeding 5 thousand in the case of entities other than agricultural producer groups and preliminarily recognized fruit and vegetable producer groups, recognised fruit and vegetable producer organisations as well as entities providing services for agricultural holdings or forestry,
 - b) within the rural areas in accordance with the widest definition of rural areas, i.e. localities situated within:
 - a rural gmina, or
 - an urban-rural gmina, except for towns with population exceeding 20 thousand, or
 - an urban gmina, except for towns with population exceeding 5 thousand in the case of agricultural producer groups and preliminarily recognized fruit and vegetable producer groups, recognised fruit and vegetable producer organisations as well as entities providing services for agricultural holdings or forestry,
- 4) the business plan provides for the establishment of at least 1 job, which is justified by the material scope of the operation;
- 5) in the previous 2 years the applicant did not receive support under OP Human Capital, Measure „Promotion of entrepreneurship“.

Definition of Beneficiary

Natural person, legal person or organizational unit without legal personality who carries out business activity as a micro-enterprise employing less than 10 persons with a turnover not exceeding the PLN equivalent of EUR 2 million.

Form and amount of aid

Aid has the form of reimbursement of part of eligible costs.

The amount of aid granted for the operation implementation cannot exceed:

- 1) PLN 100,000 (EUR 25,616.1) – if the business plan provides for the establishment of 1 to 2 jobs (expressed in full-time annual average employment), which is justified by the material scope of the operation;
- 2) PLN 200,000 (EUR 51,232.1) – if the business plan provides for the establishment of more than 2 and less than 5 jobs (expressed in full-time annual average employment), which is justified by the material scope of the operation;
- 3) PLN 300,000 (EUR 76,848.2) – if the business plan provides for the establishment of at least 5 jobs (expressed in full-time annual average employment), which is justified by the material scope of the operation.

Maximum amount of aid granted to a single beneficiary cannot exceed PLN 300,000 (EUR 76,848.2) within the Programme implementation period.

In the case of agricultural products (included in the Annex 1 of the EC Treaty) and edible forest products processing, the maximum amount of aid granted to a single beneficiary cannot exceed PLN 100,000 (EUR 25,616.1) during the Programme implementation period.

Level of aid

The maximum aid level does not exceed 50% of eligible operation costs.

Principal Demarcation Criteria

The description of demarcation lines is provided in Chapter 10.2.

Measure/ Fund	Demarcation lines
Increasing the added value of basic agricultural and forestry production / EARDF	Aid amount - minimum PLN 100,000. Aid may be granted to projects related to the processing and marketing of agricultural products covered by Annex 1 to the EC Treaty, excluding fisheries products. It should be noted that the processed product should also be an agricultural product as this is a demarcation line with programmes co-financed under Common Fisheries Policy and structural funds 2007-2013.

Diversification towards non-agricultural activities / EARDF	<p>1. Aid amount - maximum PLN 100,000.</p> <p>2. Applicant – farmer, household member, farmer’s spouse (natural person not subject to insurance in Social Insurance Institution (ZUS) pursuant to the provisions on the social insurance system).</p>
Structural Funds / ERDF	<p>Under ROP support is granted only to existing micro-enterprises. If a registered office or place of residence of a micro-entrepreneur and – in the case of operations relating to a real estate – location of the property is located in a locality belonging to:</p> <ul style="list-style-type: none"> • a rural gmina, or • a rural-urban gmina, with the exception of cities of more than 5 thousand residents (in the case of agricultural producers preliminarily recognized fruit and vegetables producer groups, recognised fruit and vegetables producer groups and entities providing services to agricultural holdings or forestry - with the exception of cities of more than 20 thousand residents), or • an urban gmina, except for towns with population exceeding 5 thousand <p>-then the scope of activity of micro-enterprises may not cover the category of activity under Measure “Creation and development of micro-enterprises” covered by the Rural Development Programme for 2007-2013</p> <p>In the remaining programmes (“Innovative economy”, Development of Eastern Poland), - declaration of the beneficiary regarding project financing, under the project, based on one selected programme.</p>
Structural Funds / ESF	<p>Exclusion from aid within the framework of activity of entities, which in the period of the last 2 years used the support under “Promotion of entrepreneurship” of Human Capital OP.</p> <p>Under Measure “Creation and development of micro-enterprises”, eligible costs cover only investment costs and general costs directly relating to the investment implemented by the entrepreneur, while the ESF supports trainings and advisory services for entrepreneurs.</p>

Cross-checks shall be carried out in order to eliminate the possibility of double funding. Detailed provisions regarding cross-checks will be set forth at the national level.

Financing

Total cost: EUR 2,047,167,200

Public expenditure: EUR 1,023,583,600

Provisional rules

Not applicable

State aid

Under this Measure the *de minimis* rule as provided for in Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to *de minimis* aid will be applied.

Geographical area

The whole country.

Number of beneficiaries

Estimated number of beneficiaries in 2007- 2013 is about 27 300.

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Output	Number of micro-enterprises supported	27,300
Result	An increase of gross value added in the micro-enterprises supported	130% of base value
	Gross number of jobs created	28,670
Impact	Economic growth	Increase by 50.1% (including 0.41% from RDP)
	Creation of new jobs	Increase by 2.7% target value: 14,226 thousand people (including – from RDP: 79.06 thousand people)

Additional indicators and quantified target values specific for the Programme

Type of indicator	Indicator	Target value 2007-2013
Output	Number of projects	28,670
	Total value of investments (EUR)	2,408,432,000
Result	Share of the newly established micro-enterprises in the total number of micro-enterprises supported	30%
	Share of the micro-enterprises run by the farmers or household members in the total number of micro-enterprises supported	10%

Title of the measure

Basic services for the economy and rural population

Measure code

321.

Legal basis

Article 56 of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277/1 of 21 October 2005). Commission Regulation (EC) No 1974/2006 of 15 December 2006 laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 368/15 of 23 December 2006).

Justification

The lack of basic technical infrastructure elements is an obstacle for rural development. Small localities meet particular difficulties in this respect. Measure implementation supplements the scope of support for investments to be financed under operational programmes, co-financed from European Regional Development Fund (ERDF) and national programmes.

Objective of the measure

Improvement of basic services in rural areas, *inter alia* elements of technical infrastructure which condition social and economic development, which will contribute to improvement of living and business conditions.

Scope

The aid is granted for implementation of projects in respect of the following:

- 1) water supply and wastewater management, in particular:
 - a) water supply,
 - b) wastewater disposal and treatment, including network sewage systems or farmstead sewage systems,
- 2) establishment of municipal waste collection, segregation and disposal system;
- 3) production or distribution of renewable energy, including energy from wind, water, geothermal energy, sun, biogas or biomass.

The scope of aid covers investment costs, in particular purchase of materials and performance of construction and installation works, and purchase of necessary equipment.

Definition of beneficiary

Gmina or organisational unit for which a local government unit performing tasks defined in the Scope of aid is the organiser.

Accessibility criteria

Aid may be granted to:

- 1) projects implemented in localities belonging to:
 - a rural gmina, or
 - an urban-rural gmina, except for towns having population of more than 5 thousand, or
 - an urban gmina, except for towns having population of more than 5 thousand.
- 2) project that meets the requirements resulting from the legislation in force applicable to these projects.

Form and amount of aid

Aid has the form of reimbursement of part of eligible costs.

Maximum amount of aid for project implementation in one gmina within the period of implementation of the Programme cannot exceed:

- 1) PLN 4,000,000 (EUR 1,024,642.7) for projects related to water supply and wastewater management;
- 2) PLN 200,000 (EUR 51,232.1) for projects in respect of establishment of municipal waste collection, segregation and disposal system;
- 3) PLN 3,000,000 (EUR 768,482.0) for projects in respect of production or distribution of renewable energy.

EUR equivalent is of indicative nature.

Level of support

The maximum aid level from EAFARD does not exceed 75% of eligible project costs.

The required national contribution of public funds of at least 25% of eligible project costs shall come from own funds.

Demarcation lines

The description of demarcation lines is provided in Chapter 10.2.

Measure/Fund	Demarcation lines
"Modernisation of agricultural holdings" / EAFRD	1. Beneficiary - natural person, legal person or organisational unit without legal personality, engaged in agricultural activity related to vegetable or animal production.
Structural funds / Cohesion Fund / ERDF	<p>1. Scope of support:</p> <ul style="list-style-type: none"> - establishment and modernisation of waste disposal sites; <p>2. Location of the project:</p> <ul style="list-style-type: none"> - waste management – only if the project falls within the Voivodship Waste Management Plan, projects covering municipal waste management on areas not covered by RDP and servicing up to 150 thousand people. (projects concerning dumps that may be implemented in all localities are exceptions) - other types of projects falling within the scope of technical infrastructure – towns having population exceeding 5 thousand <p>3. Amount of aid for an area covered by RDP exceeding:</p> <ul style="list-style-type: none"> o PLN 4 million for projects related to water supply and wastewater management; o PLN 200 thousand for projects in respect of establishment of municipal waste collection, segregation and disposal system; <p>PLN 3 million for projects in respect of production or distribution of renewable energy.</p>

Cross-checks shall be carried out in order to eliminate the possibility of double funding. Detailed provisions regarding cross-checks will be set forth at the national level.

Financing

Total cost: EUR 1,471,440,320

Public expenditure: EUR 1,471,440,320

Provisional rules

Not applicable

State aid

Not applicable

Geographical area

Whole country.

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Output	Number of projects	21,210
	Total value of investments (EUR)	2,308,141,678
Result	Population living in rural areas and using improved services	8,642,600
Impact	Economic growth	Increase by 50.1% (including 0.41% from RDP)
	Creation of new jobs	Increase by 2.7% Target value: 14,226 thousand people (including – from RDP: 79.06 thousand people)

Programme-specific additional indicators and quantified target values

Type of indicator	Indicator	Target value 2007-2013
Output	Number of beneficiaries	7,070
Result	Increase in the number of inhabitants of rural areas who have access to the improved services	50%
	Number of kilometers of water supply and sewage systems constructed as a result of programme implementation	27,000
	Total quantity of municipal waste covered by systems created as a result of implementation of projects under the Programme	120% of base value
	Total quantity of energy produced by renewable sources owing to support under the Programme (MW)	380

Title of the measure

Village renewal and development

Measure code

313, 322, 323

Legal basis

Articles 52 (a) (iii) (b) (ii) (iii) and 57 of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277/1 of 21 October 2005). Commission Regulation (EC) No 1974/2006 of 15 December 2006 laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 368/15 of 23 December 2006).

Justification

Measure implementation allows for the social and economic development of rural areas and for the activation of rural population through support granted for the implementation of projects related to the public area management, including maintenance, reconstruction and improvement of cultural and natural heritage of rural areas and raising the tourist attractiveness of rural areas.

Objective of the measure

The Measure will improve the living conditions of rural areas through satisfaction of social and cultural needs of rural population and through promotion of rural areas. This will contribute to the development of rural population identity, preservation of cultural heritage and specificity of rural areas, as well as to the increased attractiveness with respect to tourism and investment on rural areas.

Scope of aid

Financial assistance will be granted to entities implementing projects related to:

- 1) construction, reconstruction, renovation and fitting out of the following:
 - a) public, social and cultural, recreational and sport facilities,
 - b) facilities which are intended to promote rural areas, including promotion and preservation of the historical heritage, tradition, art and culture,
- 2) improvement of the public area;
- 3) construction, renovation or reconstruction of public infrastructure associated with the development of tourism, sports, social and cultural functions;

- 4) purchase of historical monuments or structures specific for traditional rural architecture in a given area, including historical buildings, intended for public purposes;
- 5) renewal, exhibition or conservation of local historical monuments, buildings and memorial sites;
- 6) cultivation of the traditions inherent to the local community, as well as traditional professions.

Beneficiary

Legal person: gmina, cultural institution set up by a local self-government unit, as well as churches, or other religious communities, NGO with the status of public benefit organisation (in the meaning of the Act of 24 April 2003 on the public benefit organisations and volunteering).

Accessibility criteria

Financial aid may be granted, provided that:

- 1) the project is implemented in a locality belonging to:
 - a rural gmina, or
 - an urban-rural gmina, except for towns having population of more than 5 thousand, or
 - an urban gmina, except for towns with population exceeding 5 thousand,
- 2) the project falls within the scope of the Village Renewal Plan;
- 3) the project is not of commercial nature;
- 4) in case the project is implemented on a real estate which is not owned by the Beneficiary, the Beneficiary has the right to manage the property for the period of 7 years upon the project's completion;
- 5) NGO carries out activities in the area convergent with the objectives of the Measure "Village renewal and development", particularly on behalf of population mobilization, development and preservation of cultural or natural heritage;
- 6) the project submitted by a cultural institution operating under the supervision of a local self-government entity should be approved by this entity.

Form and amount of aid

The financial aid has the form of reimbursement of part of project eligible costs.

The maximum amount of aid for the implementation of projects in one locality cannot exceed PLN 500,000 (EUR 128,080.3) within the Programme implementation period.

The amount of aid granted for implementation of one project cannot be lower than PLN 25,000 (EUR 6,404.0).

EUR equivalent is of indicative nature.

Level of support

The level of financial assistance from EAFARD is maximum 75% of project's eligible costs.

The required national contribution of public funds of at least 25%% of eligible project costs originates from the Beneficiary's own funds.

Demarcation line

Measure/Fund	Demarcation lines
Structural Funds / EFRD	<p>In areas covered by RDP 2007-2013 – support under ROP may be granted to infrastructure-related projects of the value exceeding 500,000 PLN.</p> <p>In areas not covered by RDP 2007-2013 – without a limit to project value.</p>

Cross-checks shall be carried out in order to eliminate the possibility of double funding. Detailed provisions regarding cross-checks will be set forth at the national level.

Financing

Total cost: EUR 589,580,000

Public expenditure: EUR 589,580,000

Geographical area

Whole country

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-13
Output	Number of beneficiaries	9,670
	Total value of investments (EUR)	693,623,529
Result	Rural population that benefited from implemented projects	11,500,000
Impact	Economic growth	Increase by 50.1% (including 0.41% from RDP)
	Creation of new jobs	Increase by 2.7% Target value: 14,226 thousand people (including – from RDP: 79.06 thousand people)

Programme-specific additional indicators and quantified target values

Type of indicator	Indicator	Target value 2007-13
Output	Number of projects	20,080
Result	Number of renovated facilities	17,070
	No. of localities where public space was revitalised	4,840

5.3.4. AXIS 4. LEADER

Code

4.

Legal basis

Articles 61-65 of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277/1 of 21 October 2005). Articles 37-39 and para 5.3.4.1 – 5.3.4.3 of Annex II to Commission Regulation (EC) No 1974/2006 of 15 December 2006, laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 368/15 of 23 December 2006).

Objective

Leader is a multisectoral, cross-cutting and partnership approach implemented locally within a specific area and allowing to achieve Axis 3 objectives.

The main aim of the fourth axis is to build social capital through mobilisation of rural population and contribution to the creation of new jobs in rural areas, as well as improvement of the management and valorisation of local resources as a result of indirect inclusion of Local Action Groups into a management system relevant to a given area. Cooperation projects will also be helpful to achieve the objectives.

Axis description

Leader is a sectional approach that is to contribute to the activation of rural communities through inclusion of social and economic partners into the planning and implementation of local initiatives.

Local approach associated with a specific area enables better definition of the area problems and identification of the solutions. Leader is a partnership bottom-up approach to the rural development implemented by the Local Action Groups (LAG) and consisting in elaboration of Local Development Strategy by the local rural communities and implementation of the relevant innovative projects integrating available human, natural, cultural, historical and other resources etc., as well as knowledge and skills of the representatives of 3 sectors: public, economic and social. Representatives of these sectors form a partnership referred to as Local Action Group which is representative for an area covered by LDS. At the decision-making level of LAG, social and economic partners account for at least 50%. Local Action Group selects projects which should be implemented to achieve the objectives of the jointly elaborated local development strategy.

Such a bottom-up approach will strengthen the coherence of decisions taken at the local level, increase the quality of management, contribute to the strengthening of social capital in rural areas and persuade rural communities to apply innovative solutions concerning local development of a given region. Leader approach will also support the activity of the Local Action Groups, including cooperation projects implemented by these Groups.

Implementation of axis 4 in a longer perspective will contribute to the achievement of axis 3 objectives.

Level of support

Proportion of the share of EU (EARDF) and national public funds in the financing of the measures: 80% to 20%.

Geographical area

Areas of LAGs activity.

Title of the measure

Implementation of Local Development Strategies

Code

4.1.3.

Legal basis

Article 61-64 of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277/1 of 21 October 2005).

Articles 37 and para 5.3.4.1 of Annex II to Commission Regulation (EC) No 1974/2006 of 15 December 2006, laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 368/15 of 23 December 2006).**Objective of the measure**

The Measure is intended to allow the inhabitants of the area covered by the Local Development Strategy (LDS) to implement the projects under this strategy. Strategy implementation should contribute to the improvement of quality of life in rural areas through, among other things, an increased activity of local communities and stimulation of the new job creation.

Under the LDS approved by the voivodship self-government, LAG selects projects to be carried out with the funds granted for the strategy implementation. The LAG employees help the applicants to prepare the projects. The applications may refer to the projects eligible for support under Axis 3 measures - the quality of life in rural areas and diversification of the rural economy:

- Diversification towards non-agricultural activities;
- Establishment and development of micro-enterprises;
- Village renewal and development;

and other projects, referred to as "small projects", not eligible for aid under Axis 3 measures, but contributing to the achievement of the mentioned Axis objectives, i.e. improved living quality or more diversified economic activity on LAG area.

Axis (1, 2 and/or 3) implemented via the Leader Axis

Leader is a cross-sectional and partner approach which allows for implementation of the objectives of Axis 3.

Procedure and time table of Local Action Group selection, including selection criteria

The Managing Authority (MA) delegates a part of its tasks associated with LAG selection under RDP to the voivodship self-governments (VSG). The voivodship self-governments announce, in consultation with the Managing Authority, the collection of the LAG applications for Local Development Strategy implementation in the third quarter of 2008 at the latest. LAG submits an application for Local Development Strategy implementation to the VSG on the area of which it has its seat. LAG are selected on the basis of criteria set up at the national level by the Managing Authority and associated with the LAG administrative potential and LDS quality.

The contracts are concluded between the selected Local Action Groups and competent voivodship self-government. Applications for aid and applications for payment submitted by LAG are verified by VSG. The applications for payment verified by VSG are submitted to the Paying Agency, which fulfils the paying function under Axis 4.

At least after 3 years following conclusion of the LDS agreements with LAGs, verification of LAG activities is planned in terms of LDS implementation and organizational/administrative potential. Following the a.m. verification of LAGs, the second campaign for collection of LAG applications for LDS implementation is planned. The criteria and principles of LAG selection will be the same as those set up for the first LAG selection carried out in the first year of RDP 2007-2013 implementation. Should the LAG activities be not compliant with LDS, or the objectives and activities planned under the strategy be not implemented, the funds that has not been absorbed by LAG would be transferred to the LAGs selected at the second collection of applications. Furthermore, on the basis of LAG running assessment results, specific paying functions maybe delegated to them.

Accessibility and selection criteria for LAG:

1. Accessibility criteria for LAGs:

- a) three sectors partnership, including representatives of the public, economic and social sector;
- b) at the decision-making level of partnership the social and economic partners represent at least 50%, including the representatives of civil society, in particular: farmers, rural women, young people and their associations;
- c) LAG prepares the Local Development Strategy; the area of LDS implementation is coherent and covers, according to the adopted definition of rural areas, localities within the administrative borders of:
 - rural gminas,
 - urban-rural gminas, except for towns with population exceeding 20 thousand,
 - urban gminas, except for towns with population exceeding 5 thousand.

- d) the organizational structure of LAG guarantees the separation of the managing function from the decision-making one;
- e) the area in which LDS is implemented has at least 10,000 and not more than 150,000 inhabitants;
- f) only one LAG may operate in a given area;
- g) LAG must have a proper administrative potential in order to manage public funds and to implement the Local Development Strategy.

2. Criteria of LAG selection will assess the following:

- 1) Administrative and organizational potential of LAG:
 - a) LAG structure;
 - b) The structure of the decision-making body;
 - c) Rules and procedures for extending the composition of LAG;
 - d) Detailed rules and procedures for LAG operation;
 - e) Procedure for selection of projects;
 - f) Criteria for the assessment of the project by LAG;
 - g) Previous activity of LAG, or of partners comprising LAG;
 - h) Qualifications and experience of persons comprising the decision-making body.
- 2) Quality of Local Development Strategy (LDS) in particular in terms of:
 - a) Relation and cohesion between the courses of action adopted in LDS and local conditions;
 - b) SWOT analysis
 - c) Objectives of LDS;
 - d) Agreement between the presented enterprises and the objectives of LDS;
 - e) Integrated character of LDS;
 - f) Innovative nature of solutions measures proposed by LAGs in LDS;
 - g) Planned Measures under LAG ensured the participation of local partners and inhabitants in the process of preparation of LDS;
 - h) Planned Measures under LAG ensure participation of local partners and inhabitants in the process of implementation/revision of LDS;
 - i) Methodology of self-evaluation of LAG and the evaluation of LDS implementation and revision;
 - j) Budget and schedule of actions covered by LDS;

- k) Connections with other planning documents and the impact on the development of the area covered by LDS.

Planned number of Local Action Groups

The number of LAGs will increase as the implementation of Axis 4 Leader will progress. It can be estimated that the number of Local Action Groups will amount to ca. 200 LAGs by the end of the programming period.

Minimum percentage share of social partners and organisation originating in the civic society at the decision-making level of Local Action Group

At the decision-making level of LAG, social and economic partners, including representatives of the civil society, in particular: farmers, rural women, youth and their associations, account for at least 50% of the decision-making body of LAG.

Planned percentage participation of rural areas covered by the scope of Local Development Strategy activity

Involvement in the implementation of Axis 4 Leader will be increasing as the implementation progresses. It is estimated that by the end of the RDP implementation the Leader approach will cover about 50% of rural areas meeting the criteria specified for this approach.

Rules of Local Action Group projects selection

Applications for aid eligible for support within Axis 4 Leader may relate only to projects compliant with LDS, adopted by LAG and approved by voivodship self-government. These applications may concern:

- 1) projects eligible for support under the measures of Axis 3 – The quality of life in rural areas and diversification of rural economy: i.e.
 - Diversification towards non-agricultural activities;
 - Establishment and development of micro-enterprises;
 - Rural renewal and development.

in this case the projects must meet the selection criteria specified for each Measure under Axis 3.

The projects corresponding to the Measure "Diversification towards non-agricultural activities" will be implemented according to the widest definition of rural areas, i.e. in rural gminas, urban-rural gminas, with the exception of towns with population exceeding 20 thousand residents and urban gminas, with the exception of town with population exceeding 5 thousand residents.

- 2) projects which contribute to improvement of the quality of life or diversification of economic activity in the area of LAG activity, and which are not eligible for support under the measures of Axis 3 - The quality of life in

rural areas and diversification of rural economy, if they meet the selection and accessibility criteria and for which the level of support amounts to from 4,500 PLN (EUR 1,152.7) up to PLN 100,000 (EUR 25,616.1), referred to as "small projects". EUR equivalent is of indicative nature.

LAG, in cooperation with the voivodship self-government or paying agency sets the date for the application receipt campaign. LAG develops the contents of the call for application, which contains, inter alia, local criteria for the selection of operations to be financed. Implementing authorities cooperate with local action groups to provide for the effective implementation and management of local development strategies.

The applicant submits an application for aid to a Local Action Group. LAG decides whether to select the project for financing under the LDS budget or not.

In the case of projects eligible for support under the measures of Axis 3 - The quality of life in rural areas and diversification of rural economy, LAG takes into account the project's compliance with local LDS selection criteria and objectives.

As far as small projects are concerned, LAG evaluates the project in terms of compliance with the accessibility criteria set for small projects and compliance with local LDS selection criteria and objectives.

Then, in both cases, LAG sends the competent Implementing Authority applications which were positively evaluated by the LAG decision-making body to be financed under the budget of the Local Development Strategy. After selecting an operation to be financed by the LAG, the implementing authority may refuse to make the payment if formal requirements are not met or the beneficiary failed to fulfil his commitments.

Accessibility criteria for small projects are the following:

- 1) project is compliant with LDS;
- 2) project is compliant with the scope of support defined in RDP;
- 3) project is not financed by other public funds.

LAG financing principles

The paying function in implementation of Axis 4 is performed by the Paying Agency. Having been selected by voivodship self - government, Local Action Group has a certain budget, up to which LAG selects projects of beneficiaries applying for funding.

In the case of projects eligible for aid under the measures of Axis 3: The quality of life in rural areas and diversification of rural economy, the financing rules are laid down under measures of Axis 3.

In the case of small projects, applicants whose applications have been selected by LAGs to be financed under the LDS budget and positively evaluated by Voivodship Government, the Voivodship Government signs a contract for project

implementation. Aid is paid to beneficiaries after positive verification by the Paying Agency of their application for payment.

Scope of aid

Aid is to be granted to the following:

1. Activities falling within the scope of Axis 3 measures - as specified for Axis 3 measures;
2. Small projects covering activities relating to:
 - a) delivery of trainings and other projects of educational character, or workshops, for people living in the area covered by the LDS⁸⁵;
 - b) promotion and development of local activity, including local cultural and artistic creativity, with the use of local cultural, historical and environmental heritage;
 - c) development of farm tourism and tourism in rural areas, including: creation or modernisation of tourist information electronic database and websites, preparation and publication of information folders, marking of objects which are important or characteristic of the areas covered by the Local Development Strategy;
 - d) initiation of creation, development, processing, placing on the market, and improvement of the quality of products and services based on local resources, including natural raw materials and agricultural and forest products, as well as traditional sectors of economy;
 - e) organisation of cultural, recreational and sports events in the areas covered by the LAG activity;
 - f) purchase and plantation of traditional vegetation and old plant cultivars (seeds, seedlings, rhizomes, tubers etc.) in order to use or restore a valuable environmental or cultural heritage, with particular emphasis on protected areas, including Natura 2000 areas,
 - g) purchase of software, devices and computer equipment (including devices and equipment allowing access to the Internet and purchase of Internet access service) and providing for the use of rural community in order to improve the population's quality of life in the area of LAG activity;
 - h) renovation, conservation and marking roadside shrines, natural monuments, geological outcrops and other places and buildings typical for a given locality and relevant for LDS implementation along with arrangement of the area around those places;

⁸⁵ This applies to projects other than those implemented under Measure 1.1 Vocational training for persons employed in agriculture and forestry.

- i) elevation and roof renovation in private buildings, renovation of fences and other characteristic items of regional architecture;
- j) purchase of costumes, showpieces and other equipment for artist assemblies, regional folk assemblies and other groups and assemblies that maintain local traditions and customs;
- k) investment in maintaining and cultivating traditional professions and craftsmanship and investment in support of local or folk artistic activity;
- l) creation / reconstruction of small tourist infrastructure, in particular tourist viewpoints, leisure and camping sites, cross-country and downhill skiing routes, bicycle routes;
- m) purchase of equipment for dayrooms in the villages and renovation of the dayrooms.

Definition of Beneficiary

In the case of projects eligible for aid under the measures of Axis 3 - Quality of life in rural areas and rural economy diversification, as provided for in Axis 3 measures.

In the case of small projects – natural persons residing or domiciled in the area covered by LAG activity, if they run a business, non-governmental organizations, legal persons, churches and religious communities which have their seat or which operate in the area covered by LAG activity.

Co-financing

In the case of small projects, the volume of aid per project may not exceed 70% of eligible costs and may not be more than PLN 25,000 (EUR 6,404.0).

The level of co-financing for one beneficiary may not exceed the amount of PLN 100,000 (EUR 25,616.1) in the whole programming period.

The EUR equivalent is of indicative nature

Principal Demarcation Criteria

1. For measures fitting into the framework of Axis 3 measures.

Measure/Fund	Demarcation lines
Structural Funds – ERDF and ESF (In relation to Measure entitled Diversification towards non-agricultural activities)	Under measure "Diversification towards non-agricultural activity" beneficiaries are natural persons insured in accordance with the provisions of the Act of 20 December 1990 on farmers' social insurance, as farmer, farmer's spouse or household member. Under the remaining programmes (OP "Innovative economy" OP Human Capital, Development of Eastern Poland, ROP), enterprises are supported.

	Natural persons running business activity is covered by insurance on the grounds of the provisions on social insurance system.
Structural Funds – ERDF and ESF (In relation to Measure entitled Creation and development of micro-enterprises)	<p>EFRD</p> <p>Under ROP support is granted only to existing micro-enterprises. If a registered office or place of residence of a micro-entrepreneur and – in the case of operations relating to a real estate – location of the property is located in a locality belonging to:</p> <ul style="list-style-type: none"> • a rural gmina, or • a rural-urban gmina, with the exception of cities of more than 5 thousand residents (in the case of agricultural producers preliminarily recognized fruit and vegetables producer groups, recognised fruit and vegetables producer groups and entities providing services to agricultural holdings or forestry - with the exception of cities of more than 20 thousand residents), or • an urban gmina, except for towns with population exceeding 5 thousand <p>-then the scope of activity of micro-enterprises may not cover the category of activity under Measure "Creation and development of micro-enterprises" covered by the Rural Development Programme for 2007-2013</p> <p>In the remaining programmes ("Innovative economy", Development of Eastern Poland), - declaration of the beneficiary regarding project financing, under the project, based on one selected programme.</p> <p>ESF</p> <p>Exclusion from aid within the framework of activity of entities, which in the period of the last 2 years used the support under "Promotion of entrepreneurship" of Human Capital OP.</p> <p>Under this Measure eligible costs cover only investment costs and general costs directly relating to the investment implemented by the entrepreneur, while the ESF supports trainings and advisory services for entrepreneurs.</p>
Structural Funds / EFRD (In relation to Measure entitled "Village renewal and development")	<p>In areas covered by RDP 2007-2013 – support under ROP may be granted to infrastructure-related projects of the value up to 500,000 PLN.</p> <p>In areas not covered by RDP 2007-2013 – no limit</p>

	to the value of the project.
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Measure/Fund	Demarcation lines
Structural Funds – ERDF and ESF (In relation to Measure entitled Diversification towards non-agricultural activities)	<p>Under measure "Diversification towards non-agricultural activity" beneficiaries are natural persons insured in accordance with the provisions of the Act of 20 December 1990 on farmers' social insurance, as farmer, farmer's spouse or household member.</p> <p>Under the remaining programmes (OP "Innovative economy" OP Human Capital, Development of Eastern Poland, ROP), enterprises are supported. Natural persons running business activity is covered by insurance on the grounds of the provisions on social insurance system.</p>
Structural Funds – ERDF and ESF (In relation to Measure entitled Creation and development of micro-enterprises)	<p>EFRD</p> <p>Under ROP support is granted only to existing micro-enterprises. If a registered office or place of residence of a micro-entrepreneur and – in the case of operations relating to a real estate – location of the property is located in a locality belonging to:</p> <ul style="list-style-type: none"> • a rural gmina, or • a rural-urban gmina, with the exception of cities of more than 5 thousand residents (in the case of agricultural producers preliminarily recognized fruit and vegetables producer groups, recognised fruit and vegetables producer groups and entities providing services to agricultural holdings or forestry - with the exception of cities of more than 20 thousand residents), or • an urban gmina, except for towns with population exceeding 5 thousand <p>-then the scope of activity of micro-enterprises may not cover the category of activity covered by the Annex to Regulation on specific conditions and procedure for granting financial aid under Measure "Creation and development of micro-enterprises" covered by the Rural Development Programme for 2007-2013</p> <p>In the remaining programmes ("Innovative economy", Development of Eastern Poland), - declaration of the beneficiary regarding project financing, under the project, based on one selected programme.</p>

	<p>ESF</p> <p>Exclusion from aid within the framework of activity of entities, which in the period of the last 2 years used the support under "Promotion of entrepreneurship" of Human Capital OP.</p> <p>Under this Measure eligible costs cover only investment costs and general costs directly relating to the investment implemented by the entrepreneur, while the ESF supports trainings and advisory services for entrepreneurs.</p>
<p>Structural Funds / EFRD</p> <p>(In relation to Measure entitled "Village renewal and development")</p>	<p>In areas covered by RDP 2007-2013 – support under ROP may be granted to infrastructure-related projects of the value up to 500,000 PLN.</p> <p>In areas not covered by RDP 2007-2013 – no limit to the value of the project.</p>

Description of demarcation lines is provided in Chapter 10.3

Cross-checks shall be carried out in order to eliminate the possibility of double funding. Detailed provisions regarding cross-checks will be set forth at the national level.

2. For projects contributing to implementation of Axis 3 objectives, but not eligible for support under Axis 3 measures specified in RDP 2007-2013, i.e. small projects:

Measure/Fund	Demarcation lines
"Village renewal and development"	1. Level of co-financing - more than 25,000 per project
Structural Funds – ERDF and ESF	<p>Under OP Human Capital support is granted for activities of local initiatives acting for: employment, social integration and education.</p> <p>Support will be addressed to residents of rural gminas, urban-rural gminas and cities of up to 25 thousand residents. Support will take the form of "small grants".</p> <p>Support will constitute a complement to the measures implemented under RDP (non-agricultural activities) and will prepare the residents of rural areas for increased activity under the remaining fields of OP HC.</p> <p>The beneficiary will be required to submit a declaration about non-financing of the project from</p>

	<p>other sources,</p> <p>Under ROP support may refer inter alia to projects listed under c), d), h), i), l), m).</p> <p>The beneficiary will be required to submit a declaration about non-financing of the project from other sources,</p>
Operational Programme Sustainable Development of the Fisheries Sector and Coastal Fishing Areas	<p>Appropriate mechanisms of coordination between programmes shall be developed by the Managing Authorities as a part of prevention of improper double funding from different Community instruments. These mechanisms will involve the submission of declarations on not financing the projects from other public funds by beneficiaries</p>
Measure/Fund	Demarcation lines
"Village renewal and development"	1. Level of co-financing - more than 25,000 per project
Structural Funds – ERDF and ESF	<p>Under OP Human Capital support for activities of local initiatives acting for: employment, social integration and education.</p> <p>Support will be addressed to residents of rural gminas, urban-rural gminas and cities of up to 25 thousand residents. Support will take the form of "small grants".</p> <p>Support will constitute a complement to the measures implemented under RDP (non-agricultural activities) and will prepare the residents of rural areas for increased activity under the remaining fields of OP HC.</p> <p>The beneficiary will be required to submit a declaration about non-financing of the project from other sources,</p> <p>Under ROP support may refer inter alia to projects listed under c), d), h), i), l), m).</p> <p>The beneficiary will be required to submit a declaration about non-financing of the project from other sources,</p>
Operational Programme Sustainable Development of the Fisheries Sector and Coastal Fishing Areas	<p>Within the framework of preventing the incorrect double-funding from different Community instruments Managing Authorities will develop appropriate Programme coordination mechanisms. These mechanisms will be based on the</p>

	beneficiaries providing declarations about non-financing of the project from other sources
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Description of demarcation lines is provided in Chapter 10.3

Cross-checks shall be carried out in order to eliminate the possibility of double funding. Detailed provisions regarding cross-checks will be set forth at the national level.

Financing

As regards implementation of Axis 4, the paying function is performed by an accredited Paying Agency, which pays aid to Local Action Group for projects under Measures 4.2 and 4.3. The Paying Agency also makes withdrawals for Beneficiaries of Measure 4.1. Withdrawal of aid amounts for the Beneficiary is preceded by positive verification of application for payment by the Paying Agency.

The budget in LDS for the implementation of that strategy will depend on the number of inhabitants covered by the LDS.

Total cost: EUR 1,023,615,385

Public expenditure: EUR 620,500,000

Indicators and their target values concerning "**Small projects**"

Quantified target values for common monitoring indicators concerning "**Small projects**"

Type of indicator	Indicator	Target value 2007-2013
Product	Number of LAGs	200
	Total size of the LAG area	152,825 km ²
	Number of projects	21,280
Result	Number of jobs created	3,000
	Number of training participants who completed training with positive evaluation	10,000
Impact	Economic growth	Increase by 50.1% (including 0.41% from RDP)
	Creation of new jobs	Increase by 2.7% Target value: 14,226 thousand persons (including – from RDP: 79.06 thousand persons)

Programme-specific additional indicators and quantified target values for common monitoring indicators concerning "Small projects"

Type of indicator	Indicator	Target value 2007-2013
Product	Total population living in the area covered by activity of LAGs	10,000,000
	Number of beneficiaries	10,640

Indicators and their target values concerning measures of Axis 3 implemented by Leader

Diversification into non-agricultural activities

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Product	Number of beneficiaries	7,800
	Total value of investments (EUR)	321,200,000
Result	Gross number of new jobs	8,510

Programme-specific additional indicators and quantified target values

Type of indicator	Indicator	Target value 2007-2013
Product	Number of projects	8,510
	Number of LAGs involved in Measure implementation	200
	Total size of the area covered by the activities of LAG involved in Measure implementation	152,825 km ²
	Total population of the area covered by the activities of LAG involved in Measure implementation	10,000,000
Result	Increase in the number of holdings belonging to farmers conducting non-agricultural activity	7,800

Creation and development of micro-enterprises

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Product	Number of micro-enterprises supported	3,640
Result	Gross number of new jobs	3,820

Programme-specific additional indicators and quantified target values

Type of indicator	Indicator	Target value 2007-2013
Product	Number of projects	3,820
	Number of LAGs involved in Measure implementation	200
	Total size of the area covered by the activities of LAG involved in Measure implementation	152,825 km ²
	Total population of the area covered by the activities of LAG involved in Measure implementation	10,000,000
	Total value of investments (EUR)	321,200,000

Village renewal and development

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Product	Number of beneficiaries	3,520
	Total value of investments (EUR)	252,329,412

Programme-specific additional indicators and quantified target values

Type of indicator	Indicator	Target value 2007-2013
Product	Number of projects	7,310
	Number of LAGs involved in Measure implementation	200
	Total size of the area covered by the activities of LAG involved in Measure implementation	152,825 km ²
	Total population of the area covered by the activities of LAG involved in Measure implementation	10,000,000
Result	Number of renovated facilities	6,210
	No. of localities where public space was revitalised	1,760

Measure title

Implementation of cooperation projects

Measure code

4.21

Legal basis

Article 65 (1) of Council Regulation (EC) No. 1698/2005 of 20 September 2005 on supporting rural development under European Agriculture Rural Development Fund (EAFRD) OJ L 277/1 of 21 October 2005).

Article 38 and point 5.3.4.2 of Annex II to the Commission Regulation (EC) No 1974/2006 of 15 December, laying down detailed rules for the application of Council Regulation (EC) No 1698/2006 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) OJ L 368/15 of 23 December 2006).

Scope of the Measure

The Measure covers granting aid to LAGs for implementation of projects of interregional and international cooperation:

- 1) included in LDS;
- 2) not included in LDS, but compliant with the objectives of LDS prepared and implemented by LAGs.

A cooperation project consists of the following:

- 1) preparation of the project, including development of a concept;
- 2) implementation of the project.

Cooperation projects:

- 1) must provide for implementation of common projects;
- 2) may involve, apart from LAGs, other partnerships which are groups of local partners and deal with the issue of rural development;
- 3) if they involve other partnerships being groups of local partners referred to in Paragraph 2, the costs they incur are not considered to be eligible costs of the project, except for the costs of project coordination;
- 4) if they relate to extra-European Union areas, expenditure incurred as part of implementation of this part of the project are not eligible for support from the European Agricultural Fund for Rural Development (EAFRD);
- 5) if there are costs related to planning and preparation of a cooperation project, i.e. the costs of organisation of partners' meeting to look for partners, finding

about and arrangement of the condition of the cooperation project, these costs are considered to be eligible expenditure and they should be an integral part of the cooperation project.

Definition of beneficiary

Local Action Groups

Procedure and schedule for selection of cooperation projects, including selection criteria

Procedure for selection of cooperation projects

Projects included in LDS

Such projects are described in LDS, and they are evaluated basing on the criteria set for cooperation projects. As a result of evaluation performed, Voivodship Government accepts or rejects implementation of cooperation project, which results in possible decrease in the LDS budget by the costs of implementation of unaccepted cooperation project. The fact of non-acceptance of a cooperation project does not cause rejection of LDS.

Projects not included in LDS

In the case of cooperation projects not included in LDS, LAG may apply to the Voivodship Government with which it has signed the contract for LDS implementation for acceptance of this project basing on the project description presented. The Voivodship Government evaluates the project on a basis of cooperation projects selection criteria. As a result of the evaluation, the Voivodship Government accepts or rejects the cooperation project implementation.

Criteria for selection (evaluation) of cooperation projects:

Accessibility criteria for cooperation projects:

- 1) the project provides for implementation of joint projects by project partners;
- 2) the project is compliant with LDS and contributes to achievement of LDS objectives;
- 3) at least one among the partners taking part in the cooperation project must be a Local Action Group selected under the implementation of Axis 4-RDP 2007-2013;
- 4) the project coordinator has been selected as part of the project.

The selection criteria for cooperation projects concern in particular the following:

- 1) administrative potential necessary to manage/coordinate the project;
- 2) objectives of the project;

- 3) the scope of the project, including the utilisation of local resources and the innovative character of solutions presented;
- 4) budget;
- 5) impact of the project on local environment.

Schedule of selection and implementation of cooperation projects

The cooperation projects described in the LDS accepted by the Voivodship Government – institution which performs the function of the Implementing Institution for the Leader approach, may be implemented after signing a contract with LAGs selected at the first collection of applications for LDS implementation (third quarter of 2008). In the case of cooperation projects, however compliant with LDS objectives but not taken into account in LDS, they are submitted to acceptance by the Voivodship Government, 31 December 2013 at the latest, and their implementation must take place during the RDP 2007-2013 implementation period.

Axis (1,2 and/or 3) implemented via the Leader Axis

Leader is a cross-sectional and partner approach which allows for implementation of the objectives of Axis 3.

Financing

Total cost: EUR 15,000,000

Public expenditure: EUR 15,000,000

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Product	Number of projects	200
	Number of LAGs	200
Result	Number of jobs created	50
Impact	Jobs creation	Increase by 2.7% Target value: 14,226 persons including: 79.06 thousand persons from RDP)

Measure name

Running the Local Action Group, acquisition of skills and activation

Measure code

4.31

Legal basis

Article 63 of Council Regulation (EC) No. 1698/2005 of 20 September 2005 on supporting rural development under European Agriculture Rural Development Fund (EAFRD) (OJ EC L 277/1 of 21 October 2005).

Article 39 and point 5.3.4.3 of Annex II to Commission Regulation (EC) No 1974/2006 of 15 December 2006, laying down detailed rules for the application of Council Regulation (EC) No 1698/2006 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ EC L 368/15 of 23 December 2006).

Measure objective

The Measure will ensure efficient and effective work of Local Action Groups selected as part of implementation of Axis 4 of RDP 2017-2013 and vocational training of people who participate in preparation and implementation of local development strategies. The Measure will also contribute to building of social capital in rural areas, and consequently to stimulation of local community involvement in the area development and better harness of the potential of rural areas.

Justification

The prerequisite for local community engagement in development of the rural area and better harness of the area resources is building the social capital. Due to low overall activity level of Polish rural communities, as well as their poor engagement into local structures and reluctance to cooperate, it is fundamental for the Local Activity Groups to undertake activating, promotional or training activities of substantial importance to development of Polish rural areas. To achieve this, it is essential to provide efficient operation of the Local Activity Groups carrying out activating and animating actions.

Intensity of aid

As part of the measure, the aid for implementation of activities is granted to LAGs in accordance with the list of eligible costs specified in separate regulations. Aid granted under this Measure may relate in particular to the following:

- 1) research on the area covered by LDS;
- 2) providing information about the area of LAG activity and about LDS;

- 3) training the LDS implementing personnel;
- 4) promotional events related to the area of LAG and LDS activity;
- 5) training the local leaders;
- 6) animation of local communities;
- 7) ongoing costs incurred by LAG (administrative costs related to LAG activity).

Definition of Beneficiary

Local Action Groups

Participation of ongoing costs in the Local Action Group budget

The ongoing costs of Local Action Group may account for maximum 15% of the value of all activities carried out by LAG as part of LDS development. In order to provide efficient LAG operation, guidelines concerning maximum eligible salary rates for LAG employees will be worked out. These guidelines may be subject to modifications in justified instances.

The share of expenditures incurred under Article 59 (a) - (d) of Council Regulation (EC) No 1698/2005 for acquisition of skills and activation as part of the Leader Axis.

EUR 152,000,000.00 has been dedicated to Measure 4.31. As part of this measure, the LAG ongoing costs, acquisition of skills and activation are financed.

Principal Demarcation Criteria

Measure/Fund	Demarcation lines
Structural Funds - ESF	<p>Under OP Human Capital, support will be addressed to</p> <ul style="list-style-type: none"> - initiatives raising the awareness of rural residents and increasing the engagement in employment matters, social integration and education - information and promotion activities, as well as trainings regarding the active attitude of local communities - support for the activities of local initiatives acting towards employment, social integration, adaptation of employees, entrepreneurs and enterprises, entrepreneurship and education <p>Declaration of the beneficiary about non-financing of the project from other public funding sources</p>

Description of demarcation lines is provided in Chapter 10.3

Cross-checks shall be carried out in order to eliminate the possibility of double funding. Detailed provisions regarding cross-checks will be set forth at the national level.

Financing

Total cost: EUR 152,000,000

Public expenditure: EUR 152,000,000

Quantified target values for common monitoring indicators

Type of indicator	Indicator	Target value 2007-2013
Product	Number of projects	11,200
	Number of participants of activities carried out by LAGs	1,000,000
Result	Number of training participants who completed training with positive evaluation	8,200

Additional indicators and quantified target values specific for the Programme

Type of indicator	Indicator	Target value 2007-2013
Product	Number of LAGs	200

6. RDP FINANCIAL PLAN FOR 2007-2013

6.1. EAFRD annual contribution (EUR)

Year	Total EAFRD	Convergence areas
2007	1,989,717,841.00	1,989,717,841.00
2008	1,932,933,351.00	1,932,933,351.00
2009	1,872,739,817.00	1,872,739,817.00
2010	1,866,782,838.00	1,866,782,838.00
2011	1,860,573,543.00	1,860,573,543.00
2012	1,857,244,519.00	1,857,244,519.00
2013	1,850,046,247.00	1,850,046,247.00
Total	13,230,038,156.00	13,230,038,156.00

6.2. Financial plan as divided into axes (EUR for the whole period)

Axis	Public contribution		
	Total public contribution	EAFRD contribution rate (%)	EAFRD amount
Axis 1	7,187,532,000.00	75.00%	5,390,649,000.00
Axis 2	5,546,001,520.00	80.00%	4,436,801,216.00
Axis 3	3,430,183,920.00	75.00%	2,572,637,940.00
Axis 4	787,500,000.00	80.00%	630,000,000.00
Technical assistance	266,600,000.00	75.00%	199,950,000.00
Total	17,217,817,440.00	76.84%	13,230,038,156.00

7. INDICATIVE DIVISION INTO PARTICULAR RURAL DEVELOPMENT MEASURES (EUR FOR THE WHOLE PERIOD)

Measure code	Measure title/Axis 1	Public expenditure	Private expenditure*	Total cost
111	Vocational training for persons employed in agriculture and forestry	40,000,000.00	0.00	40,000,000.00
112	Facilitation of young farmers' setting up	420,000,000.00	0.00	420,000,000.00
113	Early retirement	2,187,600,000.00	0.00	2,187,600,000.00
114	Making use of the advisory services by farmers and forest owners	350,000,000.00	87,500,000.00	437,500,000.00
121	Modernisation of agricultural holdings	1,779,932,000.00	2,669,898,000.00	4,449,830,000.00
123	Increasing the added value to basic agricultural and forestry production	1,100,000,000.00	3,300,000,000.00	4,400,000,000.00
125	Improvement and development of infrastructure related to the development and adjustment of agriculture and forestry	600,000,000.00	0.00	600,000,000.00
132	Participation of farmers in food quality schemes	100,000,000.00	0.00	100,000,000.00
133	Information and promotion activities	30,000,000.00	12,857,143.00	42,857,143.00
141	Liabilities for the period 2004-2006; Measure: "Support for semi-subsistence farms"	440,000,000.00	0.00	440,000,000.00
142	Agricultural producer groups	140,000,000.00	0.00	140,000,000.00
TOTAL Axis I		7 187 532 000,00	6,070,255,143.00	13,257,787,143.00

*maximum amounts of private contribution, rounded off to the nearest whole; depending on the type of Beneficiary; only for information purposes.

Measure code	Measure title/Axis 2	Public expenditure	Private expenditure	Total cost
211, 212	Support of management in mountain areas and in less-favoured areas (LFA)	2,448,750,000.00	0.00	2,448,750,000.00
214	Agri-environmental programme (agri-environmental payments)	2,303,750,000.00	0.00	2,303,750,000.00
221, 223	Afforestation of agricultural and non-agricultural land	653,501,520.00	0.00	653,501,520.00
226	Restoring forestry production potential damaged by natural disasters and introducing appropriate prevention instruments	140,000,000.00	0.00	140,000,000.00
TOTAL Axis II		5 546 001 520,00	0.00	5,546,001,520.00

Measure code	Measure title/Axis 3	Public expenditure	Private expenditure*	Total cost
311	Diversification towards non-agricultural activities	345,580,000.00	345,580,000.00	691,160,000.00
312	Establishment and development of micro-enterprises	1,023,583,600.00	1,023,583,600.00	2,047,167,200.00
321	Basic services for the economy and rural population	1,471,440,320.00	0.00	1,471,440,320.00
322, 313, 322, 323	Rural renewal and development	589,580,000.00	0.00	589,580,000.00
TOTAL Axis III		3 430 183 920,00	1,369,163,600.00	4,799,347,520.00

*maximum amounts of private contribution, rounded off to the nearest whole; depending on the type of Beneficiary; only for information purposes.

Measure code	Measure title/Axis 4	Public expenditure	Private expenditure*	Total cost
4.1/413	Implementing the local development strategy	620,500,000.00	403,115,385.00	1 023 615 385,00
4.21	Implementing the cooperation projects	15,000,000.00	0.00	15 000 000,00
4.31	Running of the Local Action Group, acquisition of skills and activation	152,000,000.00	0.00	152 000 000,00
TOTAL only Axis IV		787 500 000,00	403,115,385.00	1,190,615,385.00
TOTAL Axis I, II, III, IV		16 951 217 440,00	7,842,534,128.00	24,793,751,568.00

*maximum amounts of private contribution, rounded off to the nearest whole; depending on the type of Beneficiary; only for information purposes.

Measure code	Measure title	Public expenditure	Private expenditure	Total cost
-	Technical Assistance	266,600,000.00	0.00	266,600,000.00

TOTAL RDP FOR 2007-2013		17,217,817,440.00	7,842,534,128.00	25,060,351,568.00
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8. TABLE CONCERNING ADDITIONAL NATIONAL FINANCING ALLOCATED FOR THE AXIS, LISTING THE MEASURES SPECIFIED IN REGULATION (EC) NO 1698/2005

Additional financial resources are not offered.

9. ELEMENTS NEEDED TO CONDUCT THE EVALUATION IN COMPLIANCE WITH COMPETITION RULES AND, IF APPLICABLE, LIST OF AID SYSTEMS APPROVED UNDER ARTICLES 87, 88 AND 89 OF THE TREATY, WHICH ARE TO BE USED FOR THE IMPLEMENTATION OF THE PROGRAMME

In accordance with Article 88 of Council Regulation (EC) No 1698/2005 on supporting rural development under European Agriculture Rural Development Fund (EAFRD) and Article 57 of Commission Regulation (EC) No 1974/2006 of 15 December 2006, laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 368/15, 23.12.2006) provisions regarding State Aid adopted on the grounds of Articles 87-89 of the Treaty (EC) refer to national co-financing of the measures specified in Articles 25 and 52 of Council Regulation (EC) No 1698/2005 and those operations which are implemented within the framework of measures specified in Articles 28 and 29 of the abovementioned Regulation, which are not covered by Article 36 of Treaty (EC), and thus are not covered by Annex I to the Treaty.

Among measures covered by Article 52 of the Council Regulation (EC) No 1698/2005 (Axis III measures), state aid rules refer to the following measures: "Diversification towards non-agricultural activity" and "Establishment and development of micro-enterprises". In the case of these measures, de minimis rule will be applied in accordance with the Commission Regulation (EC) No 1998/2006 of 12 December 2006 on the application of Articles 77 and 88 of the Treaty to de minimis aid.

Granting conditions and aid intensity specified in these measures (50%) are compliant with the abovementioned regulations.

State aid regulations do not apply to the remaining Axis III measures ("Rural renewal and development" and "Basic services for the economy and rural population"), where the support is addressed to rural population through public entities implementing these operations, entities providing municipal services for rural community or public interest organisations.

State aid regulations also do not apply to measure specified in Article 28 of the Council Regulation (EC) No 1698/2005 ("Increasing the added value to basic agricultural and forestry production") since the projects will refer exclusively to raw

material processing and manufacture of products covered by Annex I to the Treaty (EC).

All the remaining Programme measures meet the requirements of the second indent of Article 88 (1) of the Council Regulation (EC) No 1698/2005, therefore are not covered by the state aid regulations resulting from Articles 87-89 of the Treaty (EC).

10. INFORMATION ON COMPLEMENTARITY WITH MEASURES FINANCED BY OTHER COMMON AGRICULTURAL POLICY INSTRUMENTS, AS PART OF THE COHESION POLICY, AS WELL AS BY THE EUROPEAN FISHERIES FUND

10.1. Evaluation and manner of achieving complementarity

With measures, policy and priorities of the Community, in particular with economic and social cohesion objectives and European Fisheries Fund objectives

In order to ensure the maximum effectiveness of the absorption of funds under EU cohesion policy, common agricultural policy and common fisheries policy, complementary support will be ensured under all instruments of these policies, as well as clear coordination mechanisms and rules for preventing double-funding will be developed.

Complementarity and synergy of actions under NSRF

Mutual complementarity of all operational programmes under NSRF has been designed in such a way, for the national programmes [Operational Programme Infrastructure and Environment, Operational Programme Innovative Economy and Operational Programme Human Capital – central component] support projects of trans-regional, national and international scope and range, while the projects implemented under ROP and regional component of OP Human Capital are of regional, sub-regional and local character. Additionally, on border areas trans-border projects will be implemented under Programmes of European Territorial Cooperation.

All those actions are designed in a coherent and synergetic way, in order to maximise the effects of Community funds expenditure.

Measures under Regional Operational Programmes are complementary with:

- Measures under OP Innovative Economy in particular as regards: investments in innovation, research and development of new technologies, entrepreneurship, information society.
- Measures under OP Infrastructure and Environment – in particular as regards: transport, environment, energy, social infrastructure.

- Measures under Operational Programme Development of Eastern Poland - in particular as regards: road infrastructure, business environment institutions, higher education and information society infrastructure.
- Trans-border and international measures under European Territorial Cooperation programmes.

Projects implemented under ERDF and Cohesion Fund funding will contribute to efficient and effective implementation of OP Human Capital objectives, funded under ESF. Diverse support for human resources under OP Human Capital, combined with effects of infrastructural investments will allow for quicker achievement of social, economic and territorial cohesion objectives.

Complementarity with the EAFRD and EFF-financed measures

Regional Operational Programmes will support the common intervention fields geared towards rural development and development of fishery-dependent areas in synergy with programmes co-financed under EAFRD and EFF, These projects are e.g.:

- development of environmental protection infrastructure,
- development of social infrastructure,
- support for entrepreneurship.

Demarcation

In order to eliminate the potential cross-coverage of intervention under respective operational programmes co-financed under structural funds, Cohesion Fund, EAFRD and EFF, the Managing Authority will comply with the provisions of "Demarcation lines between Operational Programmes of Cohesion Policy, Common Agricultural Policy and Common Fisheries Policy" - document approved by the NSRF Coordination Committee.

This document specifies in detail the demarcation criteria, which are based mainly on: territorial range of activities, project value, type of beneficiary etc. The document is an effect of agreements made by all institutions involved in programming the development for 2007-2013.

Coordination mechanisms

In order to ensure the compliance with the demarcation principles between ROP and the remaining operational programmes during their implementation, the following coordination instruments will be provided:

1. NSRF Coordination Committee (with representatives of the RDP MA and MA of the Operational Programme Sustainable Development of the Fisheries Sector and Coastal Fishing Areas).

2. ROP Monitoring Committees and Monitoring Sub-Committees of OP Human Capital.
3. Project cross-checks.
4. Beneficiaries' declarations.

Moreover, concentration of institutions engaged in the implementation of ROP, regional component of OP Human Capital, European Territorial Cooperation and some RDP measures in the Marshal's Offices, will contribute to the prevention of double-funding and to the optimisation of implementation of all programmes.

The rural development situation analysis as well as the regulations concerning the European Agricultural Fund for Rural Development indicate that for the reasons of harmonious rural development it is essential to apply measures going beyond the possibilities provided by the instruments co-financed by this Fund. A significant supplement to the support scope which is essential from the perspective of the identified needs of rural areas is the use of instruments under the remaining Community policies, in particular the use of the cohesion policy.

In the area of the cohesion policy, the main development objectives and priorities of Poland are determined in the National Strategic Reference Framework (NSRF). One of the NSRF objectives is objective 6: "Equalisation of the development chances and support for structural changes in rural areas".

Under this objective, problems related to rural areas should be examined on two levels - the first one, relating to supporting changes in agriculture, which is the main source of income for many rural inhabitants, and the second one, relating to enabling the use of the potential of these areas for growth in the economy and rise in employment. The first level problems will be solved with the use of Common Agricultural Policy instruments, including the European Agricultural Fund for Rural Development. The second level, concerning the use of the non-agricultural development potential of rural areas, requires the application of cohesion policy measures and instruments. The measures intended for realisation in rural areas with the support of structural policy instruments refer directly to the directions determined in the Community Strategic Guidelines to "*Promote the economic diversification of rural areas*".

Due to this, the cohesion policy will also be aimed at development of rural areas which are often marginalised in economic, social, educational and cultural terms in our country. Measures aiming to balance chances for development in rural areas will focus on support for the development of technical and social infrastructure. Conditions for the development of entrepreneurship and new non-agricultural jobs will be created. Structural investments in the scope of local roads, environmental protection, waste collection and management, wastewater collection and treatment,

supply of energy and good-quality water will be implemented. In the social sphere, the equal opportunity for education of young generation will be provided, along with life-long learning and conditions for better accessibility of basic services, especially as regards health protection. Moreover, the transport infrastructure between rural and urban areas and collective transport systems are to be improved in order to increase accessibility to largest towns, and thus to labour market without the necessity to change the place of residence. Measures creating efficient telecommunication connections allowing wide use of the Internet in rural areas are planned.

The implementation of the above assumptions will be carried out under the operational programmes for 2007-2013, out of which the most important from the point of view of implementation of the above mentioned NSRF objective of "equalisation of the development chances and support for structural changes in rural areas" are to be the regional operational programmes of the 16 voivodships and the Human Capital Operational Programme.

As regards structural changes in rural areas, support will be provided through services related to professional counseling and retraining of persons withdrawing from agricultural activity, promotion of entrepreneurship, development of non-agricultural functions of rural areas (e.g. farm tourism, rural cultural heritage protection).

In addition, it is the towns that play a special role in the process of rural development since they are the places where rural population can find jobs and increase their level of education and skills as well as fulfil their health needs and cultural aspirations. It is especially important to support the development of those functions of small towns and selected gminas which are directly connected with restructuring processes in rural areas, including in particular health services, secondary level education, development of small and medium-sized enterprises in non-agricultural sectors, tourism and spa functions.

In order to ensure coordination between the authority managing RDP and authorities managing operational programmes, of which the National Strategic Reference Framework constitutes the basis, it was written in the document that "The Minister of Regional Development in cooperation with the Minister of Agriculture and Rural Development shall coordinate the cohesion of provisions of sector and regional operational programmes as regards rural development".

Therefore, at this stage of works on operational programmes, the representatives of the Minister of Agriculture and Rural Development and the representatives of the Minister of Regional Development and other intermediary institutions take part in the works of working groups developing these programmes. Regardless of the abovementioned facts, the representatives of those authorities shall be represented

in monitoring committees related to the programmes under Cohesion Policy and Common Agricultural Policy.

In order to achieve the synergy effect, the scope of support for rural areas under 16 regional programmes, OP Infrastructure and the Environment, OP Innovative Economy, OP Development of Eastern Policy (intended to support the following voivodhsips: warmińsko–mazurskie, podlaskie, lubelskie, podkarpackie, świętokrzyskie), co-financed by the European Regional Development Fund, the Cohesion Fund and OP Human Capital co-financed by the European Social Fund, shall cover the possibility to support rural development in the scope resulting from NSRF.

Due to the fact that the scope of the aid, especially in the case of Axis 3 – “improvement of the quality of life in rural areas and economic diversification of rural areas” and Leader Axis 4, may potentially overlap with the scope of aid under the programmes co-financed by structural funds, all the managing or intermediary institutions for the programmes under the Cohesion Policy and RDP 2007-2013 jointly work on developing “demarcation lines”. Depending on the measure, scope of support and potential beneficiaries, these will be based on the definition of the beneficiary, the administrative boundary, the scope of aid or the scale of the project. Regardless of the determination of demarcation lines, in the case of projects – especially those where a risk of overlapping of the support scope may potentially occur – the beneficiary will be requested to provide respective declarations regarding the use of only one source of financing for the implementation of the project. Proper management, depending on support instruments, will be coordinated on local level by the Voivodship Government or by ARMA. The Voivodship Governments, being the entities engaged in implementation of RDP 2007-2013, as well as regional operational programmes or Human Capital Operational Programme, will be able to carry out cross-checks efficiently and eliminate the risk of double funding. The Voivodship Governments will cooperate closely with ARMA in the scope of cross checks. Additionally, apart from cross checks, the invoices stamping system will prevent double funding of the projects (or their parts). Detailed solutions for implementing cross-checks will be presented before the Coordinating Committee, RDP Coordinating Committee and in the first Annual Report on RDP implementation.

Information flow will be ensured between ARMA and voivodship self-governments as regards the implemented projects, which will ensure cohesion between measures implemented under different programmes and their compliance with voivodship strategies. General rules and scope of cooperation will be agreed upon at the national level between the Ministry of Agriculture and Rural Development, and the Ministry of Regional Development.

Whenever possible, the abovementioned programmes should take into account directions of support, which are also vital for the rural development and categorised as follows:

1. Development of and improvement in the local infrastructure.
2. Development of entrepreneurship and investment attractiveness of rural areas.
3. Investments in human potential and equalisation of educational chances for rural inhabitants.
4. Improvement in the quality of and increase in the access to public services in rural areas.
5. Extension of the scope of impact of the biggest economic development centres on rural areas through an increase in their accessibility to rural inhabitants.
6. Social exclusion in the former National Agricultural Holdings, as well as areas formerly dependent on fishery.

As part of the implementation of the above-mentioned directions of support for rural development, the scope of the aid under sector operational programmes should cover – as far as possible - trans-regional activities, which shall also impact the economic development and improvement in living standard in rural areas. On the other hand, regional operational programmes should include elements relating to rural areas, i.e.:

- 1) presentation of the problems of rural areas as a separate section/subchapter and adequate complementation of the SWOT analysis;
- 2) insertion into the programme strategy of provisions referring to the manner of realising - by regional operational programmes - the NSRF objective concerning rural areas;
- 3) insertion into the programme strategy of provisions concerning equal opportunities to implement projects for rural development, which will be specified at a later stage, e.g. as part of access criteria, project selection criteria;
- 4) determination of complementarity with the EAFRD and EFF-financed measures on the priority level.

Apart from the aforementioned Programmes, in Poland, the Operational Programme "Sustainable Development of the Fisheries Sector and Coastal Fishing Areas 2007-2013" shall be implemented; it defines national strategic objectives coherent with the Common Fishery Policy as regards development of the fisheries sector between 2007 and 2013, paying attention to sustainable exploitation of fishery resources, supply

and market balance, sustainable development of aquaculture, development and competitiveness of the fisheries sector, human capital, the territorial aspect of fisheries policy, protection of the environment with special emphasis on protection of water environment, proper management of fisheries Policy.

The implementation of the objectives of Operational Programme "Sustainable Development of the Fisheries Sector and Coastal Fishing Areas 2007-2013" shall be assured by measures included in five priorities, within which the following should be emphasized in the context of rural development: sustainable development of the areas dependant on fishery and inland fishery, fish processing and fish market.

Pursuant to the Council Regulation *on support for rural development by the European Agricultural Fund for Rural Development*, aid provided under RDP 2007-2013 is supplementary to support determined for the European Agricultural Guarantee Fund and cannot cover measures provided for under this Fund, especially the instruments which are an element of the Common Organisation of Markets.

Therefore, it shall be guaranteed that the measures financed by Community funds do not overlap. This refers in particular to the support for producer groups in the fruit and vegetable market and the aid from the restructuring fund for areas covered by the restructuring of sugar industry. Poland shall also guarantee cohesion of promotional-informational measures related to agricultural products and Common Agricultural Policy.

Moreover, the aid under RDP 2007-2013 does not cover measures related to research, the fighting of animal diseases and promotion of agro-food products, which are covered by the support under Common Organisation of Markets.

RDP 2007-2013 measures shall take into account the Community legislation concerning gender equality. The criteria of access to support under RDP 2007-2013 shall be defined in such a way that neither of the sexes is discriminated or favoured. The decision to grant support shall be determined by meeting the conditions of providing aid. This rule shall be obligatory during the implementation of all RDP 2007-2013 measures. The monitoring of measures implementation shall consider data illustrating the male/female share.

The rules of the implementation of RDP 2007-2013 measures shall be regulated at the national level by detailed provisions covering in particular the conditions concerning the beneficiaries.

Attention to clarity of the applied administrative procedures shall be paid, inter alia, through the process of accreditation of the paying agency implementing RDP 2007-2013. Control actions performed by the paying agency at the subsequent stages of examining the application and making the payment as well as procedures established by the agency will ensure that a payment will be granted in accordance with the provisions in force and it will be made to the beneficiary's or his/her plenipotentiary's

account, whereas checklists and the IT system will ensure the monitoring of correctness and validity of beneficiary data.

All the required regulations shall be published and accessible in electronic versions on websites, which should favour the maintaining of competition rules. Information shall be provided both at the stage of the planning of measure initiation in order to allow potential beneficiaries to make favourable choices in advance and to enable appropriate preparation for the use of RDP 2007-2013 measures, and after the approval of the final versions of relevant regulations.

Measures covered by RDP 2007-2013 shall be in accordance with the Community and national labour market policy. Income generated in relation to the implementation of RDP 2007-2013 measures will stimulate the economic activity in rural areas, including trade and services, which will indirectly contribute to stabilisation of and increase in employment.

With financial resources from EAGF or other instruments of sectors listed in Annex I to the Council Regulation (EC) No 1698/2005

In accordance with Article 5 of the Council Regulation (CE) No 1698/2005) and Article 2 of the Council Regulation (EC) No 1974/2006 the conditions of granting aid under the respective RDP measures are coordinated with the Common Agricultural Policy support systems. In general, RDP is the main source of support for the transformations and adjustments of agriculture, processing and marketing of agricultural products, whereas other systems provided for in the Community regulations are of lesser significance. On that account the exclusion of the possibility to grant co-financing for the same operation from more than one source has been reflected by appropriate programme solutions, i.e. various scope of support under the respective Programme measures and CAP support instruments.

In the case of possible overlapping of support from various sources (e.g. under the State aid) or future possibility of occurrence of such situation, the Agency for Restructuring and Modernisation of Agriculture (RDP Paying Agency) will carry out cross-checks of the beneficiaries. The beneficiaries will also be obliged to submit declarations of not receiving any other public funds for given operations. On the other hand, in the case of payment of the funds for beneficiaries, a system of invoice validation will be introduced in order to prevent obtaining payments from other measures on their basis.

Fruit and vegetables

Support in the fruit and vegetable sector concerns investment aid for initially recognised agricultural producer groups, in accordance with Article 4 of the Commission Regulation (EC) No 1943/2003 and Article 1 (b) of the Commission

Regulation (EC) No 2113/2004 implemented on a basis of approved plan of obtaining recognition. The aid covers the co-financing of the costs relating to storage and preparation for sale of fruit and vegetables. Support for recognised fruit and vegetables producer groups is granted when the producer organisation establishes an operational fund co-financed under Commission Regulation (EC) No 1433/2003. The operational programmes for recognised agricultural producer groups will cover information about the scope and amount of costs of measures implemented under the programme.

It should be borne in mind that it will be impossible for the projects financed under the above mentioned instruments to obtain support under RDP. This condition will be implemented by means of cross-checks carried out at the Agency for Restructuring and Modernisation of Agriculture, who will implement the above mentioned aid instruments.

Potential overlapping of aid granted for campaigns promoting agricultural products in accordance with Council Regulation (EC) No 2826/2000 and aid under measure "Information and promotion activities on food quality schemes" will be eliminated. Beneficiaries of both instruments are defined in a different way, and due to entrusting one institution – Agricultural Market Agency – with implementation of both systems, carrying out the cross checks will be easier.

Introduction of such exception pursuant to the provisions of Article 5 (6) of Council Regulation No 1698/2005 as regards fruit and vegetables results from the need to provide for non-discrimination of RDP 2007-2013 beneficiaries.

Wine

Poland produces small quantities of wine that is not yet marketed but intended for producer's own personal use. Wine production from national crops within the next few years should not exceed 25 thousand hl per annum. Due to this, the Article 21 of the Council Regulation (EC) No 1493/1999, which exempts Poland from the support mechanism provided for in title II of section II of the Council Regulation No 1493/1999, is applicable.

Olive oil

In Poland, due to climate conditions, olive oil is not produced, therefore Article 8 (1) of the Council Regulation (EC) No 865/2004 is not applicable.

Hops

Hops producer groups may utilise support under RDP measure *Agricultural Producer Groups*, while provisions of the Council Regulation (EC) No 1952/2005 do not provide for direct support of the hops producer groups.

Honey

Financial aid in the scope of support of apiculture products under CAP is implemented under the *National Apiculture Programme* in Poland 2007/2008 – 2009/2010 drawn up on the basis of the Council Regulation (EC) No 797/2004 and the Commission Regulation (EC) No 917/2004. Despite the fact that the provisions of the above mentioned regulations allow for support for certain project types, they may obtain co-financing under the European Agricultural Fund for Rural Development, the scope of support of the *National Apiculture Programme* in Poland covers costs that are not co-financed under RDP. These include costs of: Control of varroasis, trainings in the field of beekeeping technique, rationalisation of movement of colonies to nectar and measures supporting laboratories carrying out honey physio-chemical properties analyses.

Sugar

In relation to support for sugar production sector transformations, the investment aid for this sugar processing branch will not be granted under RDP Measure *Increase of the added value of basic agricultural and forestry production*. Until now (2007 Q2) the programme related to diversification of activity for entities resigning from sugar production has not been worked out (in compliance with Article 6 of the Council Regulation (EC) No 320/2006. In the case of working out of such programme, its coherence with RDP on a basis of mechanisms excluding double funding and taking into account proper cross checks will be ensured.

In accordance with Article 5 of the Council Regulation (EC) No 1698/2005 and Article 2 of the Commission Regulation (EC) No 1974/2006 conditions for granting aid under particular RDP Measures are coordinated with the Common Agricultural Policy support schemes.

In relation to support for sugar production sector transformations, the investment aid for this branch will not be granted under RDP Measure *Increase of the added value of basic agricultural and forestry production*. Production of milk and butter will not be supported in the milk processing sector and production of malt will be exempted from support in the cereals sector.

In relation to RDP Measure entitled Modernisation of agricultural holdings, taking into account the existing market limitations, the investments dealing with construction of new farm buildings, such as piggeries and henhouses, will be exempted from support (this requirement does not concern young farmers or shifting existing production).

10.2. In relation to the measures under Axis 1, 2, 3

Demarcation line between the instruments of the European Agricultural Fund for Rural Development and the European Regional Development Fund as well as the Cohesion Fund and the European Fisheries Fund

Under RDP 2007-2013, the following demarcation line with other programmes is planned:

Trainings

The measure "Vocational training for persons employed in agriculture and forestry" of RDP 2007-2013 will cover trainings aimed at vocational training of farmers and forest aimed at restructuring and modernisation of agriculture, increase of competitiveness and profitability of agricultural and forestry activity.

In addition the OP "Sustainable Development of the Fisheries Sector and Coastal Fishing Areas 2007-2013" (OP SDFS and CFA), measure "Joint actions of businesses and organisations" will involve trainings to increase professional qualifications or to develop new training methods and tools for persons employed in the fisheries sector.

Moreover OP Infrastructure and the Environment may involve the measures relating to the widely understood shaping of environmentally friendly behaviour, extensive environmental education projects, including those concerning the delivery of trainings and active education programmes in the scope of the protection of environment, nature and biodiversity. The programme will not cover the delivery of trainings relating to vocational training of farmers and forest holders as well as persons intending to take up agricultural activity.

In addition, OP Human Capital provides for the implementation of projects covering:

- 1) grants for starting up economic activity, including the cooperative form;
- 2) promoting self-employment;
- 3) advisory services and trainings facilitating the acquisition of knowledge and skills necessary to take up economic activity, including the cooperative form;
- 4) trainings/advisory for enterprises and their employees;
- 5) retraining courses and advisory services in the scope of selection of new profession, including trainings for:
 - a) farmers, foresters and the agri-food sector employees and
 - b) persons employed in the fisheries and fishing sectors who:
 - seek employment in other economy sectors or
 - intend to gain new professional qualifications or
 - obtain general education confirmed by a certificate.

- and thus of a scope other than the scope of Measure "Vocational training for persons employed in agriculture and forestry" under RDP 2007-2013

None of the Priorities provides for special instruments intended for rural areas, yet it is possible for voivodship governments (regional component) to direct support to

these areas through elaborating the project selection criteria. Specifying in greater detail the branches that will be covered by support is not envisaged.

It is assumed that under Human Capital Operational Programme general trainings will be financed, e.g. in the scope of work safety and hygiene, management and marketing, etc. Taking all this into account, it needs to be stressed that measured referring to trainings finances under ESF will not cover tasks implemented under RDP 2007-2013, i.e. subjects relating to agriculture or forestry. At the same time, RDP 2007-2013 does not cover general trainings nor trainings relating to gaining non-agricultural qualifications, which is the domain of the ESF.

Modernisation or construction of agricultural products processing plants or wholesale trade infrastructure for agricultural products

The RDP 2007-2013 measure „Increasing the added value to basic agricultural and forestry production” will support projects concerning processing and marketing of agricultural products covered by Annex 1 to the EC Treaty, excluding fisheries products. The aid will be addressed to small and medium-sized enterprises or enterprises employing less than 750 persons, or enterprises the turnover of which does not exceed the PLN equivalent of EUR 200 million.

Under Operational Programme “SDFS and CFA”, measure “Projects in the scope of processing and marketing of fish” only entities carrying out processing and marketing of fisheries and aquaculture products will be entitled for support.

On the other hand, regional operational programmes will provide support to enterprises which are not eligible for support under RDP 2007-2013 and under OP “SDFS and CFA”.

In addition, OP Infrastructure and the Environment will provide support to large enterprises for projects relating to the decrease of negative impact on the existing industrial activity on the environment, including:

- projects relating to the popularisation of environmental management systems covered by certification;
- rationalisation of natural resources and waste management;
- prevention and reduction of pollution through the adjustment of existing installations to the requirements of Best Available Techniques (BAT);
- limitation of the load of pollutants channelled by the industry to the aquatic environment;
- improvement of air quality;
- increase of the share of waste and hazardous waste reutilised.

OP Infrastructure and the Environment will not cover:

- 1) Enterprises specified in the Council Regulation (EC) No 1198/2006 of 27 July 2006 on the European Fisheries Fund Article 35 (3) (b), enterprises not covered by the definition of Article 3 (f), which employ less than 750 persons or which turnover is lower than EUR 200 million;
- 2) Enterprises employing less than 750 persons or which turnover does not exceed the equivalent of EUR 200 million per annum covered by the Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).

Gmina, powiat, voivodship roads

The RDP 2007-2013 measure "Improvement and development of infrastructure related to the development and adjustment of agriculture and forestry", Scheme I - *Land re-parcelling* will involve the construction of gmina roads, access roads to agricultural land, sectioned under the re-parcelling projects. Heads of poviats will be beneficiaries.

Meanwhile, the OP "SDFS and CFA" will involve the construction of roads in order to provide support to small fisheries and tourism related infrastructure and services for the benefit of small fisheries communities within the areas of poviats located in "fisheries areas". In addition roads will be constructed within the areas of fishing ports, landing sites and shelters or roads constituting the only access roads to fishing ports, landing sites and shelters (except for roads to fishing ports specified in the Operational Programme Infrastructure and the Environment). The beneficiaries will include owners, perpetual usufructuaries, land lessees and the related port infrastructure within the areas of the port or shelter, as well as entities managing the ports or shelters.

In addition, regional operational programmes will involve the construction of voivodship, powiat and gmina roads, excluding the roads sectioned off as a result of re-parcelling and roads within the areas of fishing ports. Moreover, regional operational programmes will support measures relating to road traffic safety and Intelligent Transport Systems on roads managed by territorial government units.

The OP Infrastructure and the Environment will provide support to projects relating to the construction of motorways, expressways, national roads, national roads in towns having the rights of poviats, access roads to seaports: Gdańsk, Gdynia, Szczecin, Świnoujście, Kołobrzeg, Elbląg, Police, Darłowo, including roads within the areas of the ports in question. The General Directorate for National Roads and Motorways, towns having the rights of poviats and statutorily selected entities to implement road projects (special-purpose companies) will be beneficiaries of the above mentioned projects. On the other hand, in the case of access roads to seaports, seaports - Gdańsk, Gdynia, Szczecin, Świnoujście, Police, Elbląg, Darłowo,

Kołobrzeg, maritime offices in Gdynia, Słupsk and Szczecin, the above mentioned ports and ship owners in the scope of projects relating to the development of short sea shipping, PKP Polskie Linie Kolejowe S.A. (PKP PLK S.A.), General Directorate for National Roads and Motorways (GDDKiA).

The OP Development of Eastern Policy will provide support to the construction and modernisation of sections of voivodship roads, which facilitate communication links between voivodships, urban centres and access to project areas, tourist attractions, border crossings, and national and international road networks and other places important for the economic development of the Eastern regions of Poland. The total value of the project for roads was established at the level of EUR 5 million at the latest, and for bypasses - at the level of EUR 2 million at the latest. The territorial government units, unions, associations of the territorial government units and GDDKiA will be the main beneficiaries.

Water resources management

The RDP 2007-2013, measure „Improvement and development of infrastructure related to the development and adjustment of agriculture and forestry”, Scheme II – “Agricultural water resources management” provides for the implementation of the following objectives:

- improvement of the soils quality through the regulation of water conditions;
- increase of water retention;
- improvement of the agricultural land protection against flooding.

The Voivodship Water and Melioration Board will be the beneficiary of the measure.

The regional operational programmes will support projects for the prevention of floods, water resources management for non-agricultural purposes, including:

- adjustment of water courses;
- establishing polders (including afforestation) and regeneration of natural reservoir areas;
- constructing and modernising small multi-purpose reservoirs with the capacity of less than 10 million m³ and stages of fall;
- maintaining lowland rivers, mountain rivers and streams and related infrastructure in good condition (value of measure up to PLN 40 million);
- establishing, modernising and improving the technical condition of flood protection facilities (e.g. embankments, intermediate pumping stations, polders, dry reservoirs) - value of measure up to PLN 40 million;

- increasing natural impoundment of river valleys retaining balance of the ecological status and technical condition of river maintenance (value of measure up to PLN 40 million).

The Voivodship Water and Melioration Boards and the Regional Water Management Boards and water companies will be the beneficiaries of the measure.

OP Infrastructure and the Environment will cover:

- restoration of the former shape of the valley and water course beds through the redevelopment of embankments, construction or redevelopment of adjustment structures (wing dams, sea bank, etc.), reconstruction of the former route of the water course bed;
- establishment of super-regional systems of small impoundment with the construction of dams, modernisation of depression polders with the construction or modernisation of the intermediate pumping station;
- maintenance of lowland rivers, mountain rivers and streams and related infrastructure in good condition through the construction and modernisation of adjustment structures (wing dams, sea bank, training walls) and repelling spurs, i.e. bars and shaping the adjustment route, construction or modernisation of flood banks;
- construction, modernisation and improvement of the technical condition of flood protection facilities (e.g. banks, intermediate pumping stations, polders, dry reservoirs);
- increase of natural impoundment of river valleys and retaining the balance of the ecological status and technical condition of river maintenance through the construction of reservoir polders, modernisation of flood banks and flood-gates;
- in justified cases, implementation of multi-purpose storage reservoirs and stages of fall;
- in justified cases, modernisation and improvement of the technical safety level of water facilities;
- construction and modernisation of systems channelling rainwater and meltwater to sea areas;
- and storage reservoirs over 10 million m³ or super-regional reservoirs.

The Regional Water Management Boards, Voivodship Water and Melioration Boards, territorial government units and their unions, entities rendering services of own tasks of territorial government units, State Forests National Forest Holding and its organisational units will be the beneficiaries of the measure. The planned value of the project – over PLN 40 million.

Projects constituting a part of larger investments relating to water management under ROP or OP Infrastructure and Environment will not be supported under RDP 2007-2013.

Maintenance of proper condition of natural habitats and refuges of plants, animals, including birds within the Natura 2000 areas

Aid under RDP 2007-2013, measure „Natura 2000 payments and payments linked to Water Framework Directive”, Scheme I will be provided for farmers on an annual basis, per hectare of used agricultural areas, after the completion of a specific set of tasks, pursuant to the requirements of a given variant, in order to compensate for costs borne and income lost, resulting from the inconveniences of farming in the Natura 2000 areas related to the implementation of the Directives 79/409/EEC and 92/43/EEC.

(Scheme: Natura 2000 payments will be implemented after the obligatory requirements for the farmer are made out in the form of management plans or other equivalent form. Until that moment the Natura 2000 payments will be carried out under the measure of the Agri-environmental Programme).

The OP “SDFS and CFA” will provide financial support to promotion of sustainable aquaculture compliant with the detailed restrictions relating to environmental protection, resulting from the determination of protection areas covered by the Natura 2000 network, and for the protection and improvement of the condition of natural environment under the Natura 2000 network, where measures directly relate to fisheries management and restocking of endangered species.

Entrepreneur or other entity carrying out cultivation and rearing of fish will be the beneficiary.

In addition, regional operational programmes will support:

- projects concerning the maintenance of species diversity, below PLN 0.4 million;
- projects concerning the protection of habitats, below PLN 0.4 million;
- construction of infrastructure to promote the Natura 2000 areas, including environmental education centres;
- projects concerning the construction of animal crossings and removal of obstacles, below PLN 2 million;
- projects concerning environmental education of the value, below PLN 0.4 million;
- publicity campaigns and mass events of the value below PLN 2 million.

The above mentioned programmes do not provide for direct payments or support for persons carrying out agricultural activity.

OP Infrastructure and the Environment will cover the implementation of measures relating to:

- drawing up protection plans for the Natura 2000 areas and programmes of protection of selected species or natural habitats for projects above EUR 100 thousand/PLN 0.4 million;
- projects concerning the restoration of degraded non-forest and aquatic habitats, purchase of land essential for the protection of nature and their renaturalisation and other projects of the value above PLN 0.4 million;
- clearing ecological passages, excluding fish passes, cost of project – min. PLN 2 million.

The beneficiaries of the measure will include: landscape parks and their complexes, national parks, forest inspectorates and their groups, non-governmental organisations, (local) government units and entities carrying out supervision or managing the protection of protected areas, voivods, botanical and zoological gardens, research institutions, maritime offices, roads and railway lines managers. Farmers and fishermen are excluded from the support.

Restoring biological potential of forests destroyed due to natural catastrophes and disasters and the need to provide preventive fire protection to forests

The RDP 2007-2013, measure "Restoring forestry production potential damaged by natural disaster and fire and introducing appropriate prevention instruments" provides for the implementation of projects within forest areas affected by disasters or negative impact of biotic factors (Scheme I) or within undamaged forest areas with high fire hazard (areas of forest inspectorates representing the two highest fire hazard categories – Scheme II). Organisational units without legal personality: forest inspectorates of State Forests National Forest Holding will be the beneficiaries of the measure.

Meanwhile, the regional operational programmes provide only for support in the scope of increasing municipal tree stand and bush density, monitoring and prevention of natural disasters.

Water and sewage management, collection, segregation, disposal of municipal waste, supply and distribution of electric energy and energy produced from renewable energy sources

The RDP 2007-2013 measure „*Basic services for the rural economy and population*” provides for the implementation of the following projects:

- water supply and sewage management, implemented under RDP 2007-2013 in towns that belong to rural gminas or in towns that belong to urban-rural gminas, excluding towns of over 5 thousand residents, or in towns of the urban gmina of population below 5 thousand.

At the level of marshals' offices, verification will be carried out as to whether the applicant has not received support for the given undertaking or whether an agreement has not been signed with him under a regional operational programme.

Maximum amount of aid for implementation of projects in one gmina cannot exceed PLN 4 million within the Programme implementation period for the water and sewage management.

Gmina or organisational unit which organiser is a local government unit performing tasks defined in the Scope of aid will be beneficiaries.

Individual projects specified in the National Programme for Urban Waste Water Treatment concerning sewage treatment and water supply in agglomerations up to 15,000 p.e, are to be implemented under regional operational programmes from the ERDF resources.

In addition projects financed by the Cohesion Fund resources in agglomerations over 150,000 p.e. are to be implemented under OP Infrastructure and Environment. As regards projects where there is only one beneficiary of measures and the project concerns the comprehensive solving of water supply and sewage management problems in a given area, it is possible that projects implemented in agglomerations between 2,000 p.e. and 15,000 p.e. will be included in the scope of the measure.

- establishment of the system of collection, segregation, disposal of municipal waste, will be implemented under RDP 2007-2013 in localities situated in rural or urban-rural gminas, excluding towns over 5,000 residents and including towns of urban gminas of population below 5,000 residents. Projects may include one or more towns in these gminas, however, the support is not granted for establishment and modernisation of dumps.

Maximum amount of aid for project implementation in one gmina within the period of implementation of the Programme cannot exceed PLN 200 thousand.

Under regional operational programmes, Projects concerning waste management, provided for in the Voivodship Waste Management Plan, are to be implemented servicing up to 150,000 residents, from ERDF resources. Projects concerning dumps that may be implemented in all localities are exceptions.

In addition projects financed by the Cohesion Fund resources in agglomerations over 150,000 p.e. are to be implemented under OP Infrastructure and the Environment. Large contest projects will be implemented, paying special attention to readiness for implementation criteria. The projects should be cohesive with the National Waste Management Plan and the Voivodship Waste Management Plans.

- production, supply and distribution of electricity and energy produced from renewable sources

Production or distribution of electricity and energy produced from renewable sources will be implemented under RDP 2007-2013 in localities situated in rural gminas or urban-rural gminas, excluding towns over 5 thousand residents, or in towns of urban gminas of population below 5 thousand. Maximum amount of aid for implementation of projects in one gmina cannot exceed PLN 3 million within the Programme implementation period.

On the other hand, RDP 2007-2013 does not provide for the implementation of projects relating to production, supply and distribution of electric energy.

The regional operational programmes provide for funding from ERDF resources the projects concerning local and regional infrastructure of supply and distribution of electric energy, including the construction of new and modernisation of existing heat distribution networks and the construction of small and medium electric energy and CHP units. In addition, the following is planned: construction, extension and modernisation of the infrastructure used for production and supply of renewable energy, projects using modern technologies and know-how in the scope of use of renewable sources of energy and the construction and modernisation of power grids facilitating the connection of units of electric energy production from renewable resources. The programmes will cover the implementation of projects with the cost established at the level of up to PLN 20 million (within the areas not covered by RDP), whereas within the areas covered by RDP, the cost has been established at the level of from PLN 3 to 20 million.

Meanwhile, the OP Infrastructure and the Environment cover comprehensive projects related to the expansion or modernisation of high-, medium-, and low-voltage distribution systems (implemented in order to increase energy effectiveness; limit system losses and electricity supply interruptions). The following projects will be implemented under the programme: construction of new and modernisation of old useful heat distribution system; construction or modernisation of electric energy and CHP units and replacement of heat production units with CHP units; thermal modernization of public buildings with the replacement of fittings of these buildings with energy-saving ones.

As regards renewable energy, projects financed by the Cohesion Funds resources are to be implemented. Such projects relate to the construction or increase of power of electric energy production units using the power of the wind, water in small hydroelectric power stations up to 10 MW, biogas and biomass and heat production with the use of geothermal and sun energy, construction of plants producing energy production devices from renewable energy sources at the above mentioned types of cogeneration units with the use of biomass solely or geothermal energy and the construction and modernisation of networks facilitating joining the units producing electric energy from renewable sources to the National Electrical Power System.

In addition, the programme will cover the implementation of projects in the scope of construction of fittings for self-contained biocomponents and biofuel production, excluding bioethanol and pure plant oil production (i.e. agricultural products specified in Annex I to the EC Treaty) and construction of plants producing devices for the construction of biocomponents and biofuels at the above mentioned types of units.

The value of projects implemented is over PLN 20 million.

The following entities will be the beneficiaries of these projects: entrepreneurs, territorial government units and their associations, entities carrying out public services pursuant to the contracts concluded with the territorial government units, where the territorial government has the majority of shares, entities selected by way of tender procedure carried out on the basis of the public procurement provisions, carrying out public services pursuant to the contract concluded with the territorial government unit; churches and religious associations.

Village renewal and development

The RDP 2007-2013 measure "Village renewal and development" provides for the implementation of the following projects:

- 1) construction, reconstruction, renovation and fitting out of the following:
 - a) public, social and cultural, recreational and sport facilities,
 - b) facilities which are intended to promote rural areas, including promotion and preservation of the historical heritage, tradition, art and culture,
- 2) improvement of the public area;
- 3) construction, renovation or reconstruction of public infrastructure associated with the development of tourism, sports, social and cultural functions;
- 4) purchase of historical monuments or structures specific for traditional rural architecture in a given area, including historical buildings, intended for public purposes;
- 5) renewal, exhibition or conservation of local historical monuments, buildings and memorial sites;
- 6) cultivation of the local community traditions and traditional professions.

in localities situated in rural or urban-rural gminas, excluding towns over 5 thousand residents, and in localities below 5 thousand residents belonging to urban gminas. The beneficiaries of this measure will be: gminas, cultural institutions operating under the supervision of a local self-government unit, as well as churches, religious communities and NGOs with the status of public benefit organisation (in the meaning

of the Act of 24 April 2003 on the public benefit organisations and volunteering), the aims of which coincide with those of the "Village renewal and development" measure.

At the level of marshals' offices, verification will be carried out as to whether the applicant has not received support for the given undertaking or whether an agreement has not been signed with him under a regional operational programme.

Within the framework of OP "SDFS and CFA" investments in renovation, modernization and equipment of facilities directly connected with fishery and architectural heritage or investments aimed at preserving the attractiveness of the regions dependant on fishery (e.g. fishery museums, traditional sailing societies, "fishermen's houses", fishing settlement, etc.) will be done.

Under regional operational programmes, the following investments are to be financed by the ERDF: in areas covered by RDP 2007-2013: small infrastructure projects with a value of above PLN 500,000; in areas not covered by RDP 2007-2013: without the lower value border of the project.

In addition, under OP Infrastructure and Environment, financed by the ERDF resources projects are planned with over-regional significance in the following fields: development and improving the state of culture infrastructure, development of the infrastructure of artistic education, as well as preservation and protection of cultural heritage (including projects concerning objects placed on the UNESCO World Heritage List or recognised by the President of the Republic of Poland to be Monuments of History).

Depending on the kind of project, its minimum value is either PLN 4 million or PLN 20 million. The beneficiaries will be, depending on the kind of project, cultural institutions, local self-government ones and those lead by Minister of Culture and Cultural Heritage, local self-government units, churches and religious communities, national archives, state enterprises not aimed at achieving profit (this concerns only those enterprises whose activities are related to objects from UNESCO World Heritage List or recognised by the President of the Republic of Poland to be Monuments of History), approved types of schools and colleges of art, as well as partnerships created under a beneficiaries catalogue specified in the measure.

Additionally, within the OP Innovative Economy, complex projects in the field of construction of tourist products with national scope will be supported, including: the creation of new complex tourist line products of national scope and projects consisting in combining the existing tourist attractions supported under ROPs or other sources into line and national tourist projects. Projects will have to be implemented in at least 2 voivodships or will have to be unique in Europe (confirmed with a register entry – with the exception of projects concerning objects from the UNESCO World Heritage List or recognised by the President of the Republic of Poland

to be Monuments of History). Support will also refer to comprehensive projects involving the construction of tourist products of trans-regional character, relating to the organisation of EURO 2012 by Poland. Moreover, cooperation of entities within the scope of the implemented project is necessary.

Beneficiaries will be entities whose activities are of national character and who are experienced in implementing national projects. The value of the project will be at least PLN 20 million.

Moreover, within the OP Development of Eastern Policy the building and modernization of fair, exhibition, congress and conference infrastructure is planned in order to make it possible to organize national and international events. The beneficiaries are the local government units, organisations, local government unit associations and companies under Polish law. The total project value should amount to minimum PLN 20 million.

Investments introduced in order to establish or develop micro-enterprises

Within the framework of RDP 2007-2013 in the measure called: "Establishment and development of micro-enterprises" investments will be made in order to establish or develop micro-enterprises offering the following services:

- 1) services for agricultural holdings and forestry;
- 2) services for the population;
- 3) wholesale and retail;
- 4) craft and handicraft;
- 5) construction and installation works and services;
- 5) tourism services connected with sport, leisure and recreation;
- 7) transport services;
- 8) public utility services;
- 9) processing of agricultural products and edible forest products;
- 10) warehousing and storage of products;
- 11) production of energy from biomass;
- 12) accounting, consulting or IT services.

The project shall be implemented in localities situated in rural or urban-rural gminas, excluding towns over 5 thousand residents, and in towns below 5 thousand residents of urban gminas.

This criterion does not apply to agricultural producer groups and preliminarily recognized fruit and vegetable groups and fruit and vegetable producer organizations and entities providing services for agricultural holdings or forestry. The scope of aid

will be defined according to PKD (Polish Classification of Activities). Moreover, the following entities will be the beneficiaries: natural person, legal person or organizational unit without legal personality who carries out business activity as a micro-enterprise employing less than 10 persons with a turnover not exceeding the PLN equivalent of EUR 2 million.

Maximum amount of aid granted to a single beneficiary cannot exceed PLN 300 thousand within the Programme implementation period. In the case of agricultural products (included in the Annex 1 of the EC Treaty) and edible forest products processing, the maximum amount of financial aid granted to a single beneficiary cannot exceed PLN 100 thousand during the Programme implementation period.

Whereas within the OP "SDFS and CFA" aid will be granted to poviats located in the "areas dependent on fishery", and will be directed at the restructuring and reorientation of agricultural activity, especially by promoting ecotourism, however, on the condition that these activities do not lead to the increase of fishing effort. The aid will be granted only to people who work in the fishery sector or have a job connected with this sector.

Investments within the framework of regional operational programmes financed by ERDF are planned in the field of support for the development of the existing micro-enterprises; in areas not covered by RDF, any activity will be supported, and in areas covered by RDF, activities not covered by the ordinance of the Minister of Agriculture and Rural Development.

In addition, within the OP Human Capital the following activities are planned:

- grants for starting up economic activity, including the cooperative form;
- promoting self-employment;
- advisory services and trainings facilitating the acquisition of knowledge and skills necessary to take up economic activity, including the cooperative form;

Programme priority areas and financial criteria will be determined by an Intermediate Body (voivodship governments).

Moreover, within the OP Innovative Economy there are additional funds for granting aid to innovative enterprises (the branch of business is not specified). The instrument is provided for implementation only at national level. Additionally, initiating the activity of micro-enterprises and small enterprises operating for less than 1 year, in the field of e-services, including for the needs of local communities and e-services between entrepreneurs.

Within the framework of OP Development of Eastern Policy the following activities are planned:

- building and extension of industrial and technological parks, incubators, mainly technological, centres of excellence, centres for technology transfer, innovation centres;
- preparation of project areas concerning technological and industrial parks and incubators;
- comprehensive preparation of project areas concerning production investment and innovative services and production;
- comprehensive projects concerning the promotion of Eastern Poland, which will present Eastern Poland on the national and international level as an attractive place in terms of economic activity and investment.

The following entities will be the beneficiaries of these projects: research establishments, local government units, organisations, associations, institutions supporting innovative development in the region, entrepreneurs, NGOs, Managing Authority, government administration bodies, institutions that support regional development in the region - statistics offices, spatial planning offices, institutions that support businesses and innovation.

The amount of aid is: minimum PLN 4 million in the case of the preparation of investment areas project and minimum PLN 12 million as far as the remaining projects are concerned.

10.3. In relation to the funds within the framework of Axis 4

Under Axis 4 measures will be implemented in accordance with the criteria adopted for chosen Axis 3 measures, taking into account complementarity as well.

Local Action Groups

Under RDP 2007-2013 in the measure called "Implementation of the local development strategies" Local Action Groups (LAG) will implement local development strategies. The aim of these groups will be the improvement of life quality of rural population and encouraging diversification in rural areas. Applications for aid may refer to the projects eligible for support under Axis 3 measures ("Diversification towards non-agricultural activity", "Village renewal and development", "Establishment and development of micro-enterprises") as well as other projects, called "small projects" which are not eligible for support under Axis 3, but contribute to achievement of the Axis 3 objectives, i.e. improvement of the quality of life and diversification of activity in the area of LAG activity.

For project implemented under Axis 4 in accordance with the criteria adopted for chosen measures of Axis 3 ("Diversification towards non-agricultural activities", "Establishment and development of micro-enterprises" and "Village renewal and development") in the areas situated in localities within administrative borders of:

- 1) rural gminas;
- 2) urban-rural gminas, except for towns with population exceeding 5 thousand;
- 3) urban gminas, except for localities with population exceeding 5 thousand.

the demarcation line with Structural Funds shall be defined as for axis 3 measures.

On the other hand, in the case of "Diversification towards non-agricultural activities" measure implemented within LAGs' areas of activity, i.e. within the other rural areas in accordance with the widest definition of rural areas, the demarcation line with Structural Funds shall be defined by the kind of beneficiary. Under Structural Funds, the applicant shall be an entrepreneur, who, as a natural person running economic activity and pursuant to provisions on agricultural insurance for farmers, is not subject to KRUS insurance.

As regards the remaining scope of aid within the framework of small projects implemented within areas of LAG activity in rural or urban-rural gminas, excluding towns with more than 20 thousand inhabitants and in urban gminas, excluding towns with population exceeding 5 thousand, potential beneficiaries will be obliged to provide a statement that the project is not financed from other public funds.

As regards support instruments under OP Human Capital and the so-called "small projects" implemented under the Leader approach, where the objectives of measures overlap, cross-checks will be carried out. This refers in particular to projects specified under measure "Implementing the local development strategy" under section entitled Scope of aid under „small projects" in letter a), c), d), g), i.e. referring to the organisation of trainings, development of agro-tourism and tourism in rural areas, increasing the quality of products and services and purchase of software and hardware.

Under ROP support may refer inter alia to projects listed under c), d), h), i), l), m), i.e. referring to tourism in rural areas, increasing the quality of regional products, restoration of location of particular historical and natural value and buildings characteristic for a given region.

In order to eliminate the possibility of double funding, the beneficiary will be required to provide a declaration about non-financing of the project from other sources and cross-checks will be carried out.

Within the "Sustainable Development of the Fisheries Sector and Coastal Fishing Areas 2007-2013" Operational Programme measures are planned. The main objective of these measures is activation of local fishing communities through the inclusion of social and economic partners into the planning and implementation of local initiatives. Appropriate mechanisms of coordination between programmes shall be developed by the Managing Authorities as a part of prevention of improper double funding from different Community instruments. These mechanisms will be based on

providing statements by the beneficiaries that the project is not financed from other public funds.

10.4. Information on the complementarity with other Community financial instruments

Does not apply under RDP 2007 – 2013. The Measures of the Programme do not overlap with other instruments implemented under other Community financial instruments.

11. DESIGNATION OF COMPETENT AUTHORITIES AND BODIES RESPONSIBLE

Programme management and implementation is compliant with Council Regulation (EC) No 1290/2005 of 21 June 2005 on the financing of the common agricultural policy and Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).

The following units are directly involved in the Programme implementation: managing authority and paying agency. The Managing Authority and Paying Agency may entrust the execution of their tasks to other entities as delegated tasks, in accordance with the above mentioned regulations.

Managing Authority

The Minister of Agriculture and Rural Development shall be the Managing Authority.

Provisions on support for rural development co-financed from EAFRD resources serve as a legal basis for the function of the Minister of Agriculture and Rural Development as the Managing Authority.

The Minister of Agriculture and Rural Development as a Managing Authority is responsible for ensuring efficiency, effectiveness and correctness of Programme management, and especially for:

- 1) ensuring that the operations selected for financing are in accordance with the criteria applicable to the Programme;
- 2) ensuring the establishment of an IT system which allows to save and store statistical information concerning the implementation for the purposes of monitoring and evaluation of the Programme;
- 3) Programme implementation monitoring;
- 4) ensuring that the beneficiaries and other entities involved in the implementation of the operation are informed about:

- a) their obligations resulting from the financial aid granted, and maintain a separate accounting system or use an adequate accounting code for all transactions relating to the operation,
 - b) the requirements concerning the provision of data to the Managing Authority and the recording of outputs and results,
- 5) ensuring that a Programme evaluation is conducted and conforms to the Common Monitoring and Evaluation Framework, as well as submitting it to competent national authorities and the European Commission;
 - 6) presiding over the Monitoring Committee and sending this Committee the information needed to monitor the implementation of the Programme objectives;
 - 7) dissemination of information on National Strategic Plan;
 - 8) implementation of information and promotion activities in accordance with the Communication Plan;
 - 9) ensuring the fulfilment of the obligations related to dissemination of information on the Programme and the European Union contribution;
 - 10) drawing up progress reports on Programme implementation and, after approval by the Monitoring Committee, submitting them to the Commission;
 - 11) ensuring ongoing evaluation of the Programme implementation;
 - 12) ensuring that the Paying Agency receives all the necessary information, in particular on the procedures operated and any control carried out in relation to operations selected for funding, also before the execution of payment of resources;
 - 13) publication of the list of aid beneficiaries;
 - 14) storing and providing access of the competent national and EU institutions to documents relating to performance of its tasks as the Managing Authority.

The Minister of Agriculture and Rural Development performs the tasks of the Managing Authority by means of organisational units set up within the structure of the Ministry of Agriculture and Rural Development.

The procedure for carrying out the tasks of Managing Authority by different departments has been specified in the organisational procedures of the Ministry of Agriculture and Rural Development and in the internal organisational procedures of this body.

The Managing Authority entrusts the entities⁸⁶ with the tasks concerning the implementation of the Programme in accordance with the provisions on support for rural development. In such a case the Managing Authority is fully responsible for an effective and correct performance of these tasks.

The tasks of the entity entrusted by the Managing Authority with the implementing tasks involve in particular:

- 1) implementation of information and promotion activities in accordance with the Communication Plan;
- 2) informing potential beneficiaries about the terms and deadline for submitting the applications for support;
- 3) preparing collection of applications;
- 4) accepting applications;
- 5) conducting an administrative check of aid applications, including cross-checks;
- 6) choosing a financing operation in accordance with the Programme criteria on the basis of a positive administrative evaluation;
- 7) concluding contracts or issuing decisions regarding granting of aid;
- 8) preparation and submission to the Paying Agency of all the necessary information, in particular on the procedures used and any control carried out in relation to operations selected for funding;
- 9) collecting and storing data on the implementation of measures in a computerised form concerning monitoring and evaluating tasks of the entity;
- 10) drawing up and submitting reports on the performance of the Managing Authority tasks to the Paying Agency;
- 11) informing beneficiaries, who are obliged, in accordance with EU laws, to visualise the share of EU funds in the implementation of the projects, about the obligations laid down in these laws;
- 12) prevention from, detection and notification of irregularities;
- 13) storing and providing access for the Managing Authority and competent national and EU institutions to documents relating to the performance of the tasks of the entity.

Agency for Restructuring and Modernisation of Agriculture, Agricultural Market Agency, voivodship governments and an entity appointed in accordance with the provisions on support for rural development perform the tasks of the Managing Authority concerning the implementation of Programme measures.

⁸⁶ Also referred to as implementing entities, in accordance with the relevant provisions on rural development.

The tasks relating to technical assistance, including granting of aid, are implemented by ARMA. If the beneficiary of technical assistance is ARMA, then the aid is granted by the Managing Authority.

Entities entrusted by the Managing Authority with implementing tasks may undertake control activities within the framework of on-the-spot checks and field visits commissioned to other organisational units. Detailed organisational, staffing and technical conditions, which must be fulfilled by those units, allowing them to be entrusted with the implementation of controls are set forth in the implementing act to the provisions on support for rural development co-financed from EAFRD resources

Entities entrusted by the Managing Authority with implementing tasks for respective measures of the Programme, measures implemented under Leader axis and Technical Assistance.

Measure	Entity, to which the Managing Authority delegated the tasks
Vocational training for people employed in agriculture and in forestry	An entity selected by the Managing Authority in accordance with binding laws
Setting-up of young farmers	ARMA
Early retirement	ARMA
Modernisation of agricultural holdings	ARMA
Increase of the added value of basic agricultural and forestry production	ARMA
Improvement and development of infrastructure related to the development and adjustment of agriculture and forestry	VG
Participation of farmers in food quality schemes	ARMA
Information and promotion activities	AMA
Agricultural producer groups	ARMA
Advisory services for farmers and forest owners	ARMA
Support of management in mountain areas and in less-favoured areas (LFA)	ARMA
Agri-environmental programme	ARMA
Afforestation of agricultural and non-agricultural land	ARMA
Restoring forestry production potential destroyed by disasters and introduction of proper preventive mechanisms	ARMA
Diversification into non-agricultural activities	ARMA

Establishment and development of micro-enterprises.	ARMA
Basic services for the economy and rural population	VG
Village renewal and development	VG
Measures implemented under the Leader Axis	VG
Technical assistance	ARMA

Paying Agency

The function of the Paying Agency shall be performed by the Agency for Restructuring and Modernisation of Agriculture on the basis of the received accreditation.

The Minister of Finance grants and withdraws accreditation on the basis on regulations on the release of funds from the European Union budget for the financing of common agricultural policy.

The Minister of Finance monitors the Paying Agency.

The tasks of ARMA, the Paying Agency, are the following:

- 1) ensuring that the eligibility of applications, procedure of granting aid as well as compliance of applications with the European Union standards undergo control before the payment is executed;
- 2) making payments for beneficiaries from EAFRD funds and keeping account of these payments;
- 3) Ensuring that the entities, to whom ARMA delegated tasks implementation, conduct administrative evaluation and a on the spot control.
- 4) timely submission of the required documents in the form stipulated by European Union standards and by the regulations on the release of European Union funds for the financing of the common agricultural policy;
- 5) collecting and storing data on the Programme implementation in an electronic form;
- 6) drawing up and sumitting reports on the implementation of the Programme to the Managing Authority, including information necessary for drawing up an annual report, referred to in Article 82 of the Regulation No 1698/2005;
- 7) preparation of expenditure plans, requests for Programme resources and the monitoring of their use;
- 8) prevention from, detection and notification of irregularities;
- 9) confirmation, preparation and submission of expenditure declarations to coordinating units;

- 10) claiming liabilities resulting from payments executed under the Program;
- 11) publication of the list of aid beneficiaries, in accordance with binding laws, and submitting that list to the Managing Authority;
- 12) storing and providing the Managing Authority and competent national and European institutions with access to documents relating to performance of tasks of the Paying Agency.

The Paying Agency may delegate the execution of these tasks pursuant to Article 6 of Council Regulation (EC) No 1290/2005. The Paying Agency delegates the execution of such tasks as the acceptance of aid applications, administrative evaluation of applications, on the spot control and acceptance of applications to the Entity. The tasks delegated by Paying Agency shall be implemented by the following entities:

Measure	Entity to whom ARMA delegates tasks
Improvement and development of infrastructure related to the development and adjustment of agriculture and forestry	VG
Information and promotion activities	AMA
Basic services for the economy and rural population	VG
Village renewal and development	VG
Measures implemented under the Leader Axis	VG

Paying Agency or entities entrusted by the Paying Agency to implement tasks may commission control activities within the framework of on-the-spot checks and field visits to other organisational units. Detailed organisational, staffing and technical conditions, which must be fulfilled by those units, allowing them to be entrusted with the implementation of controls are set forth in the implementing act to the provisions on support for rural development co-financed from EAFRD resources

Detailed scope of tasks of entities entrusted by the Paying Agency with tasks shall be stipulated in the contracts concluded between ARMA and those entities.

The implementation of the tasks of Paying Agency shall remain the responsibility of the President of ARMA.

Authorisation of payments for individual measures is realised within the framework of the organisational structure of ARMA and entities entrusted with those tasks by ARMA.

Implementation and accounting of payments is realised in special organisational units of ARMA headquarters.

Within the organisational structure of ARMA there is an independent operational unit responsible for internal control, implementing tasks relating to obtaining and retaining accreditation by the Paying Agency.

ARMA elaborates and authorises procedures referring to payment authorisation for all RDP measures (including receipt, registration and processing of payment claims) and ensures their effective implementation both through its own field units and delegated units.

Coordinating Body

The Minister of Agriculture and Rural Development acts as the Coordinating Body.

The Coordinating Body has been set up as a result of appointing two paying agencies, i.e. the Agricultural Market Agency and the Agency for Restructuring and Modernisation of Agriculture to make payments from the European Agricultural Guarantee Fund (EAGF) and EAFRD under the Common Agricultural Policy.

The coordinating body referred to in Article 6(3) of Council Regulation (EC) No 1290/2005 shall act as the Commission's sole interlocutor for the Member State concerned for all questions relating to the EAFRD specified in Article 4 (1) of Commission Regulation (EC) 885/2006 of 21 June 2006 laying down detailed rules for the application of Council Regulation (EC) No 1290/2005 as regards the accreditation of paying agencies and other bodies and the clearance of the accounts of the EAGF and of the EAFRD.

Pursuant to the regulations on the release of funds from the European Union budget allocated for the financing of the Common Agricultural Policy, the coordinating body, on the basis of reports and information submitted by paying agencies and regarding:

- 1) Planned expenditure and income from EAGF and EAFRD.
- 2) Expenditure incurred and income gained from EAGF and EAFRD, and
- 3) Data on expenditure and income from EAGF and EAFRD,

Develops reports and notifications sent to the Commission within time limits set forth in relevant legislation.

Special accreditation is granted to Coordinating Body by the Minister of Finance.

Tasks of the Coordinating Body are implemented by an organisational unit selected in the organisational structure of the Ministry of Agriculture and Rural Development. Implementation of the tasks of the Coordinating Body is specified in the organisational rules of the Ministry of Agriculture and Rural Development and in the internal regulations of that organisational unit.

Certification Body

Pursuant to the regulations concerning fiscal control, certification and issuance of the EAFRD financial aid winding-up declarations is within the authority of the General Inspector of the Fiscal Inspectorate – a body independent from the Managing Authority, Paying Agency and Coordinating Body.

Pursuant to the abovementioned regulations, the General Inspector of Fiscal Control shall carry out his/her tasks with the aid of organisational units set up within the structure of the Ministry of Finance.

The tasks of the Certification Body shall be carried out by the General Inspector of Fiscal Control via the Department for Certifying and Issuing Declarations on Winding-up of EU Assistance at the Ministry of Finance.

The tasks of the Certifying Body include:

- 1) issuing of EAFRD aid winding-up declarations;
- 2) authorisation of accounts of the Paying Agency as regards their correctness, completeness and reliability, taking account of the introduced Management and control system.

Pursuant to Article 5(2) of Commission Regulation (EC) No 885/2006 of 21 June 2006 laying down detailed rules for the application of Council Regulation (EC) No 1290/2005 as regards the accreditation of paying agencies and other bodies and the clearance of the accounts of the EAGF and of the EAFRD, the certification body shall carry out its checks both during and after the end of each financial year.

After the end of each financial year, the certification body shall draw up a certificate stating whether it has gained reasonable assurance that the accounts prepared by the paying agency and to be transmitted to the Commission are true, complete and accurate and that the internal control procedures have operated satisfactorily. The certificate shall be based on an examination of procedures and a sample of transactions. This examination shall cover the paying agency's administrative structure as regards the question whether that structure is capable of ensuring that compliance with Community rules is checked before payments are made.

After the end of a financial year, the certification body shall draw up a report of its findings.

Tasks of the certification body shall be carried out in accordance with the internationally accepted audit standards taking into account any guidelines established by the Commission.

The certification body shall be responsible for the planning and execution of work within certification audits, including the supervision over the fiscal control officers carrying out control activities in field units of the paying agency and other units participating in EAFRD implementation.

Tasks of certification and issuing aid winding-up declarations are laid down by the provisions of fiscal control regulations.

Audit

All units involved in the implementation of the Programme which operate in the public finance sector shall be subject to internal audit. The obligation to carry out the audit is imposed by the public finance regulations.

Pursuant to the public finance regulations, the internal audit involves a set of activities, covering the independent examination of management and control systems in a unit which, allow the head of unit to obtain an objective and independent evaluation of the adequacy, effectiveness and efficiency of these systems. System evaluation refers in particular to the compliance of the activities with binding legislation and internal procedures in force in the unit, along with the effectiveness and economy of the activities relating to the management and control system. The aim of internal audit is to improve the functioning of the unit.

The tasks in the field of financial coordination and internal control are implemented by the Minister of Finance.

In the Ministry of Agriculture and Rural Development, an organisational unit was appointed to implement, among other things, tasks in the field of internal control, including audits of Managing Authority. It is responsible directly to the general Director, who, in accordance with the act on public finance implements tasks relating to financial control and internal control. Internal auditors are not engaged in the operational activity of the unit.

Internal auditors shall follow the "International Standards for the Professional Practice of Internal Auditing" drawn up by the Institute of Internal Auditors and "Internal audit standards in public finance sector units" published by the Minister of Finance.

If the other authorities are entrusted with tasks by the managing authority or paying agency, the entities that have been entrusted with the tasks shall facilitate audits and inspections carried out by the managing authority, paying agency or other or other authorized national and EU entities.

Irregularities

All units involved in the implementation of the Programme shall prevent and detect irregularities, and notify competent institutions thereof.

The General Inspector of the Fiscal Inspectorate is the body responsible for notification of the European Commission on any irregularities. Inspector implements the tasks in this regard with the help of the Department for Certifying and Issuing Declarations on Winding-up of EU Assistance at the Ministry of Finance.

Description of the implementation system

The entities, which were entrusted with the implementation of tasks shall carry out their tasks concerning in particular the acceptance and processing of aid applications, conclusion of contracts and issuing decisions, as well as reporting on the basis of regulations regarding support for rural development. The Paying Agency delegates its tasks with the help of all necessary agreements.

Acceptance and processing of aid applications

Aid applications shall be accepted and processed by the entities which the Managing Authority entrusted with the implementation of tasks. The application submission procedure, as well as the conditions and procedure for granting aid, are stipulated by separate regulations.

Selection of operation

The operation shall be formally selected on the day of signing a civil law contract between the entity, which the Managing Authority entrusted with tasks implementation and the beneficiary, or on the day of issuing an administrative decision by that entity.

If the beneficiary of Technical Assistance is the Agency for Restructuring and Modernisation of Agriculture, the operation shall be selected by the Minister of Agriculture and Rural Development.

Selection of contractors

Programme beneficiaries, in cases stipulated by the public procurement provisions, shall select contractors in accordance with those provisions.

Payments to beneficiaries

Payments to beneficiaries are made on the basis of decisions and contracts, or upon submission of a claim for payment.

If the beneficiary of Technical Assistance is the Agency for Restructuring and Modernisation of Agriculture, the basis for payment to the beneficiary is the contract concluded between the beneficiary and the Minister of Agriculture and Rural Development and a claim for payment.

Claims for payment are accepted, registered and processed by the paying agency or entities entrusted with those tasks by the paying agency under a written contract. In this case only positively evaluated claims for payment are the basis for payment.

Financing of the Rural Development Programme for 2007-2013

Legal framework and detailed conditions and rules applied to financing the common agricultural policy expenditure from the European Union budget, including

expenditure on rural development in 2007-2013, are specified in Council Regulation (EC) No 1290/2005.

Council Regulation (EC) No 1290/2005 forms a basis for the establishment of the European Agricultural Fund for Rural Development (EAFRD) for the financing of rural development programmes from the UE financial resources.

Pursuant to Article 17 of Council Regulation (EC) No 1698/2005 EU financial input for each of the three objectives specified in that regulation covers at least:

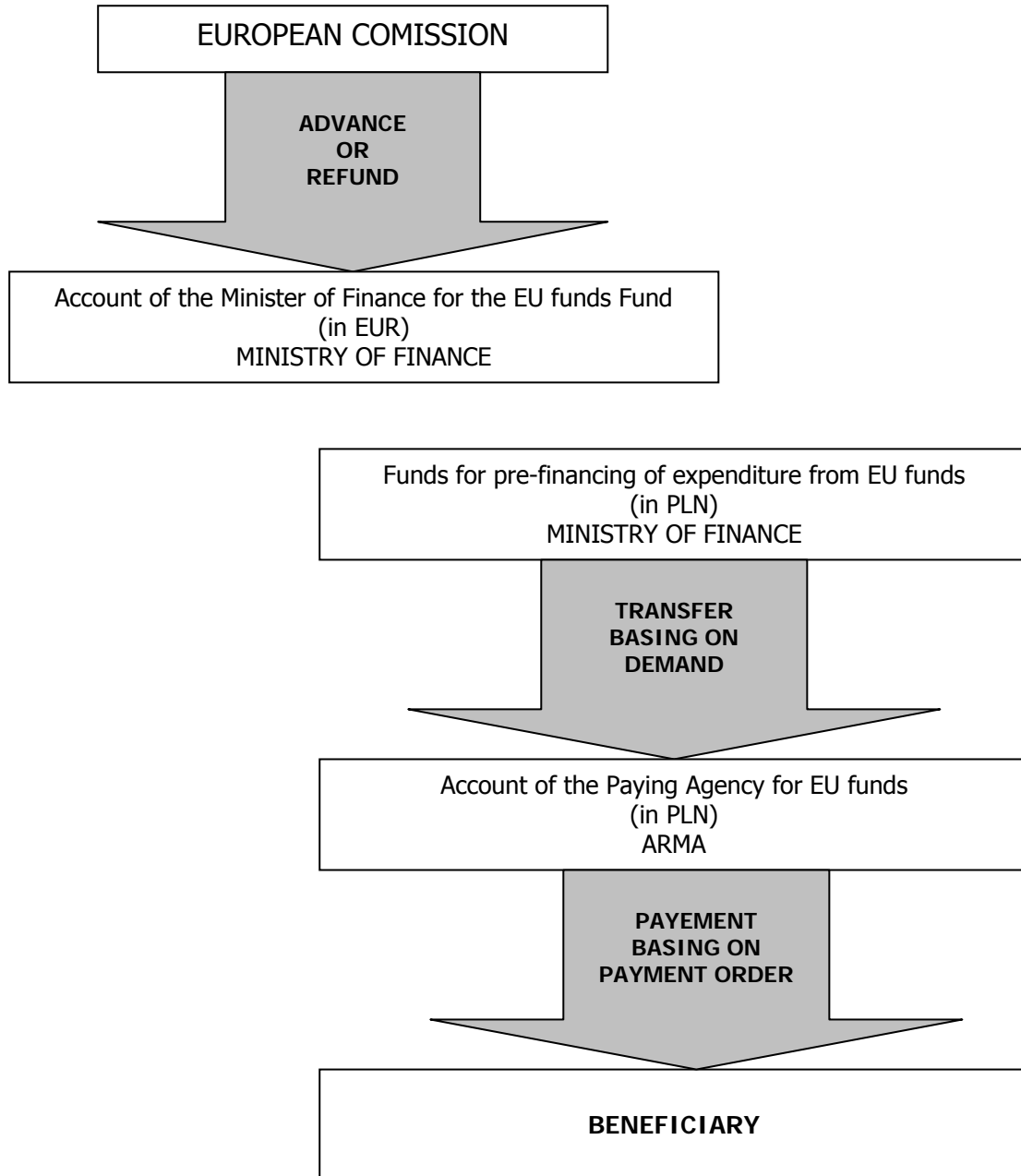
- 1) 10% of the total EAFRD contribution in the Programme for axis 1 and 3;
- 2) 25% of the EAFRD total contribution to the Programme for Axis 2.

For the Republic of Poland, the minimum EU financial contribution for Axis 4 may be phased in over the programming period in such a way that at least 2.5 % of the EAFRD total contribution is reserved for this Axis.

An accredited paying agency shall be responsible for spending EAFRD resources.

The general EU rural development programme expenditure financing system involves a single pre-financing amount, made upon acceptance of the programme, the return of expenditure incurred by a Member State from EAFRD resources (indirect payments calculated according to a co-financing coefficient for each axis of the Programme) and final payment, made after the Member State submits the last annual report on the Programme implementation.

Flow of funds from EAFRD under RDP 2007-2013



Pursuant to the regulations on the release of funds from the European Union budget for the financing of common agricultural policy, the amounts from EAFRD shall be accumulated on a separate bank account of the Ministry of Finance in the National Bank of Poland (NBP).

In accordance with the act on public finance resources originating from EU funds constitute income of the State budget after they are transferred in Polish zloty to the revenue account of the State budget. Funds in

The fund flow system through bank accounts will be transparent and described in appropriate procedures.

This system will ensure maximum possible separation of the EU public funds flow from the national public co-financing, taking into account the deadline of their transfer.

As regards the EAFRD funds flow system, the Minister of Finance shall in particular:

- 1) implements financial supervision of EAFRD funds.
- 2) operate the account on which EAFRD resources are accumulated

Pursuant to the public finance regulations, the EAFRD amounts:

- 1) are public funds
- 2) shall be cleared in a comparable manner to the state budget subsidies.

The Programme will be co-financed from the national public funds, i.e.:

- 1) the State budget;
- 2) the resources of the local government units;
- 3) other public funds.

Pursuant to the regulations on the release of European Union funds for the financing of the common agricultural policy, the national public funds allocated for the co-financing of EAFRD expenditure shall be transferred to the Paying Agency by the Minister of Agriculture and Rural Development on the basis of demand declared by the Paying Agency.

Under some measures and technical assistance, because of their specifics, units of local government may receive funds for the implementation of operations in the form of subsidies for pre-financing up to the amount refunded from the EAFRD resources and national public funds intended for co-financing of expenditure implemented from EAFRD resources.

In the case of some measures, funds from national co-financing will originate from the resources of local government units or other public funds.

Pursuant to regulations on financing of the common agricultural policy, the paying agencies shall draw up and submit, through the coordinating body, declarations of expenditure within time limits specified by the Commission.

12. DESCRIPTION OF THE MONITORING AND EVALUATION SYSTEM

12.1. Description of the monitoring and evaluation systems

Programme monitoring and evaluation

In order to obtain data on the progress and effects of the RDP implementation of Rural Development Programme, the Programme will be monitored. The programme implementation will be monitored by the following bodies: Managing Authority, Monitoring Committee, Paying Agency and institutions involved in the implementation of specific measures. Monitoring will be carried out on the basis of pre-defined input, output, result and impact indicators.

Programme implementation monitoring

Information will be gathered at the level of Implementing Authorities and Paying Agency on the basis of documents submitted by the beneficiaries, documents prepared by the Implementing Authorities and Paying Agency and statistical data. On the basis of compiled data the implementing institutions will prepare current and interim reports, including annual progress reports on the measures implementation. Data shall be submitted to the Agency for Restructuring and Modernisation of Agriculture, and next to the Managing Authority in an electronic or paper form, in accordance with rules laid down in separate regulations. On the basis of reports submitted by the Agency for Restructuring and Modernisation of Agriculture, the managing Authority shall prepare annual reports and a final report on the Programme implementation.

Monitoring indicators

Monitoring indicators have been defined for Rural Development Programme in accordance with the guidelines of Common Monitoring and Evaluation Framework, taking into account the specific character of particular measures under the Programme. The base indicators concerning the initial status of agriculture, rural areas and environment in Poland, as well as Programme output, result and impact indicators were defined. The indicators shall be used to measure the progress, effectiveness and efficiency of the Programme implementation in respect of its objectives. Data needed for monitoring purposes shall be collected at the level of different projects, measures and priority axes.

Participation of men and women in implementation of different Programme measures shall be the subject to obligatory monitoring, whenever possible.

The above data shall be submitted to the Monitoring Committee to carry out its tasks.

Annual progress reports

By 30 June each year, the Managing Authority shall submit a progress report of the Programme implementation to the European Commission. The first report shall be submitted in 2008.

Pursuant to Article 82 of Council Regulation (EC) No 1698/2005, each annual progress report shall contain the following elements:

- 1) any change to the general conditions having a direct impact on the conditions for implementing the programme as well as any change to Community and national policies affecting consistency between the EAFRD and other financial instruments;
- 2) the progress of the programme in relation to the objectives set, on the basis of output and result indicators;
- 3) information on the financial implementation of the Programme;
- 4) a summary of the ongoing evaluation activities;
- 5) the steps taken by the Managing Authority and the Monitoring Committee to ensure the quality and effectiveness of programme implementation, in particular:
 - a) monitoring and evaluation measures;
 - b) a summary of the major problems encountered in managing the programme and any measures taken, including in response to comments made by the European Commission;
 - c) use of technical assistance;
 - d) steps taken to ensure that the programme is publicised in accordance with Article 76 of Council Regulation (EC) No 1698/2005;
- 6) a declaration on compliance with Community policies in the context of the support, including identification of the problems encountered and the measures adopted to deal with them;
- 7) where applicable, re-utilisation of aid recovered under Article 33 of Regulation (EC) No 1290/2005.

Monitoring of Strategy implementation

Implementation of the National Strategic Plan will be monitored. The strategy implementation monitoring shall provide data related to the changes of the value of base indicators and impacts defined in the National Strategic Plan. Due to the implementation of RDP, the annual progress reports on the Programme implementation in 2010, 2012, and 2014 shall contain a separate chapter with a collective report on the strategy implementation.

IT monitoring system

Pursuant to Article 75 of Council Regulation (EC) No 1698/2005 Poland shall that there is a system to record and maintain statistical information on implementation in computerised form. The system will have a computerised form adequate to the RDP 2007-2013 implementation monitoring and evaluation goals.

Operational data on the Programme implementation shall be obtained from the Paying Agency and institutions performing delegated implementation functions.

The system will facilitate safe electronic data transfer between authorities participating in RDP 2007-2013 implementation, with the application of the safety principles.

Programme Evaluation

Programme implementation will be subject to on-going evaluation and to the interim evaluations: ex-ante, mid-term and ex-post. Evaluations are intended to improve quality, efficiency and effectiveness of Programme implementation.

Ex-ante evaluation – prepared by an independent evaluating institution selected under public procurement procedure. The evaluation determines mid- and long-term needs, objectives, results expected, lessons learned from the previous programming period.

In order to evaluate the effectiveness of Programme implementation a system of on-going evaluation will be established. On-going evaluation will be performed on the initiative of the Managing Authority in cooperation with the European Commission. Day-to-day evaluation will be organised in the form of multi-annual evaluation and will cover the whole 2007-2015 period. Starting from 2008 the Managing Authority will provide the Monitoring Committee every year with a report of the activity of the on-going evaluation. An on-going evaluation summary will be attached to the annual report on the Programme implementation.

Mid-term evaluation – in 2010 mid-term Programme evaluation will replace on-going evaluation and cover Programme implementation period between 2007 and 2009. Mid-term evaluation will include recommendations on the measures that could improve Programme implementation. Evaluation will be performed by an independent evaluating institution selected under public procurement procedure.

Ex-post evaluation – in 2015 ex-post evaluation of the Programme will be performed. Ex-post evaluation will define the level of absorption of funds, social and economic impact of RDP 2007-2013, as well as impact of the implemented Programme on implementation of Community priorities defined in Community Strategic Guidelines with respect to rural development 2007-2013⁸⁷. It will also define the factors, which

⁸⁷ Council Decision 2006/144/EC (OJ L 55, of 25.02.2006).

contributed to the success or failure of implementation of respective measures and priorities.

Ex-post evaluation of aid will be performed in accordance with Articles 84-87 of Council Regulation (EC) No 1698/2005.

12.2. Planned composition of the Monitoring Committee

The Monitoring Committee shall be set up upon consultations between the Managing Authority and social and economic partners. The Committee will act in accordance with the EU provisions, on the basis of the Programme, establishing act and its own statute.

Tasks of the Monitoring Committee shall include the following:

- 1) consultations on the selection criteria of financed undertakings;
- 2) periodical review of the progress in achieving the Programme objectives on the basis of documents delivered by the Managing Authority;
- 3) analysis of the results of implementation, in particular with respect to the achievement of objectives for different priority axes and on-going evaluation;
- 4) analysis and approval of the annual progress report and final report on the implementation of the Programme, before they are sent to the Commission;
- 5) in justified cases, submission to the Managing Authority of proposals concerning any Programme adjustment or review aimed at the attainment of objectives of the Fund or for improvement of its management, including the financial management;
- 6) analysing and approving draft amendments to the Commission Decision on Fund input.

Detailed Rules of Procedure for the Monitoring Committee shall be specified by members of the Committee upon agreement with the Managing Authority. Monitoring Committee shall be comprised of representatives of the government, local government and of social partners including in particular:

- 1) Managing Authority
- 2) Ministers whose competences are related to implemented RDP measures;
- 3) Local government;
- 4) Local government administration;
- 5) Social and economical partners, including agricultural organisations and non-governmental organisations involved in the protection of the environment.

In accordance with the Ordinance of the Minister of Agriculture and Rural Development on the appointment of the Monitoring Committee for the Rural Development Plan for 2007-2013; the Committee shall compose of the following members:

- 1) One representative each in the position of Secretary or Undersecretary of State appointed by:
 - ministers competent for: public finance, rural development, environment, regional development, culture and protection of national heritage, economy and labour and education;
 - Secretary of the Committee for European Integration;
 - Head of the President of the Council of Ministers' Chancellery
- 2) Voivod, appointed by the President of the Council of Ministers;
- 3) Two representatives of voivodship local government, appointed by the Joint Committee of Central and Local Government;
- 4) Representative of powiat self-government, assigned by the Joint Committee of Central and Local Government;
- 5) Representative of gmina self-government, assigned by the Joint Committee of Central and Local Government;
- 6) Representative of Polish Council of Agricultural Chambers;
- 7) Representative of the Polish Council of Water Economy;
- 8) representative of the State Council for Environmental Protection (governmental organisation involved in environmental protection);
- 9) representative of the Forestry Council (governmental organisation involved in forest economy);
- 10) representative of the organisation of entrepreneurs operating in the field of agri-food processing (professional organisations)
- 11) representative of industry associations of agricultural producers (professional organisations);
- 12) representative of non-governmental environmental organisations at national level (non-governmental institutions involved in environmental protection);
- 13) representative of non-governmental organisations of national range involved in rural development, including organisations acting for equal opportunities;
- 14) representative of universities, appointed by the General Council for Higher Education;
- 15) representative of the Polish Bank Association.

The works of the Monitoring Committee may involve (without vote) representatives of the Paying Agency and European Commission, as well as professional research institutions (Institute of Agricultural and Food Economics – National Research Institute, Institute of Rural Development and Agriculture of the Polish Academy of Sciences, Institute of Soil Science and Plant Cultivation).

Moreover, other persons may participate in the works of the Committee. They are invited to participate by the President of the Committee.

13. ENSURING DISSEMINATION OF INFORMATION ABOUT THE PROGRAMME

.The information and education activities are the obligation of each Member State. This results not only from legal regulations and adopted system solutions in respect of aid implementation, but also from the position of the European Commission, according to which information about aid is an inseparable part of its implementation.

The obligation to carry out information activities is laid down in Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).

Article 76 of the Regulation states that information activities are the obligation of the Member States. Implementing provisions to Council Regulation (EC) No 1698/2005 are laid down in Commission Regulation (EC) No 1974/2006 laying down detailed rules governing the implementation of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD). This is the basis for the Communication Plan to specify the scope of provided information and the methods to be used to ensure wide access to information both for the society and the potential beneficiaries.

The Programme communication and information activities strategy was prepared in accordance with the criteria of information activities plan laid down in Council Regulation (EC) 1689/2005 and in Commission Regulation (EC) No 1974/2006 laying down detailed rules governing the implementation of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).

The strategy is aimed mostly at the popularisation of knowledge about the measures implemented under the Programme and at providing information about its results.

The measures undertaken will also concern the preparation and provision of information to institutions involved in the Programme implementation. The information will concern first of all the legal framework and the interpretation of provisions and the current state of implementation.

Poland's experience in the implementation of the Sectoral Operational Programme "Restructuring and modernization of food sector and rural development 2004-2006" and the Rural Development Plan for 2004-2006 showed that it is very important to directly provide the detailed and reliable information to the largest possible group of aid recipients.

According to the report by the Pentor research institute on Polish rural areas and agriculture after the accession to the European Union, the knowledge of rural inhabitants on the Community and the financial interventions performed with the use of funds from the EU budget has significantly improved.

The implementation and the monitoring of the strategy are the responsibility of the Minister of Agriculture and Rural Development as the Managing Authority.

The strategy will be implemented by means of all media at the appropriate territorial level. The information campaigns, printed publications, electronic publications as well as other mass media considered relevant will also be prepared.

In order to ensure efficient information flow the strategy will be implemented at two levels.

The general information about the Programme, provided by the Managing Authority, will be disseminated mainly at the national level.

Detailed information on conditions and rules for granting aid under the Programme will be provided by the institutions involved in the implementation. The institutions will provide the information at the regional and local level.

In both cases the information will be provided so as to inform the largest possible group of recipients – potential beneficiaries and the entities involved in the information process.

.The implementation of the communication strategy is to raise public awareness on the role and contribution of the European Union within the scope of EAFRD assistance for the Republic of Poland.

Objectives of the communication strategy

To ensure the access to clear, detailed and current information on the measures implemented under the Programme, its objectives and information on the Community contribution to the Programme implementation for the society.

Specific objectives:

- 1) to ensure permanent and direct access to detailed information on the possibilities and rules of granting aid, especially to:

- a) the description of procedures applied during the examination of applications for financing,
 - b) conditions and criteria of qualification upon the selection and evaluation of the projects,
 - c) description of the administrative procedures which must be observed while applying for financing under the Programme;
- 2) to ensure a permanent and direct access to information about the Programme, its method of implementation and achieved results for the institutions involved in the Programme implementation, social and economic partners, non-governmental institutions and sector associations and unions, as well as the institutions related to the agricultural sector and rural areas;
 - 3) dissemination of information among the interested circles on the Community contribution to the Programme implementation and its role.

Recipients of information and education activities carried out under the communication strategy

The activities are addressed to:

- (1) the recipients of information specified in Article 76 of the Council Regulation (EC) 1698/2005:
 - a) potential beneficiaries of the Programme,
 - b) general public.
- (2) recipients of information specified in Commission Regulation (EC) No 1974/2006 laying down detailed rules governing the implementation of the Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD), Section 3, Article 57 and Annex VI:
 - a) social and economic partners,
 - b) institutions directly and indirectly involved in the Programme implementation,
 - c) institutions, organisations and associations the activities of which are directly or indirectly related to the agricultural sector and rural areas,
 - d) local government units and government administration units in voivodships,
 - e) non-governmental organisations, including: those involved in supporting equal opportunities of men and women and the issues related to the natural environment,

- f) mass media,
- g) European Commission Representation in Poland and European Information Centres.

Geographical scope

The promotion and information activities cover the whole country. The Managing Authority coordinates, supervises and monitors information activities undertaken at the central level and in institutions to which the implementation was entrusted.

Information and promotion activities implemented under the communication strategy

13.1. Measures aimed to inform the general public about the role played by the Community in the Programme and the Programme results

13.1.1. Dissemination of general knowledge about the Programmes

The measure aims at the dissemination of general knowledge about the Programme. The communication projects implemented under the measure ensure the access to knowledge about the scope of aid and general rules concerning the Programme implementation as well as the scope of the aid granted by the European Union to the Republic of Poland under the Programme.

The information is provided by means of the following forms of communication:

- a) training, conferences and seminars;

training, conferences and seminars are to be organised, during which the information about the Programme measures, their tasks and objectives and the implementation system will be presented. The meetings will be an occasion to distribute the printed information materials and information on electronic carriers concerning the rules governing the Programme functioning;

- b) publication of information materials;

preparation and publication of information materials about the Programme will be the element of information measures;

- c) publication of up-to-date information and documents concerning the Programme on the websites;

The MARD internet portal contains the websites concerning the Rural Development Programme 2007-2013. Since mid 2005 the websites include up-to-date information about the Programme, including draft programming documents (Draft National Strategic Plan of Rural Development 2007-2013,

Draft Rural Development Programme 2007-2013). The website also contains normative acts in force and draft normative acts concerning the Programme. Information about the Programme will be placed in the National Network of Rural Areas Internet portal established.

d) cooperation with mass media;

the following mass media will be involved in the activities aimed at informing the society about the Programme: television, radio, press: national, regional, agricultural, etc. The Ministry of Agriculture and Rural Development will provide information about the Programme in the form of press releases and press conferences. It will also provide the information at the request of interested media. The cooperation with editorial teams in respect of the dissemination of information and materials prepared by the Ministry will also be developed.

13.1.2. Provision of detailed information about the conditions and rules of granting aid to the Programme beneficiaries

The objective of the measure is to provide detailed, up-to-date and verified information about the aid offered under the Programme.

The information is provided in the form of:

a. publication of information materials;

the institutions to which the implementation was entrusted prepare information about the Programme, including the printed information with the description of measures and detailed rules of granting aid. Information will also be published by way of electronic data transfer.

b. information desks;

The Managing Authority and the implementing institutions participate in the provision of information about the Programme, including the provision of detailed explanations on the conditions of participation in the Programme and direct guidelines related to the procedure of applying for aid. The activities are conducted by means of direct contact with the customers at information desks, contact by telephone, including hotlines, or provision of explanations in writing.

c. cooperation with mass media at local and regional level;

the cooperation of the Managing Authority and the implementing institutions with mass media aims at ensuring the provision of information to the largest possible group of potential recipients;

- d. the cooperation with institutions, non-governmental organisations, social and economic partners, trade and professional unions and associations, religious associations, Agricultural Chambers and Agricultural Advisory Centres and the local government units at the local level which are involved in the process of providing information about the Programme;

the aim of the cooperation will be to ensure the appropriate provision of detailed, certain and up-to-date information to the potential beneficiaries of the Programme. The cooperation will consist in the direct provision of information to the cooperating entities, submission of publications and information materials for distribution and electronic exchange of up-to-date information about the Programme.

- e. thematic websites on the Programme;

the aim of the cooperation will be to ensure the appropriate provision of up-to-date information on the Programme, including the state of its implementation and changes to it. The Managing Authority and the implementing institutions cooperate with institutions, non-governmental organisations, mass media and other entities participating in the provision of information while publishing the information about the Programme on thematic websites they created;

- f. production and distribution of information boards;

the institutions entrusted with implementation prepare boards informing about the contribution of the European Union funds to the implementation of the projects; the boards will be distributed to beneficiaries in order to locate them at the places where the projects are implemented. The boards will be produced and distributed in accordance with the Commission Regulation (EC) No 1974/2006.

13.1.3. Ensuring the appropriate and up-to-date information about the Programme to the implementing institutions

The measure is to increase the efficiency of the information provision through the provision of up-to-date and certain information to the institutions entrusted with the implementation. The Managing Authority implements the projects aimed at increasing and deepening the knowledge about the Programme.

Information is provided by means of the following forms of communication:

- a) training, conferences, seminars;
- b) cooperation within the National Network of Rural Areas ;
- c) information desks;
- d) by means of electronic data transfer.

In accordance with Annex IV to Commission Regulation (EC) No 1974/2006, all the prepared information materials and communications on application collection will inform on the financial contribution from the Community, as well as on the Fund and Axis of the Rural Development Programme 2007-2013 providing finance for implementation of the Programme.

Modifications of the Programme made upon Resolutions of the Monitoring Committee and Commission Decisions at the time of its implementation will be immediately published and communicated to the potential beneficiaries and public.

13.2. Measures intended to inform beneficiaries about contribution of the Community to the Programme

The objective of the measure is to promote the Programme, to increase the social awareness on the Community contribution and to disseminate the visual brand of the Programme. The recipients of communication projects implemented under the measure will include: the general public, mass media, social and economic partners, non-governmental organisations and institutions, unions, associations and institutions operating directly and indirectly in the agriculture and rural areas sector, European information centres, the European Commission Representation to Poland.

Information is provided by means of the following forms of communication:

- a) promotion of the Programme and Community contribution during the national and local events devoted to agriculture and rural areas;

The Managing Authority participates in the events organised at the national, regional and local level, such as: fairs, conferences, seminars and trainings on agriculture and rural development, and presents there the current information about the Programme, including the publications, brochures, information and education materials, etc.;

- b) Programme visibility in mass media;

the press publications, information and materials for radio and TV stations will be prepared to ensure the Programme visibility through the provision of the most important information about the Programme and the presentation of the Programme logo;

- c) use of appropriate labels for the Programme in accordance with Council Regulation (EC) No 1698/2005 and Commission Regulation (EC) No 1974/2006 laying down detailed rules governing the implementation of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).

The Managing Authority will set forth the method of labelling the projects and undertakings implemented under the RDP pursuant to the guidelines of Annex VI to the Commission Regulation (EC) No 1974/2006. The institutions involved in the implementation and the Programme beneficiaries will be obliged to observe the rules of the labelling and to apply the appropriate logotypes and information texts on the scope and level of the Community contribution to the Programme implementation.

13.3. Measures aimed to inform the general public about the role played by the Community in the Programme and the Programme results

13.3.1. Informing about the role played by the Community and the results achieved during Programme implementation

The measures will be taken in order to ensure the appropriate and direct information about the Programme implementation and the achieved results as well as the scope of aid granted by the European Union to Poland. The recipients of the measure will include the general public, institutions, associations and organisations operating in the agriculture and rural areas sector, mass media, social and economic organisations, non-governmental organisations, European information centres, the European Commission Representation to Poland.

Information is provided by means of the following forms of communication:

a) conferences and seminars;

the national and regional conferences and seminars will be organised with the aim to disseminate knowledge about the programme implementation, the current state of implementation and to sum up the accomplished objectives and the assumed Programme results;

b) publication of information materials;

information and educational materials will be prepared and published as part of information measures concerning the Programme implementation, the current state of implementation and to sum up the accomplished objectives and the assumed Programme results;

c) publication of up-to-date information and documents concerning the Programme on the websites;

The MARD internet portal contains the websites concerning the Rural Development Programme 2007 – 2013;

the information about the Programme will also be exchanged through the administrative structures and the National Network of Rural Areas;

d) publication of the list of aid beneficiaries

in accordance with the Council Regulation (EC) No 1698/2005 and with the requirements of the Directive 95/46/EC of the European Parliament and of the Council of 25 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data and in accordance with the Act on personal data protection of 29 August 1997 (Dz.U. No 133, item 883, as amended). The Managing Authority publishes (in the electronic version or otherwise) the list of beneficiaries who receive the support from the rural development programmes, names of measures and the contribution from the public funds allocated for those measures. The Managing Authority also ensures that the beneficiaries are informed about the fact that the acceptance of financing means also the consent for their inclusion on the list of beneficiaries.

13.3.2. Provision of information about the Programme and its results to the institutions involved in the implementation of the communication strategy

The process of providing information about the Programme should engage the largest possible number of institutions, non-governmental organisations, social and economic partners, trade unions, associations and organisations operating in the agricultural and rural areas sector and the local government units. Those entities should be involved in the information provision process at the national, regional and local level. The Managing Authority and the institutions entrusted with the implementation should ensure the appropriate information transfer to those entities.

Information is provided by means of the following forms of communication:

a) training, conferences and seminars;

the aim of the implemented projects will be to provide up-to-date general and detailed information to the entities which participate in the provision of information to the general public, and most of all to the potential Programme beneficiaries.

b) publication and distribution of information materials;

in order to ensure the up-to-date and complete knowledge about the Programme, the Managing Authority and the implementing institutions prepare and publish the information material for beneficiaries. They will submit the materials for distribution to the entities cooperating with them in informing about the Programme;

c) cooperation within the National Network of Rural Areas;

The National Network of Rural Areas aims at ensuring the transfer of complete and detailed knowledge and experience regarding the Programme and similar issues related to the Programme implementation to all entities involved in the cooperation and those which use the Network;

d) information desks;

The Managing Authority and the implementing institutions provide the information about the Programme, provide detailed explanations on the conditions of participation in the Programme, as well as direct guidelines related to the procedure of applying for aid to the entities cooperating in the information provision process. The activities are conducted by means of direct contact with the customers at information desks, contact by telephone, including hotlines, or provision of explanations in writing.

Financing of strategy implementation

The strategy will be financed by the resources of "Technical Assistance" and own resources of institutions involved in the implementation of educational and information and promotion measures. EUR 50 million will be granted for the implementation of the above mentioned measures between 2007 and 2013. The amount has been calculated based on the experiences concerning implementation of the information and publicity strategy of the Sectoral Operational Programme "Restructuring and modernisation of the food sector and rural development 2004 – 2006," and of the Rural Development Plan for 2004-2006, as well as considering the number of potential beneficiaries of the Programme (around 2 million), and prices of communication and special services on the Polish market.

Indicative division in the years 2007-2013 [in EUR]

Year	Amount allocated to the measures of the Communication Plan
2007	10,000,000
2008	6,000,000
2009	6,000,000
2010	6,000,000
2011	6,000,000
2012	6,000,000
2013	10,000,000

Institutions responsible for the implementation of the strategy

At the national level the coordination and supervision of the implementation of communication activities are the responsibility of the Minister of Agriculture and Rural Development who performs the function of the Programme Managing Authority. The relevant Departments, according to their competences, are responsible for the general coordination of the Plan implementation and for implementation and

supervision of education, information and promotion activities and for cooperation in this regard with the institutions entrusted with the implementation.

The Ministry is responsible for the provision and supply of information about the Programme to the general public and potential beneficiaries and the entities involved in the process of informing about the Programme.

The institutions entrusted with the Programme implementation are responsible for the provision of up-to-date, certain and detailed information to the potential beneficiaries and the entities involved in the process of informing about the Programme at the regional and local level.

Strategy implementation evaluation and monitoring system

1. Reports and analyses

The monitoring and evaluation of the implementation of the Programme communication strategy will be carried out on the basis of data obtained from the following information and reports:

- a) reports from institutions entrusted with implementation of particular measures of the Programme;
- b) opinions collected by means of interactive elements of the website;
- c) information from institutions involved in the Programme publicity and information;
- d) on the basis of the data supplied by the entities cooperating with the National Network of Rural Areas;
- e) analyses of the efficiency of implemented information activities;
- f) questionnaires completed by the recipients of information;
- g) reports by independent experts evaluating impact of the information provided on the awareness of the Programme and its perception among the general public and individual beneficiaries.

2. Criteria for the evaluation of the strategy:

- a) adjustment of information channels to individual groups of recipients;
- b) number of participants of conferences and seminars;
- c) audience ratings for radio and TV programmes in individual groups of recipients;
- d) clarity of the message about the Programme in terms of graphics in individual groups of recipients;
- e) clarity of the message about the Programme in terms of text in individual groups of recipients;

- f) commonness and accessibility of information regarding the Programme;
- g) relevance of the information communicated.

3. Monitoring indicators

Efficiency of measures implemented under the communication strategy will be additionally evaluated on the basis of the following monitoring indicators:

- 1) Number of published information materials;
- 2) Number of conducted seminars;
- 3) Number of organised conferences;
- 4) Number of organised trainings;
- 5) Number of beneficiaries which apply to the information desks;
- 6) Number of information materials provided to the entities involved in the information provision;
- 7) Number of information materials provided on electronic carriers;
- 8) Number of customers at the information desks;
- 9) Number of registered visits on the websites on the Programme;
- 10) Number of published education materials.

14. DESIGNATION OF PARTNERS, WITH WHOM CONSULTATIONS WERE CARRIED OUT AND THE RESULTS OF THE CONSULTATIONS

14.1. Designation of partners, with whom consultations were carried out

The Rural Development Programme for 2007-2013 (RDP 2007-2013) is based on the provisions of the Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).

The draft Programme had been subjected to wide consultation during numerous conferences, workshops and meetings delivered by the Ministry of Agriculture and Rural Development (MARD), by other ministries and in all voivodships, during which special emphasis was placed on the selection and discussion of Programme measures, possible scope of support, level of financing and Implementing Bodies system. The draft Programme was modified as a result of comments made during numerous workshops and conferences.

The Ministry of Agriculture and Rural Development (MARD) initiated works of the Programme in June 2005. Simultaneously, the voivodship governments were asked for the analysis of regional needs in the scope of rural development and for a list and

hierarchy of measures, the implementation of which in a given region is justified. Such information obtained from voivodships facilitated better identification of needs on the regional level as regards support to rural development from the European Agriculture Rural Development Fund.

The draft Programme (version as of June 2005) has been agreed on with MARD organisational units, MARD management, and then other ministries, first and foremost the Ministry of Finance, the Ministry of Regional Development, the Ministry of the Environment and the Joint Commission of the Government and of Local Government, which is made up from representatives of the government and representative, national local government organisations: Association of Polish Cities, Union of Polish Metropolises, Union of Rural Communes, Union of Polish Towns and Townships, Union of Polish Poviats and Convent of Marshals. In addition the draft Programme (versions 1-5) was consulted with the Agency for Restructuring and Modernisation of Agriculture, Agricultural Market Agency and other institutions, scientific institutes, Polish Academy of Sciences, as well as voivodship offices, marshal's offices, city and gmina administrations and representatives of various social and economic organisations, non-governmental organisations and trade unions operating in the field of agriculture and environmental protection, as well as nature. The list of organisations and institutions consulted on RDP 2007-2013 is presented in Annex 16 to the Programme.

As part of the process of consultation of the Programme, the draft document was placed on the MARD website, which allowed all persons and organisations interested to familiarise with the document and comment on the Programme.

In mid-2005 MARD delivered a meeting aimed at the discussion of the matters relating to programming rural development under the new financial perspective. The meeting featured the presentation of the needs of respective voivodships by representatives of voivodship governments.

Two meetings with representatives of marshal's offices were held in November and December 2005. The meetings were aimed at the discussion of the draft Programme in the context of the implementation of measures falling within the scope of the Sectoral Operational Programme "Restructuring and modernisation of the food sector and rural development" as well as the Rural Development Plan for 2004-2006.

In Krakow, between 30 November and 1 December 2005 a conference entitled "Future of development of rural areas in Europe" was delivered. The meeting was attended by about 180 persons, *inter alia*, the representatives of territorial governments' units, non-governmental organisations and other departments. The aim of the conference was to disseminate information about the Programme; it was also an element of social consultations. Each day of the conference included time for questions and discussions. The conference covered the progress of implementation

of rural development programmes and preparation to the programming period of 2007-2013 in EU Member States.

The schedule of the conference included workshops covering the following issues:

- 1. Leader;*
- 2. Agriculture vs. Environment;*
- 3. National Strategic Plans;*
- 4. Implementation.*

The workshops were delivered by MARD representatives, and presentations by experts invited from the EU Member States.

In December 2005 MARD appointed working groups for RDP measures, the management system, the implementation system, the financial system, the monitoring and evaluation system as well as the IT system to service the Programme.

In January 2006 the draft RDP 2007-2013 was presented on the meeting of the European Committee of the Council of Ministers, and in February 2006 on the meeting of the Committee of the Council of Ministers.

In March 2006 MARD prepared the 4th version of the draft Programme. The draft Programme consists of measures selected on the basis of national arrangements of September 2005 concerning the draft Programme, which on the one hand take into account the social needs and expectations, and on the other the implementation capacity of all instruments, as well as the planned financial allocations for 2007-2013 (then about EUR 12 bn from EAFRD resources).

In March 2006 a conference was held in Puławy. Representatives of marshal's offices, voivodship administrations and ARMA were invited to the conference. About 100 persons participated. The aim of the conference was to present the outcome of works of the working teams for RDP measures and assumptions of the next Programme version, the provisions concerning all measures and the scope of support were discussed.

In April 2006 MARD held an agreement conference initiating a series of meetings in various regions. The conference was attended by the representatives of the government and local government administration, social and trade organisations as well as higher education institutions. About 100 persons participated. The aim of the conference was to discuss and define the Programme assumptions.

In May and June 2006 all 16 voivodships held regional conferences. Representatives of territorial government units, social and economic partners, non-governmental organisations and trade unions operating in the field of rural development and

agriculture were invited. About 80-205 persons participated in each conference. The schedule of the regional conferences is presented in the table below.

Schedule of regional conferences concerning works on the National Strategic Plan and the Rural Development Programme 2007-2013

No	Voivodship	Date of conference
1.	Dolnośląskie	18.05.2006
2.	Małopolskie	23.05.2006
3.	Łódzkie	23.05.2006
4.	Świętokrzyskie	24.05.2006
5.	Kujawsko-Pomorskie	29.05.2006
6.	Pomorskie	30.05.2006
7.	Warmińsko-Mazurskie	31.05.2006
8.	Podlaskie	01.06.2006
9.	Mazowieckie	02.06.2006
10.	Lubelskie	05.06.2006
11.	Podkarpackie	06.06.2006
12.	Lubuskie	07.06.2006
13.	Wielkopolskie	08.06.2006
14.	Zachodniopomorskie	08.06.2006
15.	Śląskie	12.06.2006
16.	Opolskie	12.06.2006

The conference was devoted to the National Strategic Plan and the Rural Development Programme 2007-2013, especially the provisions concerning the Programme measures. The greatest interest was in the following measures: Early retirement, Setting-up of young farmers, Modernisation of agricultural holdings and the Agri-environmental programme. The conference features questions asked and comments made by participants. All questions and comments were replied to and explained exhaustively by MARD representatives.

The participants of the conference raised the following issues: introduction of regional criteria in the case of measure Early retirement, facilitation of support to post-consolidation works, increase of allocations for measures of Axis 3, increase of the young farmers' premium payments, increase of the limit of aid under the measures (especially Modernisation of agricultural holdings, Diversification into non-agricultural activities), inclusion of provisions facilitating providing support to projects of construction of home sewage treatment plants in the Programme. The methodology of allocation of resources to regional envelopes was discussed.

14.2. Results of consultations

As a result of consultations a series of remarks regarding the description of several measures, as well as regarding the introduction of further measures resulting from the provisions of Council Regulation (EC) No. 1698/2005 was presented. The most important remarks referred to the definition of beneficiary and accessibility requirements in respective measures. The remarks referred also to the introduction

of modifications as regards the quota and limits of aid. This was the case mainly in investment measures addressed to agricultural producers and processing plants. Moreover, many remarks referred to detailed scopes of aid under respective measures. In the course of regional consultations the following remarks have also been made: introduction of regional criteria in the case of Early retirement measure, admissibility of support for post-reparcelling works, increase of allocations for Axis 3, increase of premiums for young farmers, increase of the limit of aid under respective measures (in particular Modernisation of agricultural holdings, Diversification towards non-agricultural activity), inclusion of provisions allowing for supporting projects involving the construction of home sewage treatment plants into the Programme. Maintenance of the measure Support for semi-subsistence farms was called for during criteria modification.

All comments concerning the draft document were analysed by working groups appointed to draw up respective instruments and considered whenever possible, taking into account the financial, implementation capacity and the scope of support from EAFRD resulting from the Council Regulation (EC) 1698/2005. Certain comments and demands were analysed paying special attention to the introduction of appropriate measures under other instruments, especially structural funds implemented under the cohesion policy.

In July 2006 the 5th version of the draft Programme was drawn up, considering the conclusions of the conference and the results of works of MARD working groups.

On 1 August 2006 the Council of Ministers approved the draft Rural Development Programme 2007-2013 (5th version). Detailed list of most important remarks, complete with information whether or not these remarks were accounted for is presented in the table below.

Major remarks to respective measures of the Rural Development Programme for 2007-2013 (version from March 2006) introduced in the course of social consultations

Measure title	Notes	Applied/not applied
Vocational training and information campaigns for persons employed in agricultural and forestry sectors	<ul style="list-style-type: none"> ▪ proposal for the definition of beneficiary: natural or legal person and entities with no legal personality implementing trainings in accordance with the Articles of Association or entry in the register and consortiums thereof experienced in implementing trainings for farmers; 	no
	<ul style="list-style-type: none"> ▪ grants for local and non-governmental organisations for information campaigns and trainings regarding the need and procedures 	no

	for the control of water bodies in agricultural production;	
Setting up of young farmers	<ul style="list-style-type: none"> ▪ in the part referring to the requirement of full KRUS insurance, the phrase “in the course of aid application” needs to be specified in greater detail 	no
	<ul style="list-style-type: none"> ▪ half of the support obtained by the beneficiary needs to be documented with investment outputs for agriculture; 	yes
	<ul style="list-style-type: none"> ▪ in the measure description an additional point should be inserted indicating that the date of starting the operation of the holding is the date on which the person became the holder of an agricultural holding, i.e. the owner, lessee, perpetual usufruct holder of the holding i.e. directly and at his own responsibility started agricultural activity; 	yes
	<ul style="list-style-type: none"> ▪ Removal of the accessibility criterion for the requirement of maintaining full KRUS insurance for the period of 3 years from the date of obtaining the aid. Retaining this requirement would lead to the situation that young farmers will not be able to find employment outside of the holding in the periods of low agricultural activity in the holding, and they are not able to become self-employed; 	yes
	<ul style="list-style-type: none"> ▪ I suggest that persons undertaking special area of agricultural production be excluded from the premium; 	yes
Early retirement	<ul style="list-style-type: none"> ▪ In paragraph 2 the requirement is introduced of the improvement of the economic viability of the holding taking over agricultural land – it is an unnecessary complication to this measure; 	yes
	<ul style="list-style-type: none"> ▪ among beneficiaries of the measure, there are no agricultural workers; 	no
	<ul style="list-style-type: none"> ▪ the period of payment of aid to persons, who had not entered the retirement age yet is too short (10 years) and the relatively low volume 	no

	thereof may prove an insufficient financial incentive for the beneficiary to transfer the holding to institutions or farmers, who are not his/her successors;	
	<ul style="list-style-type: none"> ▪ Council Regulation (EC) No. 1698/2005 provides for the possibility of granting support to agricultural workers, who decide to give up any employment in agriculture at the moment of transferring the holding; 	no
	<ul style="list-style-type: none"> ▪ in voivodhsips of highly fragmented agrarian structure (podkarpackie, małopolskie i świętokrzyskie) introduction of the possibility of transferring holdings of less than 3 ha, but exclusively for the purposes of extending an existing holding or to increase the agricultural land property of the Treasury; 	yes
	<ul style="list-style-type: none"> ▪ I propose to extend the accessibility of the measure to owners of holdings smaller than 3 ha under the condition that the holding is transferred to another holding, which in that way achieves the area higher than voivodship average; 	yes
	<ul style="list-style-type: none"> ▪ Accessibility criteria should cover farmers transferring holdings smaller than 1 ha; 	yes
Modernisation of agricultural holdings	<ul style="list-style-type: none"> ▪ the beneficiary of the measure is an individual or dependant owner of an agricultural holding or property, where special branch of agricultural production is maintained; 	no
	<ul style="list-style-type: none"> ▪ a person applying for project implementation co-financing must be adult and at the time of applying for aid may not be older than the official retirement age; 	yes
	<ul style="list-style-type: none"> ▪ I propose to add the item: disposal of products containing asbestos; 	no
Increase of the added value of basic agricultural and forestry production	<ul style="list-style-type: none"> ▪ foresee the possibility of granting aid to projects involving processing of agricultural projects from third countries in feed and fruit and vegetable sectors, as was the case in SOP 2004-2006; 	yes

	<ul style="list-style-type: none"> The measure provides for the possibility of providing support to enterprises employing less than 750 employees or with turnover not exceeding EUR 200 million. Such provision provides a chance for large and organised enterprises, which may make use of the funds available and lead to a situation that small and medium enterprises will not be given the chance to obtain support; 	no
Improvement and development of infrastructure related to the development and adjustment of agriculture and forestry	<ul style="list-style-type: none"> as regards the budget for this measure in respective voivodships the needs vary to such an extent, that the decisions regarding the volume and structure of financing for respective schemes should be made at the voivodship level; 	no
	<ul style="list-style-type: none"> In the agricultural water resources management Scheme, "regulation of natural water courses" should be abandoned; 	no
	<ul style="list-style-type: none"> the scope of support should be extended with renovation and reconstruction of melioration equipment; 	no
Participation of farmers in food quality schemes	<ul style="list-style-type: none"> Beneficiary of the measure is a natural and legal persons or organisational unit without legal personality owning an agricultural holding; 	yes
Information and publicity	<ul style="list-style-type: none"> the "producer group" beneficiary should be defined; should the "producer group" be understood as a group of agricultural producers within the meaning of: <i>the act on groups of agricultural producers and their unions and amending other acts</i>, as well as <i>the act on the organisation of markets in fruits and vegetables, hops, tobacco and dried fodder</i>; 	no
Agricultural producer groups	<ul style="list-style-type: none"> Accessibility criteria should be changed to following: support under 2007-2013 RDP will be granted exclusively to groups of agricultural producers, which have been registered in the register of groups of agricultural producers maintained 	no

	by the Marshall locally competent for the seat of the group and which were not beneficiaries of aid under 2004-2006 RDP;	
Use of advisory services by farmers and forest holders	<ul style="list-style-type: none"> ▪ The increase in the level of support for 10 ha holdings receiving direct payments (level of aid limited to EUR 200) should be considered since the proposed amount may not be sufficient to cover basic advisory services; 	no
	<ul style="list-style-type: none"> ▪ proposal for the definition of beneficiary: natural or legal person and entities with no legal personality implementing trainings in accordance with the Articles of Association or entry in the register and consortiums thereof experienced in implementing trainings for farmers; 	no
Support for farming in mountain areas and other less favoured areas	<ul style="list-style-type: none"> ▪ increase of funds allocated to this measure; 	no
Payments for NATURA 2000 areas and areas associated with the implementation of Framework Directive 2000/60/EC	<ul style="list-style-type: none"> ▪ owners or entities leasing agricultural land may also be beneficiaries; 	no
	<ul style="list-style-type: none"> ▪ due to the large area of the country covered by this measure, it seems justified that applications for aid under this measure are submitted together with the applications for direct payments; 	no
Agri-environmental programme	<ul style="list-style-type: none"> ▪ in the case of package 2, the possibility of extending the period of support to 7 years (Article 39 of Regulation 1698/2005) and abandonment of the degressive payment scheme should be considered; 	no
	<ul style="list-style-type: none"> ▪ in package 1 measure 1.3 Integrated production (agricultural, vegetable, horticultural) with certificate should be added; 	no
	<ul style="list-style-type: none"> ▪ for the package 8 to be accessible also for farmers operating on areas particularly threatened by nitrates of agricultural origin (NVZ); 	no
Afforestation of agricultural and non-agricultural land	<ul style="list-style-type: none"> ▪ the maintenance of 20-year period for the beneficiaries to receive 	no

	<p>afforestation premiums should be considered;</p> <ul style="list-style-type: none"> accessibility criteria should be added a section providing that afforestation is compliant with the local spatial development plan of the respective gmina; 	no
Restoring forestry production potential that was destroyed by disasters and introduction of prevention actions	<ul style="list-style-type: none"> recovery of the package "maintaining resources of dead wood in forests" package as proposed earlier; 	no
	<ul style="list-style-type: none"> the measure should necessarily cover private forests in the whole country, i.e. not be limited only to private forests located within Natura 2000 areas; 	yes
Diversification towards non-agricultural activities	<ul style="list-style-type: none"> should entail the promotion of non-food agricultural production, manufacture, processing and application of renewable energy sources (biomass in particular) in agricultural holdings and their surroundings; 	yes
Basic services for the economy and rural population	<ul style="list-style-type: none"> the proposal of extending the list of beneficiaries with Water Companies as regards water supply and sewage management; 	no
	<ul style="list-style-type: none"> the group of beneficiaries should be extended by associations within the framework of creating local wireless Internet infrastructure; 	no
Village renewal and development	<ul style="list-style-type: none"> abandon the division onto scheme I and II, since it only complicates the implementation of the measure, and the differentiation of support rates discriminates beneficiaries from areas covered by LAG strategy; 	yes
Establishment and development of micro-enterprises	<ul style="list-style-type: none"> instead of ca. 3000 beneficiaries list ca. 8000 beneficiaries; 	no
Axis 4 Leader	<ul style="list-style-type: none"> creation of new institutions is not necessary, such as Regional Committees for Leader (RCL) and their Secretariats 	no
	<ul style="list-style-type: none"> RCL consists of at least 12-14 persons, the representative of voivodship self-government is not taken into account – i.e. institution which selects LAG and processing 	yes

	<p>applications. Voivodship self-government is the institution having the best overview as regards the direction of development, IRDS evaluation, and the institution which leads towards the development of the region and there is no other entity which would coordinate and implement agricultural and rural development programmes for such scale.</p>	
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15. EQUALITY BETWEEN MEN AND WOMEN AND THE PREVENTION OF DISCRIMINATION

15.1. Measures promoting equality between men and women at respective levels of programme implementation (draft, implementation, monitoring and evaluation)

The gender equality rule is one of horizontal policies of the European Union. In the case of RDP, this rule is expressed through appropriate preparation and implementation of the Programme.

The Measures of the Programme will comply with the Community legislation concerning equality between men and women.

At the programming stage, criteria of access to aid under the Programme have been determined at each level of preparation in a way so that none of the sexes is discriminated or favoured.

At the implementation stage, the decision to grant support will be determined by meeting the conditions of providing aid, which have the character of objective and transparent criteria related to the purpose of a given instrument or which result from Community law.

At monitoring and reporting stage, in accordance with Article 81 (3) of the Council Regulation (EC) No 1698/2005, where the nature of the aid so permits, the data relating to the indicators shall be broken down by sex and age of the beneficiaries. On that account, Programme monitoring will take into account data illustrating men and women participation in this Programme. The participation of both sexes will be monitored by means of appropriate indicators in the scope of the following measures:

- Vocational training for people employed in agriculture and in forestry;
- Setting up of young farmers;
- Early retirement;

- Use of the advisory services by farmers and forest owners;
- Modernisation of agricultural holdings;
- Participation of farmers in food quality schemes;
- Support of management in mountain areas and in less-favoured areas (LFA);
- Agri-environmental programme;
- Afforestation of agricultural and non-agricultural land;
- Diversification into non-agricultural activities;
- Establishment and development of micro-enterprises;
- Leader approach (implementation of the local development strategies, running the local action group, acquisition of skills and animation).

Reports of the programme implementation will contain information on complying with the policy of equal opportunities.

At the evaluation stage, i.a. on the basis of monitoring indicators received during the Programme implementation and the studies and expert opinions, it will be possible to analyse data broken down by sex and, thus, carry out the evaluation of support instruments from the perspective of meeting the rules of the equality policy during their implementation and to check a potential impact of support on equality of chances of men and women.

15.2. Prevention of discrimination on the basis of gender, race or ethnic origin, religion or belief, disability, age or sexual orientation at respective stages of Programme implementation

Programme Measures will comply with Community legislation concerning the prevention of discrimination on the basis of gender, race or ethnic origin, religion or belief, disability, age or sexual orientation. Criteria of access to aid available under the Programme have been specified at each stage in a way to prevent any discrimination on the basis of gender, race or ethnic origin, religion or belief, disability, age or sexual orientation.

The decision to grant support will be determined by meeting the conditions of providing aid, which have the character of objective and transparent criteria related to the purpose of a given instrument or which result from Community law.

Moreover, Poland has institutions aimed at preventing and fighting any forms of discrimination. Commissioner for Civil Rights Protection is an institution supporting equality. There are also separate bodies dealing with specific types of discrimination, i.e.: Government Plenipotentiary for Disabled People, whose duties include counteracting discrimination due to disability, as well as Department of Women, Family and Counteracting Discrimination in the Ministry of Labour and Social Policy

that coordinates, i.a., actions pertaining to the status of women and family in the society, and fulfils tasks pertaining to counteracting discrimination for any reasons in all domains of social, economic and political life. The Department participated in consultations and offered no comments to the Programme.

16. OPERATIONS UNDER TECHNICAL ASSISTANCE

16.1. Description of auxiliary measures in the scope of preparation, management, monitoring, evaluation, information and control, financed under Technical Assistance

Legal basis

Article 66.2 of Council Regulation (EC) No 1698/2005 of 20 September 2005 on supporting rural development under European Agriculture Rural Development Fund (EAFRD) (OJ EU L 277/1, 21.10.2005).

Article 40 and Article 16.1 of Annex II to Commission Regulation (EC) No 1974/2006 of 15 December 2006 laying down detailed rules governing the implementation of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ EU L 368/15, 23.12.2006).

Article 13 of the Commission Regulation (EC) No 1320/2006 of 5 September 2006 laying down rules for the transition to the rural development support provided for in Council Regulation (EC) No 1698/2005 (OJ EU L 243/6, 6.9.2006).

Measure objective

1. To facilitate efficient functioning of entities responsible for the preparation, management, implementation, control, monitoring and evaluation of RDP.
2. To ensure conditions for effective functioning of the Monitoring Committee and Steering Committee and working groups (teams) thereof.
3. Implementation of an efficient and effective RDP information and promotion system and new programming period.
4. Development and maintenance of the National Network of Rural Areas .
5. To finance the measures concerning the previous programming period pursuant to Article 13 of the Commission Regulation (EC) No 1320/2006 of 5 September 2006.

Scope of aid

Aid is granted for the implementation of projects related to strengthening the system of management, monitoring, control and evaluation of the level of Program implementation. It also aims at the implementation of efficient and effective functioning of the RDP information system, its promotion as well as establishment and assurance of functioning of the National Network of Rural Areas. The aid can be granted for financing information and publicity measures concerning the next programming period and ex post evaluation, audits and preparation of final reports of the previous programming period.

Description of the Measure

Under the measure, three following schemes will be implemented:

Scheme I: Strengthening the system of management, monitoring, control and evaluation of the level of Program implementation

In order to ensure effective implementation of RDP measures all participants of Program implementation process need to be properly prepared, and optimum conditions to perform the tasks entrusted must be ensured. It is particularly important to ensure adequate support for the institutions responsible for management, implementation, monitoring and evaluation and control of RDP implementation.

In addition, ex post evaluation, audits and preparation of final reports of the previous programming period can be financed under the scheme.

Scheme II: Information and publicity

In order to ensure the best promotion of RDP, broadening of knowledge of the issues concerning its measures and possibilities of obtaining aid, provide running information about the implementation progress of RDP, it is necessary to familiarise the population with the issues related to RDP. The implementation of the measures of the Scheme will significantly improve RDP image and acceptance and will contribute to faster and more effective absorption of resources.

In addition, information and publicity concerning the next programming period can be financed under the scheme.

Scheme III: Development and maintenance of the National Network of Rural Areas

In order to allow for the implementation of actions aimed at rural development by means of exchange and dissemination of information on the subject among all concerned partners, identify and analyze best practices, exchange relevant experience and transfer know-how, the National Network of Rural Areas will be created. The implementation of measures under this Scheme is aimed at financing the creation of structures required for the development and maintenance of the Network.

Beneficiaries

Financial aid will be provided only to institutions which are involved in the implementation of tasks resulting from the Programme. These include in particular:

- Ministry of Agriculture and Rural Development;
- Agency for Restructuring and Modernization of Agriculture;
- General Inspector of Fiscal Control;

- entities, to which the tasks of the Managing Authority will be delegated;
- units implementing information and publicity campaigns;
- units involved in measures relating to the development, maintenance, management and service of the National Network of Rural Areas, pursuant to the Action Plan of the National Network of Rural Areas.

Form and amount of aid

Aid will be provided on the basis of reimbursement of the costs incurred (advance payment will be available). Projects may be implemented in several stages.

Level of support

Level of support provided to the beneficiary will not exceed 100% of the eligible costs.

Project accessibility and selection criteria

A - accessibility criteria

- 1) project is consistent with measure objectives;
- 2) project involves eligible costs;
- 3) project implementation period complies with RDP implementation period - possibility of limiting this period is foreseen, due to the need to account for European Union resources.

B – selection criteria

Technical assistance is foreseen in the form on support for specific beneficiaries, granted in accordance with the existing and notified needs.

Implementation

The entity eligible for applying for aid under technical assistance submits an application for aid, complete with all required appendices, to ARMA. Applications are verified in formal and factual terms. ARMA signs contracts with applicants, whose applications had been verified positively.

If the application is submitted by ARMA, technical assistance is granted by the minister competent for rural development.

The applicant completes the project upon implementing – if required – procurement procedure to select the respective contractor. After completing a stage/whole project, the applicant submits a respective payment claim to ARMA. ARMA verifies the claim for its formal correctness and compliance with the provisions of the contract. After such verification, ARMA makes the payment.

Geographical scope

The whole country.

Number of beneficiaries

In accordance with the beneficiary categories presented in part Beneficiaries.

Monitoring indicators

Output indicators:

- 1) number of beneficiaries;
- 2) number of projects;
- 3) total value of projects;
- 4) Result indicator: number of measures implemented.

Eligible costs

Expenditure incurred from 1 January 2007 will be eligible.

List of costs eligible under Technical Assistance will be included in an annex to the Ordinance of MARD on the specific conditions and procedure for granting, payment and return of technical assistance.

Expenditure shall be considered eligible if:

- 1) it is necessary for project implementation;
- 2) it is reasonable;
- 3) it is reliably documented and verifiable;
- 4) is compliant with relevant provisions in force;
- 5) is covered by the list of eligible costs.

Programme-specific additional indicators and quantified target values

Type of indicator	Indicator	Target value 2007-13
Outcome	Number of beneficiaries	520
	Number of projects	8,700
	Total value of the projects	1,066,400,000
Result	Number of measures implemented	87,000

16.2. National Network of Rural Areas

Legal basis

Article 68 of the Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ EU L 277/1, 21.10.2005).

Geographical scope

The scope of operation of the National Network of Rural Areas covers the whole country area.

Objective

The aim of the National Network of Rural Areas is to support the implementation and evaluation of the policy in the field of rural development, as well as identify, analyse, distribute and exchange of information and expertise in this field among all stakeholders at the local, regional, national and Community levels.

Procedure and timetable of the creation of the National Network of Rural Areas

The National Network of Rural Areas in Poland will be created no later than on 31 December 2008 and will be of an open character. It will assemble all administrative structures (on the local, regional and national level) and the interested parties that contribute to the rural development and have direct or indirect impact on the better use of the European Agricultural Fund for Rural Development instruments. These will mainly involve voivodship, gmina and powiat administrative structures, trade organisations, agricultural chambers, departmental institutes, NGOs, R&D units, agricultural advisory units, Local Action Groups and networks and associations of the above mentioned units.

In order to ensure appropriate functioning of the Network it is necessary to prepare the list covering the administrative structures and entities active in the scope of rural development. The first stage will encompass the identification and selection of units at national level, and then at regional and local level. Network participants will be entities actively engaged in the development of rural areas and expressing the will to obtain and provide information in this field.

	2007		2008		2009	
	1.01-30.06	01.07-31.12	1.01-30.06	01.07-31.12	1.01-30.06	01.07-31.12
Identification and selection of entities (at national, regional and local levels) – creation of a register						

Development of the Network organisational structure (Network Secretariat and Regional Secretariats)						
Implementation of the Action Plan.						

Description of main categories of activities

The activity of the Network is to support the implementation of the principle of partnership and modern and effective mode of information exchange and provision of knowledge.

Tasks of the Network shall include in particular:

- identification and analysis of transferable good practices significant to rural development and transfer of information in this respect;
- exchange of expertise and evaluation of policies in rural development;
- preparation of training programmes for local activity groups in the period of creation;
- support for interregional and transnational cooperation;
- support for inter-institutional cooperation, including the international one;
- organisation and exchange of experiences and know-how;
- transfer of good practices and innovative projects,

For the implementation of the above tasks, meetings, trainings, seminars and expert networks will be organised. Moreover, Network Internet portal will be created.

Measures implemented under the Network will not be identical to the projects implemented under the communication strategy.

A detailed description of activities implemented under the Network, in accordance with Article 68 of the Council Regulation (EC) No 1968/2005 will be contained in Network Action Plan, to be prepared until 31.12.2008.

Amount reserved for establishing and operating the National Network of Rural Areas

The budget of the National Network of Rural Areas is planned at the level of EUR 55 million and will be ensured under Technical Assistance. It will cover the cost of operation of the Network structure, *inter alia*, the costs of organisation and operation of the Network central unit (within an organisational unit of MARD) and regional

units, as well as costs related to the implementation of tasks under the Network (in accordance with the Network Action Plan).

Financial table for the whole programming period [in EUR]

Type of expenditure for the national network of rural areas	Total public expenditure	EAFRD contribution
(a) for running the structure of the National Network of Rural Areas.	11,000,000	8,250,000
(b) for implementing the action plan of the National Network of Rural Areas, including its evaluation	44,000,000	33,000,000
Total	55,000,000	41,250,000

A part of the sum provided for the operation of the National Network of Rural Areas structure will not increase overtly with time.

Designation of competent authorities and bodies responsible

The Ministry of Agriculture and Rural Development is an institution responsible for the creation and operation of the National Network of Rural Areas.

The National Network of Rural Areas will have its central unit (National Network Unit), located at MARD and responsible, i.a., for the coordination of the Network's activities, coordination of the creation and operation of the Network's Internet portal, as well as for facilitating contacts between Network's members (diagram presented in Annex 17 to the Programme). Moreover, regional units will be placed evenly in the whole Poland, supporting the implementation of the Network tasks and facilitating contacts between the Network's members in a given region and cooperation between regions.

In order to specify the Network's priorities and recommend the activities, as well as constantly monitor the Network's works, a Working Group will be created, consisting of representatives of the public administration, representatives of the local government and representatives of the organisations and institutions engaged in rural development. Tasks of the Working Group will also include creating and leading the activities of thematic working groups. The Working Group meetings will be participated by experts and representatives of other institutions invited by the chairperson.

Monitoring and evaluation

The functioning of the National Network of Rural Areas will be monitored by the RDP Managing Authority and by the Network central unit, with the help of Regional Units. Data concerning the activities will be collected by the regional units. The central unit of the Network will be the coordinator.

Sources of information

1. Information provided by the Paying Agency.
2. Information provided by Beneficiaries.
3. Reports created on the basis of research carried out among Network participants.
4. Studies of evaluation surveys filled in by participants of conferences, seminars, trainings, etc., organised under the Action Plan.
5. Information provided by Network participants.
6. Opinions and remarks on the functioning of the Network provided by users of the Network's Internet portal.
7. Reports from independent experts evaluating the effectiveness of the Network.

Criteria for the evaluation of functioning of the National Network of Rural Areas

1. Compliance of the activities with the Action Plan.
2. Timeliness of the exchange of information between Secretariats.
3. Universality of and easy access to the Network.
4. Up-to-date information placed on the Network Internet site.
5. Engagement of the participants in the Network activities.
6. Activity of the Network members on the Network Internet site.
7. Compliance of the selected projects with the assumptions adopted for a given year by the Working Group.
8. The level of interest in training sessions organised under the Network.
9. The level of interest in a given topic among the Network participants.

Monitoring and evaluation indicators

1. The number of the Network participants at local, regional and national levels.
2. The number of registered users of the Network portal.
3. The number of recorded entries to the Network site.
4. The number of entries to thematic links of the Network site.
5. The number of participants of trainings, seminars and conferences organised under the Action Plan.
6. The number of trainings, seminars and conferences delivered.
7. The number of publications.

8. The number of distributed publications.
9. The number of thematic groups.
10. The number of meetings of thematic groups.
11. The number of projects, broken up by the topics (e.g., good practices, innovation, interregional cooperation).

National Rural Network implementation will be subject to on-going evaluation and to the interim evaluations: mid-term and ex-post.

If the Network operates properly it will facilitate the increase of added value under support of rural areas by creating synergy with other instruments and cooperation among entities involved. The operation of the Network is especially important in Poland, since the necessity to overcome the burdens by means of creating public-private partnership and possibilities of social initiatives development is crucial because of historical determinants.

The expected outcome of the creation and operation of the National Network of Rural Areas

Establishment of inter-sectoral partnership for sustainable development should lead to:

- 1) innovative approach to solution of problems and challenges resulting from implementation of sustainable development and problems connected with unemployment;
- 2) creation of various mechanisms enabling each partner and sector to exploit competences and skills in order to reach common objectives in more efficient and sustainable way than in a situation when each partner and sector implements actions on their own;
- 3) access to greater pool of resources, by exploiting full scope of substantial, technical, financial and human potential of each partner and sector;
- 4) support new dynamic internal networks of cooperation that will provide each sector with more efficient channels of involvement of the general public and will increase possibilities to influence policy making;
- 5) facilitate better understanding of values and features characteristic of each partner and sector, therefore creating more integrated and stable society.