



**Agency for Restructuring and Modernisation  
of Agriculture**

# **ARMA – year after accession**

**ARMA**  
Warsaw 2006

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Editor

**Agency for Restructuring and Modernisation of Agriculture**

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## 1. Introduction

The accession of Poland to the EU initiated a new stage in the development of the Agency for Restructuring and Modernisation of Agriculture, associated with management of the instruments of the EU Common Agricultural Policy, Common Fishery Policy and structural policies. During the year and a half following the accession, the Agency was passing the implementation efficiency test for its new functions which was preceded by a long period of preparations, especially intensive during the last few months before accession.

The spectrum of aid instruments implemented by ARMA after the accession is very wide because of the range of new tasks assigned and continuation of the majority of tasks that had been started before the 1st of May 2004. At the same time, the aid instruments are differentiated from the point of view of procedural and institutional requirements. This is associated with the fact that the tasks are financed from various sources i.e. some of the tasks are funded from the State Aid Funds, whereas others from the EU funds – namely, the European Agricultural Guidance and Guarantee Fund (EAGGF) and the Financial Instrument for Fisheries Guidance (FIFG).

In the period of the first year and a half after accession the scale of financial support granted by ARMA considerably increased and the share of particular instruments in financial transfer structure of the Agency changed. Especially, the share of state aid in the general structure decreased to amount 23% in 2004. On the one hand this was due to the reduction of state aid and on the other hand to the initiation of direct payments and intensification of the payments for beneficiaries under the SAPARD Programme. In 2005, this share will decrease further to the value of 6% and the payments under the Common Agricultural Policy and Common Fishery Policy instruments are to reach approximately 66% of the total amount of Agency transfers, while financing under the Sectoral Operational Programmes (SOP) will amount to 28% (including payments under the SAPARD Programme).

The scope of State Aid Instruments applied by ARMA has been limited after the accession. The loans for creation of employment (CE), start or increase of production (SP) and under “Sectoral programme for Development of Fisheries in Poland for 2000-2006” (BR/12) were withheld. The working capital credits were considerably limited. In the meantime, ARMA withdrew from the loans for job creation and support for education in rural areas and from new commitments in respect of the instruments which are now included in the Rural Development Plan (RDP) i.e. equivalents for Afforestation of agricultural land and support for setting up agricultural producers’ groups. The financial aid for producers of dry feedstuff and milk subsidies were taken over by Agricultural Market Agency (AMA).

After the accession, the SAPARD Programme entered a new stage. On 30 September 2004 the Agency terminated the procedure of signing aid agreements with the beneficiaries. The resources assigned for the Programme implementation, including resources transferred from RDP, were fully

absorbed. Currently the implementation of unfinished undertakings as well as settlement of accounts for those already completed continues.

Since 15 April 2004, i.e. even before accession, ARMA had started receiving applications for area payments. By the fixed deadline, i.e. by 26 July 2004 more than 1.4 million of applications were registered for declared total area of 13.7 million ha. This means that the submitted applications covered 92.8% of the reference area granted for Poland. Undoubtedly, this is a result of efficient promotional and informative activities conducted by ARMA in 2004. Payments of claims were initiated as early as on 18 October 2004.

Together with the direct payment applications the ARMA Poviats Offices were receiving payment claims under RDP for Measure: "Support for farming in less-favoured areas", and in August 2004 ARMA started to receive applications under the RDP Measure "Early retirements". In September, ARMA started to receive applications under the Measures "Afforestation of Agricultural Land" and "Supporting Agri-environmental Undertakings and Improving Animal Welfare". Generally, by the end of 2004 the Agency was receiving applications for six out of eight Measures as foreseen under the Rural Development Plan. Since 1 February 2005, the farmers have had the opportunity to apply for aid under the last two Measures of RDP i.e. "Adjustment of Agricultural Holdings to the EU Standards" and "Supporting semi-subsistence farms".

On 2 August 2004, the Sectoral Operational Programme "Fisheries and Fish Processing 2004-2006" was launched, and on 16 August 2004 the collection of applications under SOP "Restructuring and Modernisation of the Food Sector and Rural Development 2004-2006" commenced. The programs are implemented under the National Development Plan 2004-2006.

Recently the preparations for new programming period are under way. This is related to the new programming period for EU policies which will start in 2007. The draft Operational Programme "Rural Development" for 2007-2013 (OP RD) was prepared by MARD. ARMA is to implement a new OP RD as accredited Paying Agency. In this situation, the Agency has to undertake certain preparatory works. These works should comprise changes of the organisational structure, adjustment of OP RD and SOP IT system to handle new programme, preparation of the implementation, financial and control procedures and development of efficient system of links with other institutional stakeholders involved in the implementation of the programme. This is another enormous challenge that the Agency faces while carrying on implementation of the current programmes.

## 2. ARMA – functions, tasks, organisational structure

The growing range of aid instruments implemented by ARMA and related institutional requirements led to a dynamic institutional and organisational development of ARMA, especially in the most recent period. In consequence of changes in the implemented aid instruments and a diversification of institutional solutions, since the very accession of Poland ARMA has simultaneously carried out the following functions:

as far as the continued tasks are concerned

- institution managing the State Aid Instruments.
- SAPARD Agency which manages pre-accession aid instruments co-financed by EAGGF Guarantee Section.

**As far as the new tasks are concerned**

- Paying Agency managing the instruments of the CAP I and II pillar financed by the EAGGF Guarantee Section including direct payments, payments under RDP, financial support for organisation of the common markets of fruit and vegetables, and fish,
- final beneficiary and implementing institution for Sectoral Operational Programmes co-financed from the EU structural funds - EAGGF Guidance Section and Financial Instrument for Fisheries Guidance (FIG).

### **ARMA as an institution managing the State Aid Instruments.**

Forms, procedure and scope of State Aid Instruments application result from the relevant provisions of law. Generally, while implementing support under the State Aid Instruments, ARMA fulfils the tasks of an Implementing and Paying Agency alone or through cooperating institutions i.e. banks and Agricultural Advisory Centres. Implementation tasks include determination of the aid granting rules and procedures, aid granting decisions, monitoring and control. On the other hand the payment tasks include payment decisions, recording and settlement, as well as reports submitted to the institutions which supervise absorption of the funds received.

### **ARMA as a SAPARD Agency**

The necessity to establish SAPARD Agency resulted from the provisions of European Council Regulations and provisions laid down in the Multiannual Financing Agreement (MAFA) signed on 25 January 2001 by the Government of the Republic of Poland and the European Commission.

The accreditation procedure intended to allow ARMA to act as a SAPARD Agency was launched in November 2000. On 20 September 2001, the National Authorising Officer issued the National Act of SAPARD Agency Accreditation. The document, which entitled ARMA to manage the SAPARD programme, was published in the Official Journal of European Community of 2 July 2002 and constituted an official acknowledgment of the accreditation process conclusion.

As soon as the accreditation to manage the SAPARD Programme was granted to the Agency, it became the first institution in Poland that acted on the basis of EU procedures.

In accordance with the provisions of the Multiannual Financing Agreement ARMA fulfils two functions of the SAPARD Agency - implementation and payments.

The implementing function of SAPARD Agency includes:

- call for submission of applications and publication of eligibility criteria,
- reception and formal verification of aid applications,
- technical and economic evaluation of the applications,
- drawing up written agreements between the Agency and potential beneficiaries,
- monitoring
- reporting

The paying function of the SAPARD Agency includes:

- verification of the claims for payment,
- on-the-spot checks and confirmation of payment acceptability,
- authorisation of payments,
- payment
- posting the liabilities and payments.

Generally, the first three of the above mentioned tasks of the paying function are an equivalent of payment authorization assumed with regard to Paying Agency.

### **ARMA as a Paying Agency**

With regard to the management of I and II pillar instruments of the Common Agricultural Policy (financed by the EAGGF Guarantee Section) and Common Fisheries Policy (financed by the Financial Instrument for Fisheries Guidance) the applicable EU provisions require to establish an accredited paying agency.

EU requirements as to the conditions that the Paying Agencies have to meet in order to be accredited are laid down in the Commission Regulation (EC) nr 1663/95 of 7th July 1995. The Regulation lays down detailed rules for the application of Council Regulation (EEC) No 729/70 on the procedures of EAGGF Guarantee Section accounts settlement, later replaced by Regulation No 1258/99 on the financing of the Common Agricultural Policy.

To fulfil the accreditation criteria it is necessary to separate the functions referred to below within the organisational structure and to reach adequate level of readiness for paying transactions. It is also necessary to collect adequate financial resources, ensure proper safety level of the computer systems, keeping and archiving the accounting data, to ensure proper level of the division of responsibilities, and fulfil the requirements of internal and external audit in respect of the transactions financed under the procedures of EAGGF Guarantee Section.

The role of Paying Agency means implementation of three basic functions:

- Authorization, i.e. establishment and approval of the amount to be paid in accordance with EU procedures and legislation.
- payment execution – issue of a transfer order for the bank or Government Paying Authorities,

- posting the payments in a separate Agency payment record for expenses from the resources of EAGGF Guarantee Section.

The condition necessary for functioning of the Paying Agency in respect of direct payments and CAP accompanying measures is the possession of Integrated Administration and Control System (IACS) that includes: Multifunctional Register of Agricultural Holdings and Animal Identification and Registration System.

Paying Agency can be defined as an institutional structure which meets certain criteria laid down in the applicable legislation, i.e. which features:

- an organisational structure which ensures separation of the above mentioned functions
- written procedures for implementation, financing, accounting, and control as well as templates of the documents,
- an internal audit system (procedures, terms of reference for individual employees, mobility at sensitive posts, checklists, etc.)
- employment with regard to the education level and competences,
- internal audit and technical control services,
- suitable IT system.

### **ARMA as a SOP Implementing institution and final beneficiary**

With regard to the implementation of the programmes co-financed from the EU Structural Funds there is no requirement to be accredited by the implementing institution and/or final beneficiary. In accordance with Commission Regulation 438/2001, a Member State has to set up effective management and control systems, to verify whether the systems operate correctly and to provide Paying and Implementing Institutions with guidelines to ensure effective use of the Community funds in accordance with principles of sound financial management. The principles introduced by the Regulation refer to principles of management and control for EAGGF Guidance Section. The Member State submits information concerning management systems to the Commission. The system may be subject to the so called EC preventive audit that helps eliminate ex-ante the irregularities of the system.

ARMA is an Implementing Institution for the majority and the final beneficiary of all the Measures under the Sectoral Operational Programme “Restructuring and Modernisation of the Food Sector and Rural Development 2004-2006”. In the case of the Sectoral Operational Programme “Fisheries and Fish Processing 2004-2006 the Agency fulfils both the functions for all the Measures, except for the priority Measure “Technical Assistance”.

The tasks of ARMA as an Implementing Institution include:

- information on aid granting possibilities,
- reception and evaluation of applications for project co-financing,
- preparation and concluding of agreements with beneficiaries,
- monitoring of project implementation,
- reception and verification of the claims for payment,
- issue of payment orders,

- on-the-spot checks,
- collection of data and preparing Programme implementation reports.

The tasks of ARMA as a final beneficiary include:

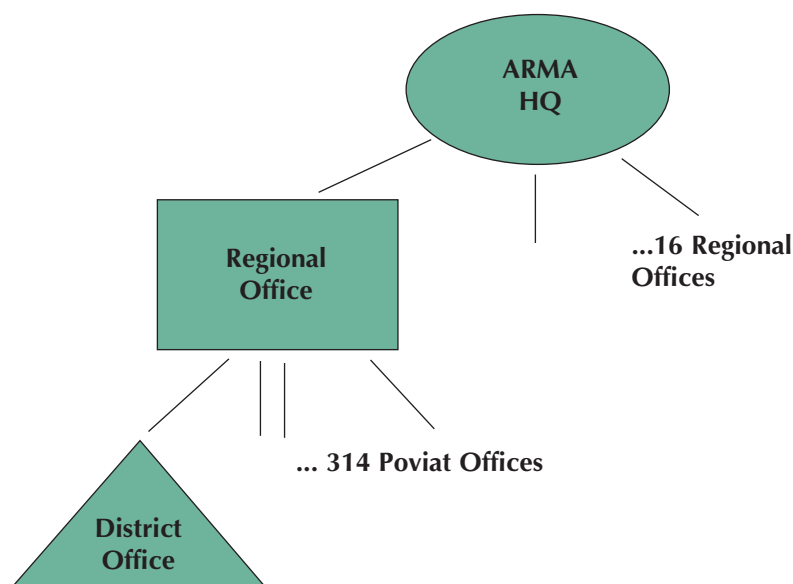
- verification and approval of payment orders.
- transfer of funds to the beneficiaries,
- posting of payments,
- financial reports.

To be ready for the role of Implementing Institution and Final Beneficiary the Agency has used experience gained during implementation of the SAPARD Programme and establishment of the structures set up for the Programme management. This is proven by the fact that the tasks of ARMA as an Implementing Institution and Final Beneficiary of the Sectoral Operational Programme “Restructuring and Modernisation of the Food Sector and Rural Development 2004-2006” are carried out by the SAPARD Agency structures within which additional or new organisational units have been established or developed.

### ARMA organisational structure

The complicated structure of the Agency is an outcome of the multiple and formally diversified aid instruments implemented after the accession. The structure is of a multilevel character. It includes the Headquarters and regional structures – 16 Regional Offices and 314 Poviats Offices.

### SCHEME 1. Simplified Organisational Scheme of the Agency for Restructuring and Modernisation of Agriculture

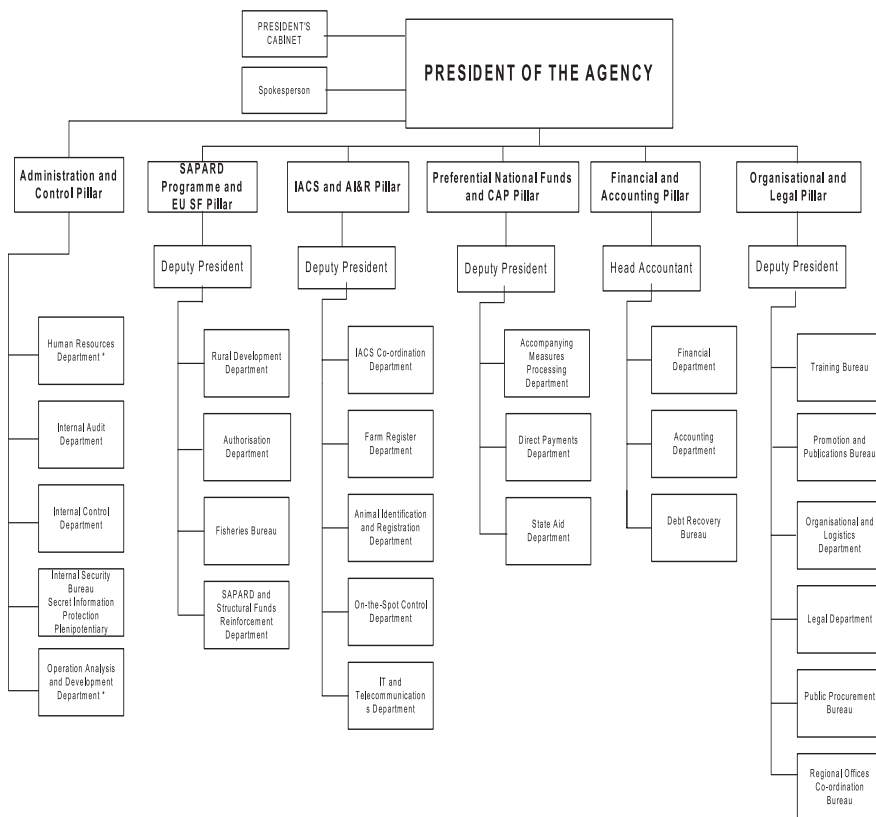


The Regional Offices were created in 2000 during the course of preparations for the SAPARD Programme management. The Poviatic Offices were created in 2002 within the framework of preparations for the functions of a Paying Agency under CAP instruments. The Regional Offices were further developed for the same purpose.

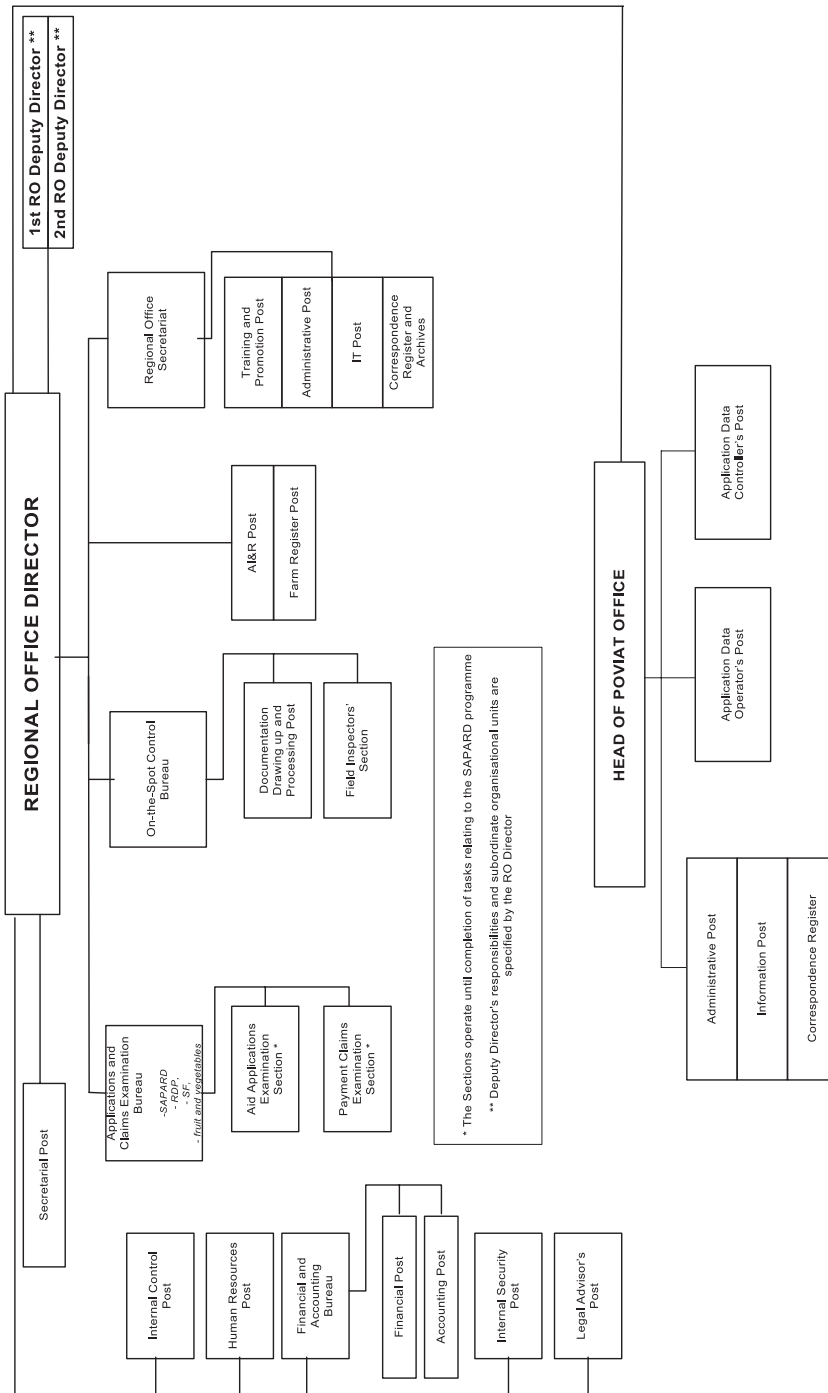
Within the organisational structure of the Agency there are various structures or institutional arrangements adjusted to the formal requirements applicable with regard to certain functions of the Agency as described above.

Since 16 August 2005 there have been new organisational rules applicable to the Agency, introduced by Order No 28/2005 of the President of Agency for Restructuring and Modernisation of Agriculture. The changes introduced resulted from the experience gained during the EU membership period and from the necessity for further adjustment of the structure to the implemented tasks.

**SCHEME 2. ARMA Headquarters Organisational Structure [as at the end of June 2005]**



**SCHEME 3. ARMA regional and Poviát organisational structure [as at the end of June 2005]**



The structures include both organisational units (departments, bureaus), which are fully assigned, on merits, to manage a specific group of instruments (i.e. Rural Development Department, SAPARD and Structural Funds Reinforcement Department in the case of the SAPARD Agency and Implementing Institution of Sectoral Operational Programme “Restructuring and Modernisation of the Food Sector and Rural Development 2004-2006”; State Aid Department in the case of institution managing the State Aid Instruments; Direct Payments Department, Accompanying Measures Management Department in the case of Paying Agency managing the I and II pillars of CAP) and specific organisational units (divisions, sections) which operate in the departments involved in management of various groups of instruments (i.e. Financial Department, Accounting Department).

Transformation of the organisational structure and increase of employment were necessary because of the enormous scale of ARMA new tasks in connection with the accession of Poland. To cope with the tasks in the period of submission of applications for direct payments, about 1500 new seasonal employees were engaged in the Poviats of ARMA in 2004 and 2005. The scale of the tasks can be illustrated by the current and planned increase in transfers resulting from management of various aid instruments implemented by ARMA. Between 1994 and 2003 the financial transfers of the Agency exceeded PLN 14.8 billion, where PLN 14.0 billion were under the State Aid Instruments, i.e. PLN 1.5 billion each year on the average. In 2004, the transfers amounted to almost PLN 4 billion while in 2005 they will reach PLN 15 billion (Table 1).

**TABLE 1. Major ARMA transfers of funds in 2004 and 2005**

No	Title of expenditure	Expenditure incurred in 2004		Expenditure planned in 2005		
		Amount [PLN thousands]	Structure [%]	Amount [PLN thousands]	Structure [%]	Plan for 2005 as compared to execution in 2004
1.	National aid	909 793	23,1	835 214	5,7	91,8
2.	Structural programmes	1 346 670	34,2	4 121 772	28, 2	306,1
3.	Common Agricultural Policy and Common Fisheries Policy	1 680 390	42,7	9 638 103	66,0	573,6
<b>TOTAL:</b>		<b>3 936 853</b>	<b>100,0</b>	<b>14 595 089</b>	<b>100,0</b>	<b>370,7</b>

*SAPARD Programme; Sectoral Operational Programme “Restructuring and Modernisation of the Food Sector and Rural Development” Sectoral Operational Programme “Fisheries and Fish Processing 2004-2006”.*

### 3. State Aid Instruments<sup>1</sup>

#### 3.1. State Aid Instruments evolution over the period 1994 - 2003

In 1994, the government initiated a new stage of credit policy in respect of agriculture and its environment. In order to put a new policy into effect, ARMA was established to subsidize interest on investment and working capital credits and also to guarantee credit repayment.

The availability of preferential credits enabled agricultural holdings and agri-food processing plants to implement a number of capital-absorbing investments. This accelerated transformation of the Polish food sector, improved its efficiency and competitiveness on the international markets and helped increase income of agricultural holdings. From the very beginning of its existence ARMA has opened 54 credit lines. Since that time until the end of 2003 banks opened a total of 290 437 investment credits with subsidized credit interest of PLN 16 786.49 million in total. Between 1994 and 2003 interest subsidies on investment credits amounted to PLN 5 592 97 million.

**TABLE 2. Number and amount investment credits with ARMA subsidised interest, granted between 1994-2003**

Credit line	Number	Amount [PLN million]
Credits for young farmers	103 573	7 256,65
Basic investment credits	87 986	4 221,08
Sectoral and regional credits	23 139	3 464,28
Land purchase loans	71 358	1 319,71
Credits for creation of new workplaces	3 918	488,62
Credits for the start or increase of agricultural production	424	25,73
Credits for the groups of producers	8	4,41
Agricultural settlement credits	10	4,13
Credits for restoration of agricultural production	20	1,76
Increase of subsidies	1	0,12
<b>Total</b>	<b>290 437</b>	<b>16 786,49</b>

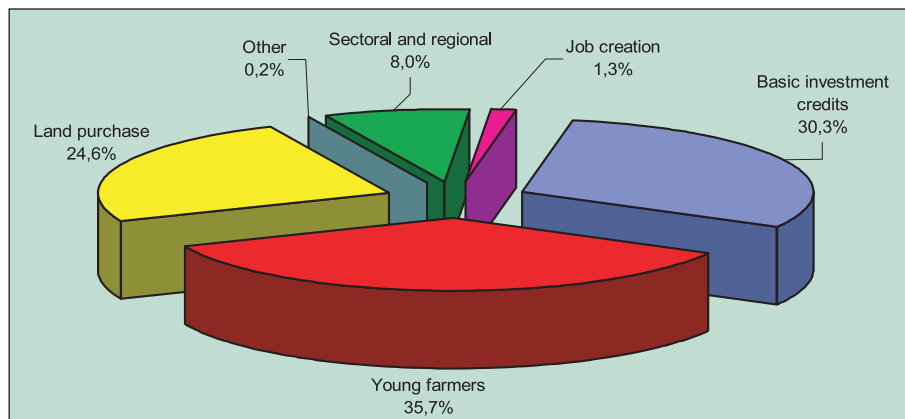
Source: ARMA data

If the share of own funds is assumed to be 35% of the total cost of a project (i.e. average amount for all projects planned in agriculture and agricultural environment approved by the Agricultural Advisory Centres) the subsidies amounted to about 33% of the total amount of opened credits and about 22% of the total value of the projects implemented.

<sup>1)</sup> For detailed information see the following web sites: [www.minrol.gov.pl](http://www.minrol.gov.pl) and [www.arimr.gov.pl](http://www.arimr.gov.pl)

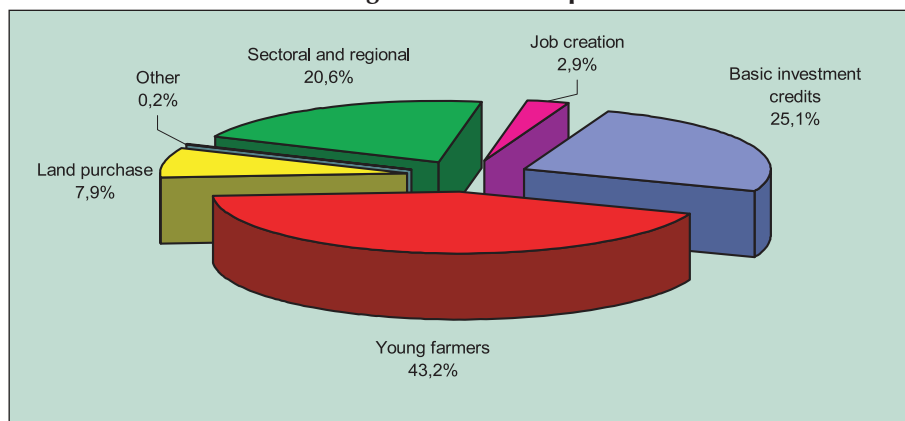
The credits for young farmers were a major success and their share of the total number and total amount of investment credits granted was 35.7% and 43.2%, respectively.

**GRAPH 1. Structure of the number of investment credits with ARMA subsidised interest granted over the period 1994\*2003 [%]**



Source: ARMA data

**GRAPH 2. Structure of the amounts of investment credits with ARMA subsidised interest granted over the period 1994-2003**



Source: ARMA data

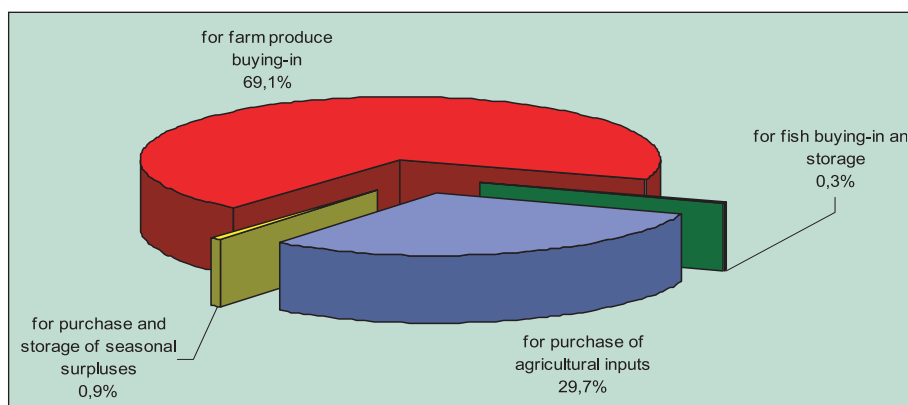
Since 1995, the Agency has subsidized interest on working capital credits that became one of the basic external finance sources for the business run by agricultural holdings and for buying-in of agricultural products. Between 1995 and 2003 the banks concluded 3 847 206 agreements for working capital credits amounting to PLN 53 887.51 million in total.

**TABLE 3. Number and amount of working capital credits raised between 1995 and 2003**

Year	Number of credits:				Amount of credits in millions of PLN:				Total number of credits granted	Total amount of credits granted
	credits for purchase of agricultural inputs	For buying in of agricultural produce	For purchase and storage of seasonal surpluses	For purchase and storage of sea fish reserve	For purchase of tangible assets	For buying-in of agricultural produce	credits for purchase of agricultural inputs	For purchase and storage of sea fish reserve		
1995	311 437	2 502			636,98	3 066,80			313 939	3 703,77
1996	667 761	3 010	41		2 118,92	4 674,89	40,06		670 812	6 833,87
1997	539 736	2 466	52		2 228,03	4 542,32	69,54		542 254	6 839,90
1998	460 086	1 604	67		1 673,71	3 778,78	69,32		461 757	5 521,81
1999	457 964	1 668	46		1 888,92	3 950,11	48,59		459 678	5 887,62
2000	348 110	1 569	41	35	1 615,86	4 427,49	69,72	60,89	349 755	6 173,95
2001	351 026	1 254	41	27	1 973,47	4 430,80	74,99	41,18	352 348	6 520,43
2002	354 107	1 077	48	20	2 054,11	4 330,21	82,63	28,00	355 252	6 494,96
2003	340 509	860	31	11	1 796,34	4 055,06	42,29	17,50	341 411	5 911,20
<b>Total</b>	<b>3 830 736</b>	<b>16 010</b>	<b>367</b>	<b>93</b>	<b>15 986,34</b>	<b>37 256,46</b>	<b>497,14</b>	<b>147,56</b>	<b>3 847 206</b>	<b>53 887,51</b>

Source: ARMA data

For the purchase of agricultural inputs 29.7% of the amount of working capital credits was allocated. Approximately 69% of the working capital credits was intended for financing of agricultural produce buying-in. By the end of 2003 the Agency subsidies to interest on working capital credits reached PLN 3 438.71 million.

**GRAPH 3. Structure of working capital credits with ARMA subsidised interest, granted by the banks over the period 1995-2003 [%]**

Source: ARMA data

The Agency also subsidised interests on the so called disaster loans, which were intended to restore production in agricultural holdings and special sectors of agricultural production that had suffered from draughts, hailstorms, excessive precipitation, frost, flood, hurricane, fire, rodent attack or landslide; Since its establishment till the end of 2003 the Agency subsidized interest on the disaster loans with an amount of PLN 727.91 million.

Between 1994 and 2003, the Agency secured 163 credit agreements of the total value of 42.19 million within the framework of the tasks associated with provision of guarantees and securities for investment credit repayment. In the majority of cases such form of the Agency assistance was aimed at the investment credits intended for establishment and furnishing of agricultural holdings set up by young farmers (43.4% of the total value of guaranties and securities granted). Between 1994 and 2003 the Agency fulfilled its obligations in respect of credit guaranties and securities for 9 investment credits and satisfied the banks claims of the total value of PLN 0.9 million. At the same time the receipts resulting from the guaranties and securities reached the total of PLN 0.4 million.

Since the very beginning of its operation the Agency was also involved in activities aimed at the improvement of rural technical infrastructure and living standards in rural areas. Funds were provided both from the national and foreign sources. Among other things the Agency granted loans for development of small enterprises, supported vocational trainings aimed at the development of professional skills or reskilling, financed equivalents for afforestation of agricultural land, helped creation of the groups of producers and assisted the entities involved in utilization of dead animals, and, additionally, subsidized the extra class milk production.

Since 2001, the Agency provided guarantees for repayment of bank credits to help the students living in the rural areas. By the end of 2003, the Agency provided credit guarantees for 1 112 persons. The total amount of guarantees granted amounted to PLN 13.4 million.

The EU membership of Poland resulted in commitment of additional funds to implement projects in agriculture and its environment in order to, among other things, adjust production to the EU sanitary and veterinary standards, improve natural environment protection in accordance with the EU standards, improve waste management, introduce new production technologies, improve currently used methods of production and extend the range of products. Because of insufficient amount of capital in these sectors, the activities associated with adjustment to the EU standards have been supported from the public budget.

### 3.2. State Aid for rural areas and agriculture between 2004 and 2005

In 2004, in accordance with the decision of the Minister of Agriculture and Rural Development, the entities which intended to implement the projects in agriculture, food processing and agricultural service sectors could obtain credits within the framework of 13 credit lines<sup>2)</sup>:

- loan for projects in agriculture, agri-food processing and agricultural service sectors - **IP** symbol,
- Land purchase loan – **KZ** symbol,
- loan for setting up or furnishing of a farm for persons not older than 40 years of age - **MR** symbol,
- loan granted under the “Sectoral programmes of collective usage of agricultural machinery and equipment” – **BR/10** symbol,
- loan granted under the “Sectoral programme for restructuring of processing of potato into starch in Poland” – **BR/13** symbol,
- loan granted under the “Programme of support for restructuring and modernisation of the meat industry and egg processing in Poland” - **BR/14** symbol,
- loan granted under the “Sectoral programme for milk processing industry” – **BR/15** symbol,
- loan granted under the “Sectoral programme of support for restructuring and modernisation of the utilization industry in Poland” - **BR/16** symbol,
- loan for the establishment or furnishing of agricultural holdings under the programme of farm setting up on the State Treasury land accepted by the Minister of Agriculture and Food Economy and Minister of Finance - **OR** symbol,
- loan for projects in agriculture, agri-food processing and agricultural service sectors conducted by groups of agricultural producers established pursuant to the Act of 15 September 2000 - **GP** symbol,
- loan for purchase of agricultural real estates to establish or furnish an agricultural family holding – **GR** symbol,
- loan for projects associated with new agricultural production technologies, including raw materials for production of bioethanol and biocomponents to ensure high quality of the product, or in the area of adjustment of animal production to sanitary, environmental and animal welfare requirements - **NT** symbol,

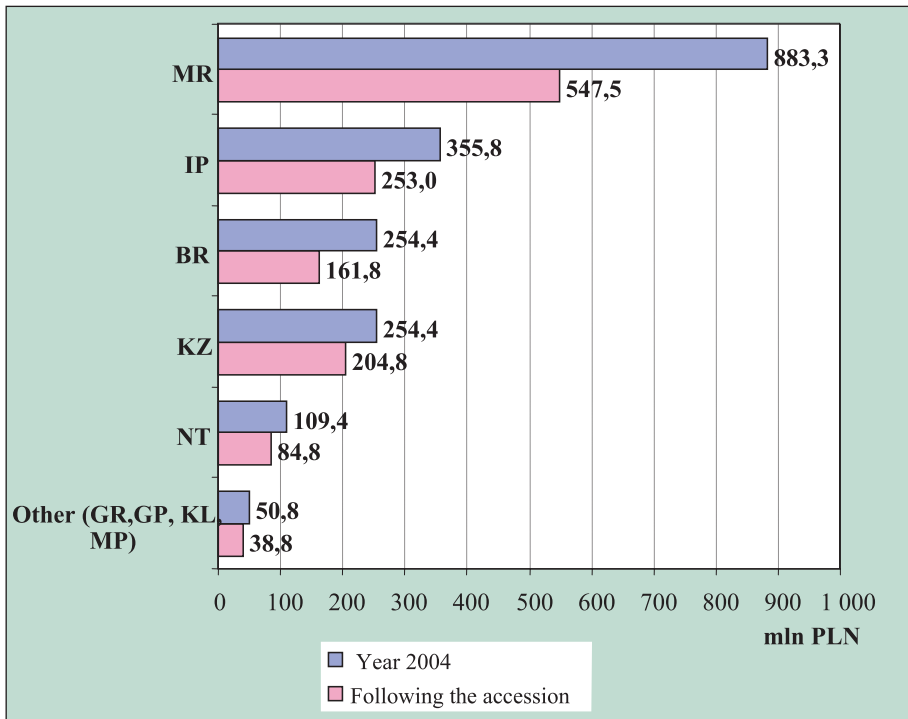
<sup>2)</sup> Besides, there were 3 more credit lines available between January and April 2004 for:

- projects intended to create jobs in non-agricultural sectors in rural and semi rural gminas and towns with population not exceeding 20 thousand inhabitants that guarantee employment of rural population(MP).
- implementation of undertakings in the agricultural sector and special sectors to use the existing production base of agricultural holdings in order to start, increase or resume production in the holdings and special sectors (RP),
- implementation of projects under the „Sectoral Programme for development of fisheries in Poland for 2000-2006” (BR/12),

- loans for restoration of production in agricultural holdings and special sectors of agricultural production damaged by draughts, hailstorms, excessive precipitation, frost, flood, hurricane, fire, rodent attack or landslide – **KL** symbol

The majority of loans were granted under the credit line for setting-up or furnishing of a farm for persons up to the age of 40 (46.3% of the total amount of credits granted (MR)) and under the credit line Investments in agriculture, agri-food processing and services for agriculture (18.6% of the total amount of credits granted – IP). Since July 2004, the number and amount of credits for purchase of agricultural land (KZ) has been growing steadily.

**GRAPH 4. Amounts of preferential investment loans granted in 2004, [broken down by credit lines, in PLN milion]**



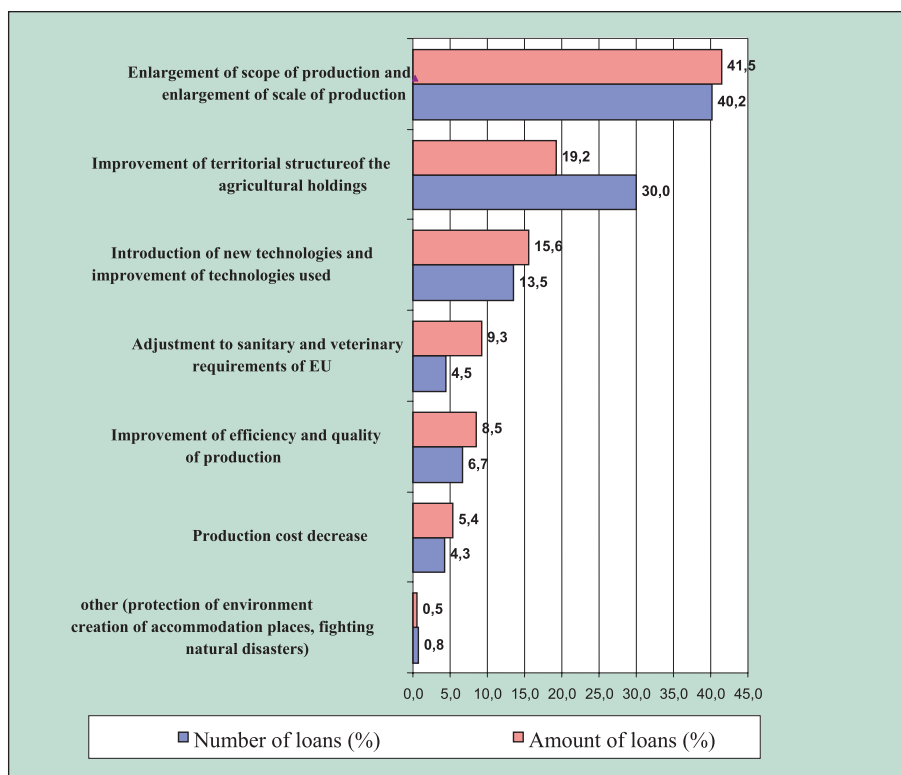
In accordance with the decision of Ministry of Agriculture and Rural Development of 2005, the Agency for Restructuring and Modernisation of Agriculture: :

- is subsidising interests on new preferential loans granted under 13 credit lines (available in 2004 i.e. IP, KZ, MR, BR/10, BR/13, BR/14, BR/15, BR/16, OR, GP, GR, NT, KL).
- is subsidising loans for restoration of production in agricultural holdings and special sectors of agricultural production suffering from draughts, hailstorms, excessive precipitation, frost, flood, hurricane, fire, rodent attack or landslide.

There is still a demand for investment credits in 2005. Between 1 January and 30 June 2005, the Agricultural Advisory Centres issued positive opinions for 11 688 business plans of projects to be implemented in agriculture and agricultural environment. The total amount of planned investment (co-financed with preferential investment credits) amounted to PLN 1 794.28 million whereas the amount for which credit applications were submitted was PLN 1 250.47 million.

The system of information records on the objectives and material effects of the preferential investment allows to analyse the use of preferential credits. The projects financed with preferential credits between 1 May 2004 and 30 June 2005 (agriculture and agri-food processing) were mostly intended to increase product range and the scale of production (41.5% of the total amount of credits), to improve the farmland structure of agricultural holdings (19.2%), to apply new technologies or improve currently used production technology (15.6%). The credits intended for adjustment to sanitary and veterinary requirements constituted 9.3% of the total amount of credits granted during thirteen month after the accession.

**GRAPH 5. Structure of State Aid after accession according to credit lines [in%]**

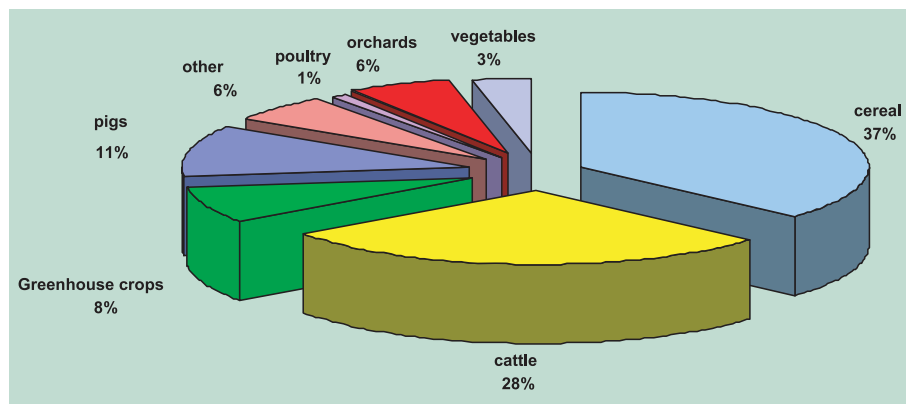


Source: ARMA data

The analysis of credit objectives with respect to credit lines proves that the highest credit amounts intended for adjustment to sanitary and veterinary requirements were spent under sectoral credits. Thus, 61.3% of the total amount of loans granted under the “Programme for support of restructuring and modernisation of the meat industry and egg processing in Poland” (BR/14) was focused on this objective. Improvement of the farmland structure of agricultural holdings was mostly supported with loans for the purchase of agricultural real estates used for setting up or furnishing agricultural family holdings – (GR – 60.4% and loans for the purchase of farmland (KZ – 58.4%). The main objective of the loans granted under the sectoral programme for milk processing industry and of the credit line „Young farmer“ was to increase the scale of production (BR/15 – 50.6%; MR – 45.3%).

During the period under analysis, the preferential credits for agriculture were mostly used by entities dealing with: cereal growing (37% of the total amount of credits granted for agricultural activities), cattle rearing and breeding (28%), pig rearing and breeding (11%) and greenhouse farming – 8%. (Graph 6)

**GRAPH 6. Structure of the amounts of loans granted to farmers between May 2004 and June 2005 [in %, broken down by activities]**



Source: ARMA data

During the period under analysis, the preferential investment loans with respect to agri-food processing were most often used by meat sector operators. Banks granted the largest amounts of preferential loans to plants dealing in:

- meat production (slaughter of animals, production of fresh, cooled or frozen meat, production of raw skins and skins coming from the slaughter house, rendering of edible fats of animal origin) – 65%,
- meat processing – 15%,
- milk processing – 10%
- fruit and vegetable processing – 9% (with 5% share of production of juice from fruit and vegetables).

To recapitulate, in spite of the new forms of assistance that have been

launched to enable financing of the projects investments in agriculture, agri-food processing and agricultural service sectors from the EU resources, the credits subsidized by ARMA still remain very attractive. The system of preferential credits is an important instrument for the State to intervene in the agricultural and agri-food sector. The preferential credits allow agricultural holdings and food processing plants to implement various capital-consuming projects.

### **Financial aid for the agricultural producers' groups**

Since 2002 the Agency has been granting aid for agricultural producers' groups in accordance with the Act of 28 November 2003 on support for rural development from the Guarantee Section of the European Agricultural Guidance and Guarantee Fund (Journal of Laws No 229, item 2273).

The aid is aimed at the groups registered by the voivods in the group register not later than on 30 April 2004. According to the information provided by the voivods there have been 76 groups of producers registered. Currently there are 66 groups of producers registered.

The objective of aid includes adjustment of agricultural production to the market conditions, improvement of farming efficiency, concentration of supply, organisation of agricultural produce sale and protection of natural environment.

The financial support is implemented in the form of single or double payments on the terms and dates specified in the agreements concluded with ARMA.

In the first year the level of assistance is 5%, in the second year - 4%, in the third year - 3%, in the fourth year - 2%, and in the fifth year - 1%, where the percentages are those of the documented annual net revenue of sale of the products the group was established for and produced in the holdings of the group members. Besides, the maximum amount of aid cannot exceed the multiple of 80, 64, 48, 32, and 16 of average monthly salary, less profits for last quarter of a year preceding the year in which the aid is granted, where the amount of average salary is announced by the President of Central Statistical Office in Official Journal of Central Statistical Office.

The majority of groups that applied for aid in 2004 were those registered by the voivods in 2003 (35).

The first 8 groups of producers were registered in Poland in 2001. In 2002, the Agency granted financial aid to 13 groups of producers associating 1 147 agricultural producers. In 2003 the number of groups financially aided by the Agency rose to 31. In 2004 the dynamics of growth was even more pronounced – 61 groups concluded agreements with the Agency.

In 2004 the largest number of groups applying for aid included the producer's groups registered in respect of products or group of products such as:

- Fruit, vegetables, fruit and vegetables,
- Cereals – 14,
- Live pigs – 9
- Dried tobacco leaves – 8

The majority of groups which applied for State Aid originated from the following voivodships: Małopolskie – 9, Wielkopolskie – 7 and Lubelskie – 7.

In 2002, the financial aid based on the abovementioned rules was granted to 13 groups of producers from 6 voivodships. The Agency paid the total amount of PLN 829.4 thousand. The average value of the aid amounted to 63,800 PLN.

In 2003 the scope of the aid was extended to 12 voivodships. For 2003, the total aid amount of PLN 2 376.3 thousand was paid to 31 groups. The average amount of aid was PLN 87,400. For 2004, the Agency paid the aid of PLN 5 071 thousand in total to 58 groups of producers which complied with statutory requirements. The average amount of aid was PLN 87,400. In 2004, the Agency paid PLN 2 828.5 thousand of aid to 44 groups where the amount of PLN 2 073.1 thousand was paid to 34 groups during the period running from the accession till the end of the previous year.

In 2005, aid was granted to 58 groups under the agreements concluded in 2004. The total amount paid was PLN 3 614.2 thousand.

On the basis of analysis of claims for payment and documents submitted by the groups that have been using the Agency aid for the longest period of time (13 groups registered in 2001 and 2002) the rising trend of net revenue of sale of products the group was established for and produced in the holdings of the group members between 2002 and 2004. Thus, in 2002 the groups obtained annual average sale revenue of PLN 3.79 million. In 2003, the sale revenue increased to PLN 4.54 million, i.e. by 19.8% as compared to 2002 sales. The level of sale revenue increased to PLN 5.02 million in 2004 i.e. by 10.5% as compared to 2003 sales.

### **Financial aid for entities operating in the utilization sector**

Since 2001 the Agency has been providing aid to the entities operating in the utilization sector in the form of payments to collection, transport and processing of dead bovine, ovine, caprine animals into meal, transport and burning of meal produced from the dead animals, and since 2004 the payments also include porcine animals.

In accordance with the agreements concluded for the period between 1 January and 31 December 2005, by 30 June 2005 the Agency paid PLN 11 178 thousand to the entities operating in the utilization sector in the form of payments for collection and transport of 38 142 fallen ruminants and 35 193.25 equivalent units of porcine animals (scheme 1.1), for 17 088.95 tons raw material to be processed into meal (scheme 1.2), for transport of 912.81 tons of meal from the utilization plant to the incinerating plant and for incineration of 2 211.47 tons of meal.

## 4. EU aid instruments for rural areas and agriculture

### 4. 1. SAPARD<sup>3</sup>

Special Accession Programme for Agriculture and Rural Development (SAPARD) was an important aid instrument for structural transformation of the Polish rural areas. ARMA as accredited SAPARD Agency played two parts in the Programme: that of an implementing agency and that of the paying agency.

The SAPARD Programme was financed under four so called Annual Financing Agreements (AFA) for the years 2000, 2001, 2002, 2003 concluded with the European Commission. The total amount provided for in the agreements and intended for all measures of the SAPARD Programme amounted to EUR 944 million, including EUR 708.2 million from the EU funds and EUR 235.8 million from the state public funds as co-financing. Additionally, after proper arrangements with the European Commission were made and after the Council of Ministers issued proper regulation of 6 June 2004, the amount of financial resources intended for the SAPARD Programme financing was increased by EUR 140 million transferred from the budget of the Rural Development Plan (RDP).

The implementation of SAPARD was started in July 2002. Deadlines to submit aid applications expired on 20 February 2004. The number of rounds for submission of applications varied depending on the Measure. The largest number of rounds, i.e. seven, were available for Measure 1 „Improvement in processing and marketing of agricultural and fishery products”, two rounds were available both for Measure 3 “Development and improvement of the infrastructure of rural areas” and Measure 4 “Diversification of economic activities in rural areas”. Under Measure 2 “Investment in agricultural holdings”, aid applications were collected continuously from the very beginning of the Programme till 20th February 2004.

Between 17 July 2002 and 20 February 2004 the farmers, self governments (at Gmina and Poviát level) and entrepreneurs operating in rural areas submitted 31 098 applications in total at the Regional Offices of ARMA in connection with Measures 1, 2, 3 and 4, and 27 761 of these applications were registered for a total of PLN 6 040.9 million.

In the first few months after the accession there still were agreements being concluded with the beneficiaries who were granted aid.

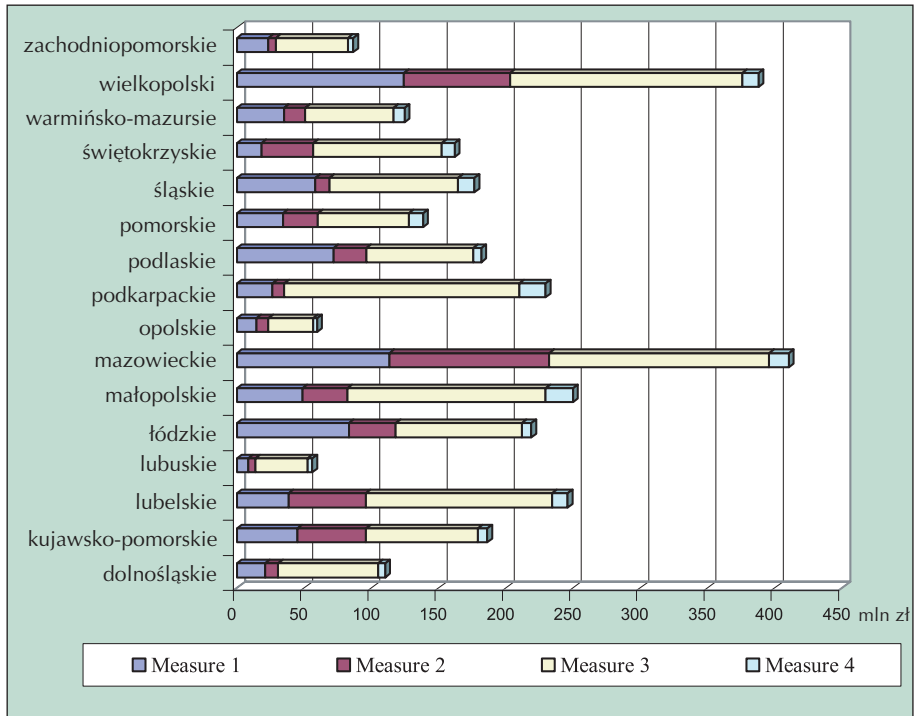
Because of a large number of submitted applications the Ministry of Agriculture and Rural Development extended the contracting period till 30th June 2004 and after that extended again the contracting period till 30 September 2004, following the Commission acceptance for the use of part of RDP funds for assistance under the SAPARD Programme.

With 24 431 agreements signed for the total of PLN 4 791.0 million the pool of resources, including funds transferred out of RDP, for the Programme

<sup>3</sup> For detailed information see the following web sites: [www.minrol.gov.pl](http://www.minrol.gov.pl) and [www.arimr.gov.pl](http://www.arimr.gov.pl)

implementation has been absorbed. Aid granted under the SAPARD Programme was used the best by the Mazowieckie and Wielkopolskie voivodships, which obtained<sup>4</sup> assistance of PLN 410,5 million and PLN 388 million, respectively, under Measures 1, 2, 3 and 4, while the Lubuskie and Opolskie voivodships used only PLN 56 million and PLN 59,7 million, respectively.

**GRAPH 7. Amounts of the aid granted under agreements concluded for Measure 1, 2, 3, and 4 in total, broken down by voivodships [as on 30 June 2005 in PLN million].**



Source: ARMA data

By 30 June 2005, the beneficiaries submitted 21 146 Claims for Payment for the total of PLN 3 719 million, of which the Agency cleared 19 596 applications and paid the total of PLN 3 321.4 million; of which PLN 2 126.6 million was paid by the end of 2004.

The Ministry of Agriculture and Rural Development was the beneficiary of Measure 6 “Vocational trainings” and Measure 7 “Technical assistance” and authorised the Foundation of Assistance Programmes for Agriculture (FAPA) to conduct procurement procedure to select contractors for the particular projects.

<sup>4</sup> Aid granted means that an agreement has been signed between the beneficiary and the Agency, while aid provided means execution of payment.

### Measure 1: “Improvement in processing and marketing of agricultural and fishery products”.

This Measure was dedicated to the support of activities in the agri-food processing sector connected with the improvement of competitiveness on the domestic and international market, as well as with adjustment to the Single Market requirements with respect to sanitary, hygienic, veterinary and quality norms. There were seven rounds for submitting the aid applications, the first time limit extending from 17 July to 16 October 2002 and the last one from 5 January to 5 February 2004. Availability of a larger number of rounds enabled the funds committed under the Programme for processing industry to be used more effectively. This is proved by the fact that the majority of applications, i.e. 748 (42%) out of the total number of 1 778, were submitted during the last two rounds.

Generally, the aid applications were submitted by 4.2% of all agri-food processing establishments.

Altogether 1,516 applications for the total amount of PLN 2.0076 billion were registered. The overwhelming majority of applications, i.e. 81.3% in terms of quantity and 83.1% in terms of value, were for projects covered by Scheme 1.1 „Aid for the restructuring of the processing and the improvement of marketing of products of animal origin, mostly of meat sector - respectively 51.5% and 53%.

By the end of the contracting stage, 1,342 agreements were eventually concluded with the beneficiaries for the amount of PLN 1 688.9 billion, i.e. the financial limit allocated to Measure 1 was fully absorbed.

**TABLE 4. Agreements concluded and payments made under Measure 1 of the SAPARD Programme broken down by schemes and sectors [as on of 30 June 2005].**

Measure / Scheme / Component	Agreements concluded		Payments executed	
	number	Amount in PLN million:	number	Amount in PLN million:
1.1.1 Aid for the restructuring of the processing and the improvement of marketing of products of animal origin	1 101	1 399,3	817	752,0
1.1.a Milk sector	325	410,1	265	256,8
1.1.b Meat sector	689	870,2	498	437,4
1.1.c Fishery sector	87	119,0	54	57,8
1.2.1 Aid for the restructuring of the processing and the improvement of marketing of fruit and vegetables	241	289,6	162	136,7
<b>Total</b>	<b>1 342</b>	<b>1 688,9</b>	<b>979</b>	<b>888,8</b>

Source: ARMA data

The implementation of 644 projects resulted in the introduction of the HACCP system in 303 establishments of the following sectors: milk – 93, meat – 134, fishery – 19 and fruit and vegetables – 57. As much as 470 plants have implemented or are implementing the programme of adjustment to the EU standards under the SAPARD Programme. In this case the majority of participants also represented the meat (260) and milk (123) sectors. In the fruit and vegetables, and fishery sectors these figures were 67 and 20 establishments, respectively.

### Measure 2: “Investments in agricultural holdings”

Financial aid under Measure 2 “Investments in agricultural holdings” was addressed to farmers who operated agricultural holdings as individual owners or co-owners. Farmers could submit aid applications from 17 July 2002 until 20 February 2004. 15,586 applications were submitted in total during this period. This means that approximately 0.7% of the total number of agricultural holdings with over 1 ha of arable land took the opportunity to apply for the aid.

The majority of applications, i.e. 13 359 (85.7%), were submitted under Scheme 2.3 Diversification and valorisation of agricultural holdings. Much less interest was shown with regard to Scheme 2.1 “Restructuring of milk production” (1 178) and 2.2 “Modernisation of holdings specialising in slaughter animals” (1 049).

**TABLE 5. Applications registered under Measure 2 of the SAPARD Programme broken down by schemes and sectors [as on 30 June 2005].**

Measure / Scheme / Component	Agreements registered	
	Number	Amount in [PLN million]
2.1. Restructuring of milk production	1 101	86,1
2.2. Modernisation of holdings specialising in slaughter animals, including:	948	73,9
2.2.1. Modernisation of beef cattle holdings	52	2,6
2.2.2. Restoration of sheep production	35	1,4
2.2.3. Modernisation of pig and poultry production.	861	69,8
2.3. Diversification of agricultural production.	12 502	518,3
<b>Total</b>	<b>14 551</b>	<b>678,3</b>

Source: ARMA data

In total 13,742 agreements were concluded with the beneficiaries of Measure 2 for an amount of PLN 638.2 million, i.e. almost 95.9% of available limit of funds was absorbed. The majority of applications, i.e. 85%, concerned Scheme 2.3.

**TABLE 6. Agreements concluded and payments made under Measure 2 of the SAPARD Programme [as on 30 June 2005].**

Measure / Scheme / Component	Agreements concluded		Payments executed	
	Number	Amount in PLN million:	Number	Amount in [PLN million]
2.1. Restructuring of milk production	1 037	81,3	963	72,2
2.2. Modernisation of agricultural holdings specializing in slaughter animals, including:	872	68,3	786	60,8
2.2.1. Modernisation of beef cattle holdings	44	2,2	36	1,7
2.2.2. Restoration of sheep production	27	1,2	23	1,0
2.2.3. Modernisation of pig and poultry production.	801	65,0	727	58,1
2.3. Diversification of agricultural production.	11 833	488,5	10 014	404,8
<b>Total</b>	<b>13 742</b>	<b>638,2</b>	<b>11 763</b>	<b>537,8</b>

Source: ARMA data

### Measure 3: "Development of rural infrastructure"

The beneficiaries of aid under Measure 3 included local self government units which implemented technical infrastructure projects in the villages and towns with population not exceeding 7 000 inhabitants.

Local governments were seriously interested in the aid granted under Measure 3. The number of the applications submitted reflects the scale of this interest. Gminas and Poviats, that applied for the aid to implement infrastructure projects under Measure 3, submitted 6 230 applications in total during two time limits set, i.e. between 17 July 2002 and 16 September 2002, and between 30 July 2003 and 15 September 2003, including:

- 2 989 applications for construction and modernisation of Gmina and Poviats roads in rural areas (scheme 3.4),
- 1 869 applications for wastewater treatment and disposal projects (scheme 3.2),
- 1 282 applications for rural household water supply projects, including water treatment plants (scheme 3.1),
- 45 applications for energy supply projects (scheme 3.5) and solid waste management (scheme 3.3).

In total 5 926 applications were registered for the amount of PLN 2 836.7 million. The majority of registered applications, both in terms of quantity and

value, were submitted for scheme 3.4 (48% and 36.4%, respectively) and for scheme 3.2 (30% and 44.2%, respectively).

There were 4 493 of agreements concluded with beneficiaries of Measure 3 for the total of PLN 2 025.8 million, and therefore the available funds were fully absorbed.

Under scheme 3.1 the accounts were cleared for 532 projects, which covered, among other things, more than 3 571 km of waterlines, 31.6 thousands of house connections for water supply and 85 water treatment plants.

**TABLE 7. Agreements concluded and payments made under Measure 3 of the SAPARD Programme broken down into schemes [as on 30 June 2005].**

Measure / Scheme	Agreements concluded		Payments made	
	Number	Amount in PLN million:	Number	Amount in [PLN million]
3.1. "Water purification and supply to agricultural holdings"	987	342,4	929	309,1
3.2. "Municipal wastewater discharging and purification"	1 303	971,3	1 106	732,4
3.3. Solid waste management	25	18,6	21	14,3
3.4. Gmina and Poviast roads in rural areas	2 139	686,5	2 044	643,3
3.5. Energy supply	39	7,0	38	6,6
<b>Total</b>	<b>4 493</b>	<b>2 025,8</b>	<b>4 138</b>	<b>1 705,6</b>

Source: ARMA data

618 projects cleared under scheme 3.2 resulted in 3 035 km of new sewerage system, over 44.7 thousands of house connections and 73 waste water treatment plants.

It is worth mentioning that 1 410 projects co-financed from scheme 3.4 budget allowed to build and/or upgrade 3 033 km of Poviast and Gmina roads.

The remaining schemes provided material effect in the form of 7 newly constructed or extended landfill sites (scheme 3.3) and 8.5 km of constructed and upgraded power supply networks (scheme 3.5).

It should be emphasized that following the accession local self governments could apply for aid under the Integrated Operational Programme of Regional Development (IOPRD) implemented by the particular Marshall Offices within the framework of the National Development Plan 2004 – 2006.

#### **Measure 4: "Diversification of economic activities in rural areas"**

Measure 4 "Diversification of economic activities in rural areas" was addressed to a wide spectrum of beneficiaries. The aid for projects associated with provision of additional income sources (scheme 4.1) could be applied for by farmers and farm household members. The entrepreneurs operating in

villages and towns with population not exceeding 7 000 inhabitants could apply for aid to create new jobs (scheme 4.2). The beneficiaries of aid targeted at the development of tourism promotion in rural areas (scheme 4.3) included the gminas and their associations, agricultural chambers and other farmers' social and professional organisational units.

Aid applications could be submitted in two rounds: 3 - 22 December 2003, and 23 December 2003 - 12 January 2004 for scheme 4.3, and till 26 January 2004 for Schemes 4.1 and 4.2. During the whole period 7 504 applications were submitted in total. There were 5 768 applications registered in total for the amount of PLN 518 million. There were 1 105 agreements signed by 30 April 2004 for the total value of 90.9 million.

**TABLE 8. Applications registered under Measure 4 of the SAPARD Programme broken down by schemes and sectors [as on 30 June 2005].**

Measure / scheme	Applications registered	
	Number	Amount [PLN million]
4.1 Creation of additional income sources in agricultural holdings	2 065	68,0
4.2 Creation of workplaces in rural areas	3 115	404,2
4.3 Public tourist infrastructure in rural areas	588	46,1
<b>Total</b>	<b>5 768</b>	<b>518,3</b>

Source: ARMA data

Concerning the Measure 4 of the SAPARD Programme the total of 4 854 agreements were concluded for the total value of PLN 438.2 million.

**TABLE 9. Applications registered under Measure 4 of the SAPARD Programme broken down by schemes [as on 30 June 2005].**

Measure / Scheme	Agreements concluded		Payments made	
	Number	Amount [PLN million]	Number	Amount [PLN million]
4.1 Creation of sources of additional income sources in agricultural holdings	1 794	58,6	1 052	32,2
4.2 Creation of workplaces in rural areas	2 620	344,2	1 361	136,0
4.3 Public tourist infrastructure in rural areas	440	35,4	303	21,1
<b>Total</b>	<b>4 854</b>	<b>438,2</b>	<b>2 716</b>	<b>189,2</b>

Source: ARMA data

Under the abovementioned Measure there were 8 training projects implemented, out of which 4 projects involved trainings aimed at gaining skills necessary to run a profitable agricultural holding. The other trainings concerned production practices that are in accordance with the rules of landscape preservation, environmental protection, hygiene standards and animal welfare. 6.1 thousand farmers were trained.

#### **Measure 7: “Technical Assistance”.**

There were 8 projects implemented under this Measure. The major part of funds were paid for projects dealing with information and publicity of the SAPARD Programme – PLN 3.96 million. There were 89 seminars delivered to the potential beneficiaries of SAPARD. The total number of participants was 2 936 persons.

## **4.2. Agricultural area payments<sup>5</sup>**

In accordance with the Accession Treaty provisions, Polish farmers were included under the simplified scheme of direct payments. The scheme consists in that the financial support for agricultural holdings is granted proportionally to the crop area size, regardless of the type of agricultural activity. Direct payments include<sup>6</sup>:

- **Single Area Payment (SAP)** fully financed from EU budget and calculated on the basis of agricultural land maintained in good agricultural condition.
- **Complementary Area Payments (CAPs)** financed from the national budget and calculated on the basis of the area specified crops<sup>11)</sup>.

**TABLE 10. The amount of financial envelope of direct payments for Poland for 2004 and 2005 [in million EUR].**

Type of payment	2004	2005
Single Area Payment	659,95	823,16
Complementary payments:	804,99	914,85
including		
For hops	0,48	0,51
For other crops	804,51	914,34
<b>Total</b>	<b>1464,94</b>	<b>1738,01</b>

#### **Processing of applications for direct payments in 2004.**

The following amounts of direct payment rates<sup>12)</sup> were established for 2004.

<sup>5)</sup> For detailed information see the following web sites: [www.minrol.gov.pl](http://www.minrol.gov.pl) and [www.arimr.gov.pl](http://www.arimr.gov.pl)

<sup>6)</sup> Act of 18 December 2003 on direct payments to agricultural land (Dz. U. of 2004 No 6, item 40)

<sup>11)</sup> This form of payment is applicable to hops and other plants as defined by the Council of Ministers each year.

<sup>12)</sup> Ordinance of the Council of Ministers of 28 September 2004 laying down the rates of complementary payments (Dz.U. No 214, item 2168 and 2169) and Regulation of the European Committee (CE) 1407/2004 of 2 August 2004 fixing the PLN/EUR exchange rate to PLN 4.73521 .

- **210.53 PLN/ha (44.46 EUR/ha)** – for agricultural land under the single area payment scheme;
- **1 013.81 PLN/ha (219.78 EUR/ha)** – for hops;
- **292.78 PLN/ha (61.83 EUR/ha)** – for crops listed in the regulation of the Council of Ministers of 6 April 2004 on crops covered by the complementary payments scheme.

In 2004 the agricultural producers submitted 1 400 370 applications for direct payments to agricultural land for a total area of 13 689 141.41 ha.

### Processing of applications for direct payments to agricultural land in 2005

The Poviats Offices of ARMA accepted applications for direct payments to agricultural land from 15 March until 31 May 2005 (until 25 June with the same financial sanctions applicable as in 2004).

ARMA mailed partially filled in application forms (personified application) to the agricultural producers who applied for direct payments in 2005.

As opposed to 2004, in 2005, the producer had to declare the following:

- all cadastral parcels of agricultural land of the holding.
- all cadastral parcels of the holding when the farmer applied for direct payments under the less favoured area scheme (LFA).
- permanent grassland area.

Since 2005, agricultural producers have had to declare the area of permanent grassland (meadows and pastures) of the holding and to maintain its percentage share in the structure of the agricultural holding. No limitations are foreseen as far as trade in land (purchase, sale, lease etc.) is concerned.

According to the data of 30 June 2005 there were 1 487 646 applications for direct payments to agricultural land submitted, i.e. over 87 thousand more as compared with 2004. The amount of single area payment rate (financed solely from the EU budget) will be **EUR 55.46 per 1 ha**.

The rate of complementary national direct payment (financed from the national and EU funds) for field crops (cereals, grassland, oil plants, high protein plants, leguminous plants, forage crops, flax and hemp, nuts) will be **70.28 EUR/ha**.

The payments will be made between 1 December 2005 and 30 June 2006. This time limit is identical for all EU Member States.

### Subsidies for energy crops

According to the Decision of the European Commission and the relevant national legislative act Poland was permitted to apply subsidies for energy crops in 2005.

Agricultural producers are entitled to payments financed from the national budget for the plantations of willow (*Salix* sp.) or thornless rose (*Rosa multiflora* var.) intended for energy purposes. Agricultural producers could submit applications for payments to plantations of willow (*Salix* sp.) or thornless rose (*Rosa multiflora* var.) used for energy purposes to the appropriate ARMA Regional Office by 31 August 2005.

According to the Commission Decision the maximum 2005 financial ceiling for energy crops for Poland has been set at EUR 55 000 .

### 4.3. Rural Development Plan<sup>7</sup>

The major objective of the Rural Development Plan is to support sustainable development of rural areas and improvement of agricultural holding conditions. The Plan aims at implementation of social, economic and environmental (ecological) aspects of the development in coherence with structural programmes including, most of all, Sectoral Operational Programme (SOP) “Restructuring and Modernisation of the Food Sector and Rural Development” that implements objectives of national Development Plan within the scope of rural development policy.

There are eight measures being implemented within the framework of Rural Development Plan. The national and EU funds committed amount to approximately EUR 2.7 billion. (Table 11)

**TABLE 11. Financing Rural Development Plan 2004-2006**

Specification	Expenditure planned [in EUR million]		
	Total	Including:	
		EU budget	National budget
1. Early retirement	640,5	512,4	128,1
2. Support for semi-subsistence farms	376,3	301,0	75,3
3. Support for agricultural holdings in less favoured areas (LFA)	976,8	781,4	195,4
4. Support for agri-environmental undertakings and animal welfare	348,9	279,0	69,9
5. Afforestation of agricultural land	101,8	81,4	20,4
6. Support for adjustment of agricultural holdings to the EU standards	243,4	194,7	48,7
7. Support for agricultural producer groups	25,4	20,2	5,2
8. Technical assistance	34,0	27,1	6,9
9. Complementing of area payments	705,3	564,2	141,1
10. Projects under Regulation (EC) No 1268/1999	140,0	105,0	35,0
<b>Total</b>	<b>3592,4</b>	<b>2866,4</b>	<b>726,0</b>

Part of the RDP funds, i.e. approximately EUR 845 million, is allocated to complement area payments and to finance certain measures under the SAPARD Programme.

<sup>7)</sup> Detailed information is presented on the following web sites: [www.minrol.gov.pl](http://www.minrol.gov.pl) and [www.arimr.gov.pl](http://www.arimr.gov.pl)

The Plan prepared by the Ministry of Agriculture and Rural Development is implemented by the Agency for Restructuring and Modernisation of Agriculture as an accredited Paying Agency.

In connection with RDP implementation ARMA is responsible for the following:

- reception of applications from the beneficiaries;
- formal verification of the applications (compliance and completeness) and declared data whether they correspond to the actual state (administrative control and on the spot checks).
- signature of the agreements with beneficiaries in case of Measure – Technical Assistance.
- authorisation and execution of payments, posting and recovery of the funds unduly paid
- monitoring of the implementation of measures and reporting.

### **Measure 1: “Early retirement”**

Early retirements are intended to ensure income for those farmers, who decide to cease farming. They are intended for farmers who are less than 55 years of age (but have not attained yet the retirement age and are not eligible for retirement or pension paid from the social security or retirement fund or social insurance for farmers), who have dealt with farming activities continuously for at least ten years preceding the submission of the early retirement application and had old-age and retirement insurance in this period for at least 5 years in accordance with the provisions on farmers’ social security, and are subject to such social security on the day on which the application for early retirement is submitted.

There were 28 417 applications submitted by 30 June 2005.

### **Measure 2: “Supporting semi-subsistence farms”**

Support for semi-subsistence farms in the form of a temporary aid is intended to improve their financial situation and to ensure their economic viability.

The aid may be granted to a farmer who:

- owns a semi-subsistence farm (i.e. a holding sized between 2 and 4 ESU)
- has run the holding for at least 3 years before aid application is submitted or
- has become the owner of farm on inheritance basis or as a successor under the early retirement programme.

Aid for semi subsistence farms of EUR 1 250 annually per holding may be paid for five years, except that in the 4th and 5th year it may be paid, providing that the objectives (milestones) of a farm development plan have been achieved.

On 1 February 2005, ARMA started accepting aid applications for semi-subsistence farms.

On 30 June 2005, the number of applications registered in the IT system under this measure amounted to 116 783 and corresponded to PLN 603 680.5 thousand of aid.

### Measure 3: “Support for agricultural activity in less favoured areas (LFA)”

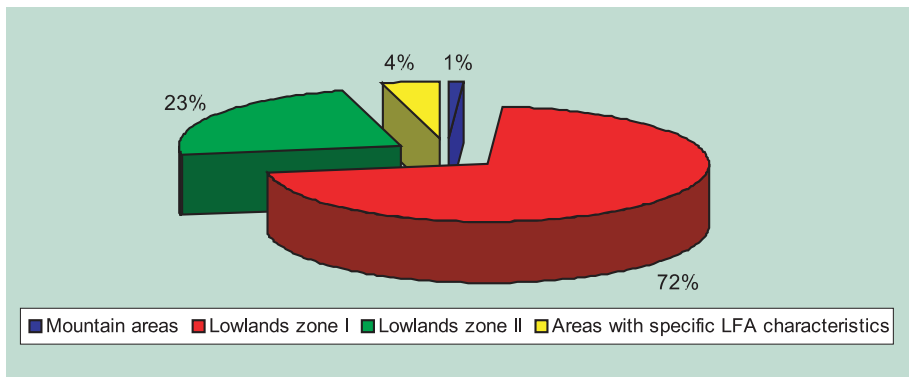
Measure 3 is an instrument of support for agricultural holdings in less favoured areas to ensure the continuity of farming.

The following conditions must be fulfilled for the aid to be granted within the framework of LFA support:

- the agricultural holding must be situated in whole or in part in LFA; however, the LFA payment is related only to the agricultural parcels located in LFA,
- the area of agricultural land of holdings located in LFA and used for farming activity must be not be less than 1 hectare,
- the applicant must observe the principles of good farming practice within the whole holding and pursue farming activities in less-favoured area for at least five years from the first payment of LFA aid and comply with the bans on the use of hormones, thyreostatic substances and of beta-agonists in livestock feeding.

The basic rates of support for 1 ha of holding range from PLN 179 for lowlands to PLN 320 for the mountainous areas. In 2004 The applications could be submitted to ARMA from 15 April to 30 June (till 26 July with financial sanctions applicable). Within this period 628 762 applications were submitted. In 2005 the applications were collected between 15 March and 31 May. After the deadline the applications could still be submitted but financial sanctions were applied (1% reduction of the amounts for each working day of delay). The deadline for submission of documents expired on 25 June 2005. By 30 June 2005 there were 710 216 applications registered in the ARMA IT system and the area declared for aid was 6 496.6 thousand ha. The number of applications submitted in 2005 increased by 13% as compared to the number of applications submitted in 2004, while the area covered increased by 0.9%.

**GRAPH 8. The structure of arable land broken down by LFA types, covered by aid applications submitted in 2004, for which decisions have been issued in [%]**



Source: ARMA data

#### Measure 4: “Support for agri–environmental projects and increasing animal welfare”

The support for agri-environmental projects and animal welfare consists in that the farmers carries out activities which are to be conducive to the promotion of agricultural systems focused on environmental protection and maintenance of animals’ genetic resources. A participant of the agri-environmental programme has to carry out agricultural activities on an area of 1 ha at least, if she/he:

- owns or has leased the land within the geographical coverage of the programme at least for the period of commitment duration,
- has a 5 year agri-environmental plan, prepared with the assistance of an agri-environmental advisor,
- will commit him/herself to apply good farming practices (over the whole farm) and observe obligations of the agri-environmental scheme for a period of 5 years,
- undertakes to keep detailed records necessary for control and monitoring,
- \* has documentation required for agri-environmental plan implementation.

The support takes form of annual payments. The amount of payment for 1 ha depends on the implemented package and ranges from PLN 160 (sustainable agriculture) to PLN 1800 (orchards and berry crops within the transition period to organic farming).

The following packages are implemented under this Measure:

- sustainable farming (**S01**),
- organic farming (**S02**),
- maintenance of extensive meadows (**P01**),
- maintenance of extensive pastures (**P02**),
- protection of soil and water (**K01**),
- buffer zones (**K02**),
- protection of local livestock breeds (**G01**).

ARMA began receiving applications on 1 September 2004. Organic farming was the only package implemented in 2004. The number of applications submitted amounted to 3 583, including: 2 124 applications submitted by the certified agricultural holdings, 1 200 submitted by agricultural holdings that did not have certificates and 259 of mixed agricultural holdings.

The number of applications submitted in 2004 for organic farming (SO2) package was over 56% higher than the number of organic farms registered in Poland in 2003.

The agricultural holdings under organic farming package covered the area of 74 524.97 ha including:

- 44 734.50 ha - agricultural holdings that did not have certificates (59%) and were in the period of transition to organic farming,
- 23 087.81 ha – certified agricultural holdings (34%),
- 6 702.66 ha – mixed agricultural holdings (7%) with certified and not certified agricultural land.

All farmers, who submitted the applications for support under organic farming package by 30 June 2005 received payments for the first year of programme implementation. The total amount of payments amounted to PLN 33.9 million. By the end of June 2005 there were 24 246 applications submitted under Measure 'Support for agri-environmental actions and increasing animal welfare'

### **Measure 5: “Afforestation of agricultural land”**

The Measure is intended to support afforestation of agricultural land of low agricultural value and to ensure the proper maintenance of new plantings in the early phase of growth. The afforestation payments are granted to agricultural producers who are natural persons or cooperatives of agricultural production and comply with the following requirements:

- they are registered in the producers' register included in the national register of producers' system, agricultural holdings register and register of payment applications,
- They have declared to:
  - plant forest on the agricultural parcels which were under cultivation until the submission of application,
  - maintain the forest plantation during the first five years after seedlings are planted

An agricultural producer who declares to grow forest on agricultural land may receive the following payments:

- support for afforestation in the form of a single payment ranging between PLN 4300 and 8300 per 1 ha,
- maintenance premium which is a flat-rate payment ranging from PLN 420 to 750 per 1 ha (without using repellents) or from PLN 700 to 1100 per 1 ha (when using repellents) to cover the costs of maintenance and is paid annually for 5 years,
- The afforestation premium which is a flat-rate annual payment of PLN 360/ha or PLN 1 400/ha per annum, depending on the share of the total farming income of the beneficiary, calculated on the basis of 1ha of agricultural land afforested and paid annually for 20 years starting from the year in which the forest is planted.

ARMA collected applications between 1 September 2004 and 31 December 2004. There were 2 209 applications submitted at that time.

In 2005 the applications were collected between 1 June and 15 July. The number of applications submitted was 4 172 for the total amount of PLN 135.3 million, and the total area covered was 17 thousand ha.

### **Measure 6: „Adjusting agricultural holdings to EU standards”**

The measure is intended to facilitate adjustment of the agricultural holdings to the EU standards of natural environment, public health and animal health and welfare. This is addressed to the farmers who would like to:

- provide agricultural holdings with natural fertilizer storage equipment

- adjust dairy farms to the public health standards
- upgrade farms specialized in eggs production.

The aid may cover adjustment to one or more standards and cannot exceed EUR 25 000 per holding annually.

ARMA began collection of applications on 1 February 2005. There were 73.9 thousand applications submitted in 2005 for the amount of PLN 2 613 million.

#### **Measure 7: “Agricultural producers’ groups”**

The Measure is intended to increase the level of farmers’ income while reducing the production costs, increasing the quality, creating common system of product sale, establishing common rules of production information.

The support covers establishment and administrative costs of the agricultural producers’ groups within the period of 5 years from the day the group is established for the groups of producers which have been registered in the register kept by the voivod competent for the location of the group after 1 May 2004.

ARMA began collection of applications for financial aid to support producers’ groups under RDP on 15 December 2004. There were 24 applications submitted until 30 June 2005.

#### 4.4 SOP “Restructuring and modernisation of the food sector and rural development”<sup>1</sup>

In the years 2004-2006, the EU structural policy instruments are implemented in Poland under the National Development Plan and cover a number of operational programmes.

One of them is the Sectoral Operational Programme (SOP) “Restructuring and modernisation of the food sector and rural development, 2004-2006”. Its budget amounts to EUR 1 784 million, including EUR 1 193 million from the EU funds and EUR 591 million from the national public budget (Table 12). Considering the engagement of private co-financing of beneficiaries the total value of projects implemented under SOP should amount to EUR 2,7 billion.

**TABLE 12. SOP financing „Restructuring and modernisation of the food sector and rural development, 2004–2006”**

Measure	Planned expenditure [in MEUR]			
	Total	including:		
		EU budget	National budget	Private funds
1.1 “Investment in agricultural holdings”	929,11	325,19	278,73	325,19
1.2 “Setting up of young farmers”	173,33	130,00	43,00	0
1.5 “Improving processing and marketing of agricultural products”	928,58	325,00	139,29	464,29
2.1 “Restoring forestry production potential damaged by natural disaster and/or fire and introducing appropriate preventive measures”	12,50	10,00	2,50	0
2.4 “Diversification of agricultural activities and activities close to agriculture to provide multiple activities or alternative incomes”	214,28	75,00	32,14	107,14
2.6 “Development and improvement of the infrastructure related to agriculture”	81,42	28,50	12,21	40,71
3.1 “Support for the SOP management”	10,53	7,90	2,63	–
3.2 “Institutional Development”	4,93	3,72	1,24	–
3.3 “SOP information and publicity”	8,51	6,38	2,13	–
1.3 “Training”	20	16,00	4,00	0
1.4 “Agricultural advisory and extension service support”	53,75	43,00	10,75	0
2.7 “Leader+ pilot programme”	18,75	15,00	3,75	–
2.2 „Land re-parcelling”	21,25	17,00	4,25	–
2.3 “Rural renewal and the preservation and protection of cultural heritage”	112,5	90,00	22,5	–
2.5 “Agricultural water resources management”	140	100,00	32,00	8,00
<b>TOTAL</b>	<b>2729,33</b>	<b>1192,69</b>	<b>591,12</b>	<b>945,33</b>

Source: SOP Complement

<sup>1</sup> More detailed information may be found on the following websites: [www.minrol.gov.pl](http://www.minrol.gov.pl) and [www.arimr.gov.pl](http://www.arimr.gov.pl)

ARMA is the implementing institution for most of the measures, and a final beneficiary for all the measures. The function of the implementing institution covers tasks related to the reception and processing of applications for co-financing of projects, receiving payment claims, issuing payment order, monitoring and reporting. The final beneficiary function covers approving the orders for payment, making and recording payments and preparing financial reports.

Four measures implemented by ARMA are addressed directly at farmers, that is:

- Measure 1.1 “Investment in agricultural holdings”
- Measure 1.2 “Setting up of young farmers”
- Measure 2.4 “Diversification of agricultural activities and activities close to agriculture to provide multiple activities or alternative incomes”
- Measure 2.6 “Development and improvement of the infrastructure related to agriculture”

Measure 1.5 “Improving processing and marketing of agricultural products” is addressed to entrepreneurs acting in specified sectors of the processing industry.

Measure 2.1 “Restoring forestry production potential damaged by natural disaster and/or fire and introducing appropriate preventive measures” is addressed to the Forest Inspectorates of State Forests and private forest owners who submit the forests belonging to them for restoring, within the project implemented by a given inspectorate.

A separate group consists of measures implemented by ARMA under priority *Technical assistance*:

- Measure 3.1 “Support for the SOP management”
- Measure 3.2 “Institutional development”,
- Measure 3.3 “SOP information and publicity”

The beneficiaries for “Technical assistance” measures are the institutions directly involved in SOP implementation: MARD, ARMA, FAPA and Marshall Offices.

SOP is to a large extent a continuation of the SAPARD Programme. General rules related to benefiting from support under SOP are similar to that of SAPARD. Similarly to SAPARD, SOP is the horizontal support instrument, i.e. the rules of co-financing and the procedures are the same across the whole country.

For financing projects under measures implemented by ARMA, EUR 1 426 million was earmarked, i.e. 80% of SOP budget, including EUR 912 million from EU funds and EUR 514 million from the national budget.

First, starting from 16.08.2004, ARMA began to accept aid applications under Measure 1.1 “Investment in agricultural holdings” and from 15.09.2004 for other measures. The applications were accepted continuously and the aid was granted within the funding available. The budget for Measures 1.1, 1.2, 2.4 and 2.6 was divided between regional envelopes. Because of the scale of projects and different density of processing plants between the regions – the funds for measure 1.5 were divided centrally in line with the Steering Committee’s recommendation.

By 30 June 2005, 43 748 applications were submitted for measures implemented by ARMA, for the total amount of PLN 4 836,4 million, what amounted to using 82,5% of available allocation.

### **Measure 1.1 “Investment in agricultural holdings”**

Measure 1.1 was to a large extent a continuation of SAPARD Measure 2 “Investment in agricultural holdings”, however, without the division into schemes and components. The scope of support was similar, covering projects raising competitiveness of holdings by raising quality of production, lowering of costs, improvement in animal welfare and serving to implement standards for veterinary and sanitary conditions and protection of the environment.

A novelty in comparison to SAPARD was the differentiation of the level of co-financing, with additional points being granted to the young age of the farmer implementing the project and to implementing the project in LFAs.

The largest share of SOP budget, i.e. 39% corresponding to EUR 604 million, including EUR 325 million of EU share and EUR 279 million of national funds, was used to finance Measure 1.1.

By 30 June 2005, 19 524 applications were submitted at ARMA’s Regional Offices for PLN 2 206,8 million (88,9% of available allocation), including 3 956 applications for PLN 457,7 million submitted by 31.12.2004. It means that during this implementation period more applications were submitted than originally expected (17 thousand) as well as more than in the entire period of submitting of aid applications under the SAPARD Measure 2 ( 15 586 applications, of which 14 551 were registered for the amount of PLN 678 million).

By 30 June 2005, 3 355 contracts for project co-financing were signed, of the total value of PLN 365,8 million. During the same period the beneficiaries submitted 1 385 payment claims (for the total value of PLN 136,2 million.)

### **Measure 1.2 “Setting up of young farmers”**

The measure was implemented in EU Member States according to regulation 1257/1999, but a novelty in Poland; a proposal for young farmers who begin independent farming, who want to improve economic condition of their holdings and adjust the production to market requirements, improve quality and production technology. EUR 173,3 million (approx. PLN 716 million) were earmarked for the Measure in SOP budget.

The aid granted in form of a premium of PLN 50 thousand could be used for any purpose, if the requirements set out in access criteria were met.

By 30 June 2005, 18 675 applications were submitted at ARMA’s Regional Offices for the total of PLN 933,8 million, and 6 888 applications by 31.12.2004 for PLN 344,4 million. The reception of applications ended on 30 June 2005 in all voivodships except for the Podlaskie voivodship.

By 30 June 2005, 11 477 applications were at the final stage of substantial appraisal. In the same period, ARMA signed 9 692 contracts with young farmers, amounting to PLN 484,6 million.

**Measure 1.5 “Improving processing and marketing of agricultural products”**

Measure 1.5 is a continuation of granting support under SAPARD Measure 1 “Improving processing and marketing of agricultural and fishery products”. The measure was addressed to entities carrying out activity related to processing and marketing of agricultural products referred to in Annex I to the Treaty, excluding fishery and forestry products coming from third countries. The exception was the fruit and vegetable processing where processing of raw materials coming from third countries was accepted, provided that the share of these materials was not larger than 30% of materials processed at a processing plant (in value terms).

Submitting applications for Measure 1.5 began on 15 September 2004. Its budget was EUR 464,3 million, i.e. PLN 1 899,3 million, amounting to 26% of the total SOP budget. When preparing the programme it was accepted that the aid will be granted to 1000 projects and 250 investments relating to environmental protection.

By June 30, 2005, 648 applications were submitted at ARMA’s Regional Offices for the total of PLN 1 244 million (65,2 % of available allocation), 186 by 31.12.2004 for PLN 374,5 million. By 30 June 2005, 151 contracts for project co-financing were signed for PLN 301,7 million, i.e. 16% of available allocation.

In relation to applications submitted before 30 June 2005 the average amount of requested aid was PLN 1 919 thousand.

**Measure 2.1 “Restoring forestry production potential damaged by natural disaster and/or fire and introducing appropriate preventive measures”**

The measure had already been implemented as a form of support in the EU, but was new in Poland. Measure 2.1. ‘Restoring forestry production potential damaged by natural disaster and/or fire and introducing appropriate preventive measures’ was addressed to State Forests-Forest Inspectorates and private forest owners who submit the forests belonging to them for restoring, within the project implemented by a given inspectorate.

The measure is aimed at the restoration of economic, ecological and social functions of forests damaged by natural disasters or fire and the introduction of appropriate preventive

measures to avoid such damage in the future.

Submitting applications for Measure 1.5 began on 15 September 2004. By 30 June 2005, 36 applications were submitted at ARMA Warmińsko-Mazurskie Regional Office, amounting to the total of PLN 49,6 million (96,6% of available allocation), 21 of them by 31.12.2004 for PLN 14,7 million.

**Measure 2.4 “Diversification of agricultural activities and activities close to agriculture to provide multiple activities or alternative incomes”**

The basic aim of Measure 2.4 was to support additional activity outside farming or activities close to agriculture related to using the resources of the

agricultural holding or of the region. Support could cover projects relating to rural tourism, production of energy from biomass and setting up perennial plantations for energy production, direct sale by a farmer of produce manufactured on his/her own farm and other additional projects relating to starting or developing of any business activity included in Annex 7 to the SOP Complement.

Measure 2.4 was similar in its aims and scope of supported activities to Scheme 4.1 “Creating alternative sources of income in rural areas” within SAPARD Measure 4 “Diversification of activity in rural areas”.

Its budget was EUR 107,1 million, i.e. PLN 438 million, amounting to 26% of the total SOP budget.

Aid applications for Measure 1.5 could be submitted starting from 15 September 2004. By June 30, 2005, 2 819 applications were submitted at ARMA Regional Offices amounting to a total of PLN 205,8 million (47% of available allocation), 426 by 31.12.2004 for a value exceeding PLN 30 million. When preparing the programme it was assumed that in the current programming period the aid will be granted to 16 450 projects.

### **Measure 2.6 “Development and improvement of the infrastructure related to agriculture”**

Measure 2.6 is aimed for co-financing projects implemented in agricultural holdings. The main purposes of the Measure are enabling or improving the access of farmers to technical infrastructure, improvement of the condition of natural environment and its protection, improvement of the sanitary and hygiene conditions in rural areas. Indirectly, it should lead to an increase in agricultural income, an improvement of agricultural production organisation. The grounds for the Measure are that the badly developed infrastructure is an obstacle to the development of rural areas. The lack or insufficient degree of its development not only lowers the standard of living and management but can influence the evaluation of the attractiveness of a region to potential investors.

The individual projects implemented under the Measure were complementary to the large-scale projects implemented by local governments. The projects must comply with the conditions of other provisions set out by law, including the environmental protection law. They could not however be related to the production infrastructure of a holding.

Submitting applications for Measure 2.6 began on 15 September 2004. Its budget was EUR 40,71 million (EUR 28,5 million of the EU contribution, EUR 12,21 million from the national budget).

By 30 June 2005, 1 865 applications were submitted for PLN 112,1 million (66,9 % of the available allocation).

### **Measures 3.1, 3.2, 3.3 under the priority “Technical assistance”**

The priority Technical assistance covers three measures:

- Measure 3.1 “Support for the SOP management”

- Measure 3.2 „Institutional development”
- Measure 3.3 “SOP information and publicity”

The implementation of these measures began on 15 September 2004. Their total budget was EUR 24 million. Similarly to Measure 2.1, 100% eligible costs under a project were subject to refunding.

Measure 3.1 had as its objectives the improvement of the efficiency of institutions responsible for the management and implementation of the SOP, ensuring conditions for the effective operation of the SOP Monitoring Committee and the Steering Committee and support for audits and onthespot checks. The aid was granted for projects which contributed to improving the SOP implementation process through providing the beneficiaries with experts’ support, human resources and technical assistance.

Measure 3.2 was aimed at the improvement of the efficiency of institutions responsible for the management and implementation of the SOP, improvement and adjustment of staff qualifications in order to better carry out tasks involving the management, implementation, monitoring and control of the SOP and conducting programme evaluations. The aid was granted to projects related to preparation of human resources to proper management, implementation, monitoring and control of the SOP.

The objective of Measure 3.3 is to promote and inform the general public as well as entities interested in obtaining support under SOP about its principles of operation and the results of the support. It was to serve to disseminate information about the SOP and conduct promotion activities.

### ***SOP measures implemented by Marshall Offices <sup>2</sup>***

Based on the regulation of the Minister of Agriculture and Rural Development of 8 September 2004 on the SOP Complement “Restructuring and modernisation of the food sector and rural development, 2004-2006” Marshall Offices will serve as implementing institutions for the following measures:

- 2.2. Land re-parcelling
- 2.3. Renovation of rural areas and preservation and protection of cultural heritage
- 2.5. Agricultural water resources management

On 7 of January 2005, a trilateral agreement was signed between the Minister of Agriculture and Rural Development, the president of ARMA and the Marshalls of Voivodships concerning the implementation of the three measures, under which the aid applications for the specific measures started to be submitted.

### **Measure 2.2 “Land re-parcelling”**

Re-parcelling activities are conducted in areas of significant fragmentation and dispersion of agricultural holdings’ lands. That is why the support for re-

<sup>2</sup> The information prepared in the Rural Development Department of MARD.

parcelling activities is aimed at improvement of distribution of lands in individual agricultural holdings. A reduction in the number of agricultural plots within one agricultural holding leads to a greater farming efficiency due to: lower transport costs and facilitation of mechanisation processes of soil cultivation. The re-parcelling project shall also cover post re-parcelling land development which shall be compatible with environmental protection requirements.

The beneficiaries of aid are the heads of poviats. The aid is granted as a refund of the total eligible project costs incurred by a beneficiary.

### **Measure 2.3 “Renovation of rural areas and preservation and protection of cultural heritage”**

The weakly developed social infrastructure is one of the most serious barriers to a multi-functional rural development and the development of business activity outside farming. The low level of infrastructure development not only lowers the standard of living and management of the inhabitants of rural areas but also results in low attractiveness of rural areas for investors. Investment barriers and limited financial capacity of local governments do not allow to satisfy social and cultural needs of rural inhabitants and preserve the cultural heritage.

Under this measure the implemented projects are primarily aimed at renovation of rural areas and preservation and protection of cultural heritage in order to:

- improve the living and working conditions in rural areas,
- enhance the tourist attractiveness of rural areas,
- enhance the attractiveness of rural areas for investors,
- satisfy social and cultural needs,
- develop the identity of rural communities and preserve their cultural heritage.

A significant part of this Measure will be to involve local communities and stimulate their activity to take common actions to improve the living conditions and the quality of life.

The beneficiaries of the measure may be local government authorities at the gmina level and cultural institutions for which the founding body is the local government.

The aid is granted as a refund of the part of eligible project costs incurred by a beneficiary.

### **Measure 2.5 “Agricultural water resources management”**

This measure shall support specific and basic land improvement projects as well as projects consisting in the modelling of the longitudinal and transverse cross-sectioning and the horizontal layout of natural watercourses expanding beyond water management tasks, provided they contribute to the improvement of water conditions in the soil, facilitate agricultural practices and protect arable land against floods.

Beneficiaries of the granted aid are Voivodship Authorities for Land Improvement and Water Facilities (WZMiUW). The aid is granted as a refund of the total or a part of eligible project costs incurred by a beneficiary. All in all, 16 applications were submitted, of the total value of PLN 81,18 million.

### ***SOP measures implemented by the Foundation of Assistance Programmes for Agriculture (FAPA)<sup>3</sup>***

The Foundation of Assistance Programmes for Agriculture (FAPA) was established by the Minister of Agriculture in 1992 to carry out activities addressed to the Ministry of Agriculture, institutions acting for agriculture and rural development in Poland, farmers and entities of the food and agricultural sector and rural inhabitants.

The Foundation is the implementing institution for three measures of the Sectoral Operational Programme "Restructuring and modernisation of the food sector and rural development, 2004-2006" based on the agreement no ROW 7/2005:

- 1.3 "Training"
- 1.4 "Agricultural advisory and extension service support"
- 2.7 "Pilot LEADER + Programme"

The implementing activity related to the SOP measures entrusted to FAPA is carried out by the Structural Funds Team.

#### **Measure 1.3 "Training"**

Under this measure training projects for farmers and other persons working in agriculture receive support. The objective of the training is to raise the level of education and skills of people involved in agricultural and forestry operations.

The entity submitting, implementing the project and receiving funding is an institution or an entity which deliver trainings. The ultimate beneficiaries of the measure include farmers and other persons working in agriculture, for whom the training will be organised and delivered to.

The support is granted for implementation of training projects in the following areas:

- economics and management in agricultural holdings or forestry production,
- undertaking new, market-oriented lines in agricultural production,
- agricultural or forestry production technology,
- improvement of production quality and hygiene, and food safety,
- improvement of animal welfare,
- environmental protection,
- dissemination of principles of good agricultural practice,
- agri-environmental programmes, including organic farming.

By 30 June 2005, the contracts were signed with 62 entities amounting to PLN 28 million.

<sup>3</sup> The information prepared by FAPA.

**Measure 1.4 “Agricultural advisory and extension service support”**

This measure shall support projects related to agricultural advisory services in favour of farmers interested in obtaining aid under the Common Agricultural Policy, SOP measures and Rural Development Plan.

The advisory services include:

- preparing for farmers, free of charge, applications for direct payments and aid being granted under SOP and RDP (investment in agricultural holdings, diversification of agricultural activity, young farmer, early retirement, afforestation, producer groups and other),
- support for farmers during implementation of investment and other undertakings including agri-environmental undertakings on their holding,
- organising group advice services for farmers, preparing and disseminating among farmers advisory leaflets concerning rules and procedures of applying for aid.

**Measure 2.7 “LEADER +”**

The program is to prepare rural communities to implement Community Initiative supporting implementation of local rural development strategies. The Leader + type measure will facilitate a better usage of rural areas development potential, improvement of their competitiveness as a place to live and run a business, and will contribute to activating and cooperation of local communities.

Leader + type measure will be implemented within two schemes, the first serves to prepare the implementation of the second.

Scheme I objective is to create **Local Activity Groups (LAG)** – public and private partnerships and to prepare analyses related to development possibilities of rural areas initiated by local actors. On this basis Integrated Rural Development Strategies will be worked out.

The beneficiaries of Scheme I are the governments of rural and urban-rural gminas or their associations, legal entities: foundations, associations, unions of associations and non-governmental organisations (other than those specified above).

Within Scheme II of Leader + type measure, planned to be implemented at the end of 2005 and beginning of 2006, LAGs with appropriate experience and administrative capacity to administer public funds will implement plans related to support for strategies implementation and rural areas promotion as well as animating cooperation between local partners through the implementation of comprehensive and multisectoral projects taking into account in particular the development of tourism, protection and promotion of environment and landscape, historic and culture resources, promotion, development of regional products and training activities. Beneficiaries of Scheme II will be Local Activity Groups (LAG).

Scheme II will provide support for:

- operational activities of the LAGs,
- promotion of and information on the assumptions and methods of implementing rural development strategies,

- training and advisory assistance in preparing and implementing projects that are compliant with the rural development strategy,
- preparation of analyses and documents related to the detailed planning of investments and creating new products and services in accordance with the assumptions of the rural development strategy,
- organisation of events aimed at promoting the region, in particular its products, services, culture, art, etc.,
- cooperation and exchange of experience between LAGs on the national and international level among the LAGs with regard to implementation of strategies and organisation of LAGs activities.

The maximum level of aid for implementation of the strategy under Scheme II of Leader + measure is PLN 750 000.

#### 4.5. Support for fruit and vegetable market<sup>4</sup>

ARMA plays the role of the paying authority within the system of financial support under the common organisation of fruit and vegetable market.

The regulation of the market of fruit and vegetable market in the European Union includes two segments:

- **market of fresh fruit and vegetable,**
- **market of processed fruit and vegetable.**

Within the common organisation of fresh fruit and vegetable market financial aid is granted to recognised organisations of fruit and vegetable producers and to preliminarily recognised groups of fruit and vegetable producers.

For recognised organisations of fruit and vegetable producers the financial aid of the EU is granted for specific measures which are implemented by the organisations of producers in order to attain the objectives set out by the EU. The organisation may plan the purchase of equipment for sorting and packing, thus raising the quality and trade value of the products, it may implement a system of market information or marketing research, which will allow adjusting production to demand. All planned activities must be included in the operational programme, a kind of a business plan. For financing the measures included in operational programmes the organisation of producers must establish an operational fund.

For preliminarily recognised groups of fruit and vegetable producers the financial aid from the EU is granted in order to support the process of attaining by a group of producers a recognition as an organisation of producers. A group of producers must present in the plan of attaining the recognition the method and the process of attaining the status of a recognised organisation of producers, which may not take longer than 5 years. A group of producers may in any moment of implementation of the plan submit a request for granting the status of a recognised organisation of producers without the need for further implementation of the plan to attain recognition, if it meets recognition criteria.

<sup>4</sup> More detailed information may be found on the website: <http://www.arimr.gov.pl>.

Within the common organisation of the market of processed fruit and vegetables the aid is granted to recognised organisations and preliminarily recognised groups of producers for supplying fruit and vegetables for processing. In Poland the scheme supports only agricultural producers supplying, via groups or organisations of producers, tomatoes for processing.

By 30 June 2005, 9 organisations of producers and 31 preliminarily recognised groups of fruit and vegetable producers, recognised or preliminarily recognised by a territorially competent Voivod, operated in Poland. The organisations of producers are located in 6 voivodships and preliminarily recognised groups of producers are located in 7 voivodships. Organisations of producers and preliminarily recognised groups of producers are located in the voivodships where the largest share of arable land is devoted to growing fruit and vegetables. Thus the geographical distribution is not random.

### **The system of financial aid within the fresh fruit and vegetable market**

The beneficiaries of **financial aid for the organisations of fruit and vegetable producers for co-financing of the operational fund** are recognised organisations of fruit and vegetable producers of at least 5 members and whose value of sold products is at least EUR 100.000.

In order to be granted financial aid the organisation of producers must prepare an operational programme which serves for a business plan covering the period of 3 to 5 years, and create an operational fund. The main objectives which are granted aid are:

- optimisation of the production conditions
- improving quality of fruit and vegetables
- adjusting production to the needs and requirements of the market
- measures related to environmental protection

By 30 June 2005, two organisations of producers submitted applications for partial financial aid for co-financing the operational fund (in the form of a quarterly tranche) for the 1st and 2nd quarter of 2005, for the total amount of PLN 127 075,41. One organisation submitted application for an annual aid of PLN 37 731,35 for co-financing of the operational fund.

**Financial aid for fruit and vegetables not intended for sale** may be granted to recognised organisations of fruit and vegetable producers and individual producers who participate in the community intervention scheme in fruit and vegetable market, based on the agreement signed with a recognised organisation of producers.

The financial compensation for vegetables and fruit not intended for sale in Polish conditions covers specifically tomatoes, cauliflowers, apples and pears. The unit of compensation is set out by the European Union and updated on an annual basis.

The amount of vegetables and fruit not intended for sale covered with compensation is limited yearly and cannot exceed 10% (in case of tomatoes

and cauliflowers) and 8,5% (in case of apples and pears) of products sold and processed by organisations of producers and products transmitted for free distribution.

By 30 June 2005, no application was submitted for financial aid for fruit and vegetables not intended for sale.

The beneficiaries of **aid for pre-recognised groups of producers** are entities which received the status of a preliminarily recognised group of producers by a decision of a Voivod.

The groups preliminarily recognised are entities of at least 5 members and the turnover of at least EUR 50 000, but which do not meet the recognition criteria.

Forms of aid for preliminarily recognised groups of fruit and vegetable producers:

- 1) the aid for costs related to establishing the group of producers and conducting administration activity,
- 2) the aid for covering a part of eligible costs of the investment included in the approved plan for attaining recognition.

By 30 June 2005, 18 applications for financial aid for pre-recognised groups of producers for co-financing costs related to creating groups of producers and conducting administrative operations were submitted to ARMA Regional Offices. The amount of requested aid was PLN 945 245,95.

### **System of financial aid for supplying fruit and vegetables for processing**

Under the common organisation of the market in processed fruit and vegetables the aid is granted for recognised organisations and pre-recognised groups of fruit and vegetable producers for supplying tomatoes for processing.

Financial aid is granted to pre-recognised and recognised producers who:

- supply tomatoes to a processing entity registered in the register of approved processing entities, pre-recognised groups of producers or organisation of producers processing fruit and vegetables, kept by the President of ARMA
- have supplied tomatoes for processing between 15 June and 15 November of a given marketing year;
- submit to ARMA all required documentation and information, and comply with the deadlines set out in EU regulations.

In the marketing year 2004/2005, 21 groups and organisations of fruit and vegetable producers participated in the financial aid scheme for supplying tomatoes, from the following 5 voivodships: kujawsko-pomorskie (8), lubelskie (7), łódzkie (1), warmińsko-mazurskie (1) and wielkopolskie (4).

Groups and organisations signed 40 contracts for the supply of 211,7 thousand tonnes of tomatoes for processing with 8 approved processors.

In December 2004 and January 2005, ARMA paid out PLN 16,7 million of aid for supplying 146,1 thousand tonnes of tomatoes for processing.

The aid was paid out onto the accounts of over 2,3 thousand producers

supplying tomatoes for processing, belonging to groups and organisations as well as producers not belonging to groups or organisations.

**In the marketing year 2004/2005**, the level of aid was EUR 25,88 /tonne for new Member States. As a result of not reaching the ceiling of the volume of tomatoes covered by the common organisation of market in fruit and vegetables in the EU, the European Commission has granted complements to aid amounting to **EUR 8,62/tonne**. The amount of aid in complements to aid for the marketing year 2004/2005 was PLN 5,6 million. The total amount of aid for supplying tomatoes for processing was PLN 22,2 million for the marketing year 2004/2005.

**In the marketing year 2005/2006** the aid scheme covered 26 groups and organisations of producers of fruit and vegetables from 7 voivodships: kujawsko-pomorskie (9), lubelskie (7), łódzkie (1), warmińsko-mazurskie (2) wielkopolskie (5), świętokrzyskie (1), and mazowieckie (1). All in all, groups and organisations of producers have signed 55 contracts for supplying 223,5 thousand tonnes of tomatoes for processing with 12 approved processors.

According to the EC Regulation 170/2005 of 31 January 2005 setting the amount of aid in relation to tomatoes intended for processing for the marketing year 2005/2006, the unit of financial aid for supplying tomatoes for processing is **EUR 34,50 /tonne**.

The aid applications for tomatoes supplied for processing in a given marketing year are submitted by November 30.

## 5. EU instruments of support for fishery and fish processing

### 5.1. SOP “Fishery and Fish Processing 2004 – 2006”<sup>5</sup>

Sectoral Operational Programme “ Fishery and Fish Processing 2004 – 2006” began to operate in August 2004 as one of the programmes implementing socio-economic development strategy set out in the National Development Plan.

The funding foreseen for the fishery sector under the Programme equals EUR 373,7 million, including EU funds (Financial Instrument for Fishery Guidance ) EUR 201,8 million, state public funds EUR 80,1 million and private share EUR 91,7 million (Table 13).

The Minister of Agriculture is responsible for the management of the SOP “Fishery and Fish Processing” and he appointed the Agency of Restructuring and Modernisation of Agriculture to implement the Programme within the following five areas:

- sea fishery
- coastal fishery
- ports and fishing harbours
- inland fishery
- aquaculture and fish farming.

<sup>5</sup> More detailed information may be found on the website: [www.minrol.gov.pl](http://www.minrol.gov.pl) and [www.arimr.gov.pl](http://www.arimr.gov.pl)

**TABLE 13. Financing of the Sectoral Operational Programme “Fishery and Fish Processing 2004 – 2006”**

Priority*	Planned expenditure [in MEUR]			
	Total	including		
		State budget	EU budget	Private funds
1. Adjustment of fishing effort to resources	111,3	27,8	83,5	0
2. Fleet renewal and modernisation	60,0	3,1	21,0	35,9
3. Protection and development of aquatic resources, aquaculture and fish farming, fishing port facilities, fish processing and marketing, inland fishery	127,8	21,9	54,9	51,0
4. Other measures	71,3	26,5	40,0	4,8
5. Technical assistance	3,2	0,8	2,4	0
<b>Total:</b>	<b>373,7</b>	<b>80,1</b>	<b>201,8</b>	<b>91,7</b>

\*Priorities 1-4 are implemented by ARMA, Priority 5 – MARD

Source: Sectoral Operational Programme Complement “Fishery and Fish Processing 2004 – 2006”

ARMA, when implementing projects co-funded from FIFG, became responsible for:

- informing about the possibilities of obtaining aid,
- promotion of structural funds in the fishery sector,
- accepting and appraising applications for project co-financing.
- preparing and signing contracts with Beneficiaries,
- monitoring the implementation of projects,
- accepting and verifying of payment claims,
- issuing payment orders,
- carrying out on-the-spot checks,
- collecting data and preparing reports connected with the monitoring of the Programme.

The separate measures which are implemented by ARMA combine into 4 priorities (Table 12).

Aid applications could be submitted starting from 2 August 2005 until the end of 2006 except for Measures: 1.3 – Joint enterprises, 2.1 – Construction of new fishing vessels and 2.3 – Withdrawal (without public aid) related to modernisation. The deadline for submitting applications under the above-mentioned measures was 15 November 2004.

### **Priority 1: “Adjustment of fishing effort to resources”**

The basis for creating common fishery policy in the EU is the evaluation of the status of natural resources. It has a direct impact on the fishing fleet potential approved for exploitation called fishing effort.

Before accession to the EU, it was estimated that in relation to fish resources

in the Baltic Sea, the fishing effort should be reduced by 30-40 %, which would adjust the number of fishing vessels to the capacity of recovery of the Baltic fish and would in result ensure financial stability and effective activity for fishermen who remained in fishery.

The scale of reduction of the fishing effort based on applications approved by the Steering Committee on 30 June 2005 is:

- a) measured according to tonnage of ships - 35,1 %
- b) measured according to capacity of ships - 30,2 %

ARMA begun paying out financial aid for Beneficiaries of Priority 1 in March 2005. In the end of June, the operators of 124 of the scrapped fishing vessels received PLN 105,9 million, which allowed for using 24,42 % of the allocation under this Programme.

## **Priority 2: “Fleet renewal and modernisation”**

Attaining in the future of the proper balance between the sea resources and the fishing effort should be understood in terms of quality of the fishing fleet. The fishing fleet should reach an adequate technical level to increase profitability and permit to reach the established requirements, as a tool directly influencing the size of the resources. At present, the average age of the Baltic fishing fleet is 30 years.

The funds within the measures under priority 2 were mainly used by the operators of the fishing vessels to equip the vessels in equipment improving the safety and sanitary conditions. By 30 June 2005, 12 applications were submitted for the total value of PLN 1,6 million.

## **Priority 3:**

### **3.1 “Protection and development of aquatic resources”, 3.2 “Aquaculture and fish farming”, 3.3 “Fishing port facilities”, 3.4 “Fish processing and fishery market”, 3.5 “Inland fishery”**

The objective of Measure 3.1. Protection and development of aquatic resources is to create stable biological basis for conducting rational fisheries in sea and inland waters, by keeping the balance and biological diversity in water environment. In the case of this measure, the implementation of the objectives established results from obligations undertaken by the Republic of Poland in the framework of the Convention on Protection of the Baltic Sea Environment (HELCOM), Convention on Biological Diversity, signed in Rio de Janeiro, and the Programme for restoration of anadromous species in the Vistula catchment area, approved by the Minister of the Environment and the National Fund for the Environment Protection and Water Management. The necessity to make the inland surface waters passable again, is laid down in the act of 18 July 2001 - Water Law, and the stocking programmes being implemented. In order to protect marine resources, measures aimed at protecting the sea, especially

constructing artificial reefs in the Baltic Sea, shall be introduced. These measures will allow protection, rebuilding and concentration of resources.

Within the measures under Priority 3, 101 applications were submitted by 30 June 2005, amounting to 19 % of the funds allocated. The highest level of use of the allocation available is in Measure 3.4 “Fish processing and fishery market” – 67 %, then in Measure 3.2 “Aquaculture and fish farming”, and in Measure 3.5 “Inland fishery”.

#### **Priority 4: “Other measures”**

A complementary socio-economic programme under measure 4.2 SOP “Fishery and fish processing 2004-2006” addresses social problems resulting from the loss of workplaces related to the reduction of the fishing effort of Baltic fishery. It is the most popular measure in the priority.

Financial assistance for fishermen who lose their jobs as a result of withdrawal of part of the fishing fleet is granted to a fisherman who:

- proves that he was employed on board vessel for at least 12 months;
- is listed on the list of crew of a fishing vessel, which the owner attaches to the aid application for a permanent withdrawal of a fishing vessel;
- the vessel on board which the fishermen worked was:
  - scrapped;
  - sold, along with the change of the national identity of the vessel, to a legal or natural person residing or being a citizen of a third country, which is not member of the European Union and not seeking EU membership,
  - intended for other purposes than sea fishery.

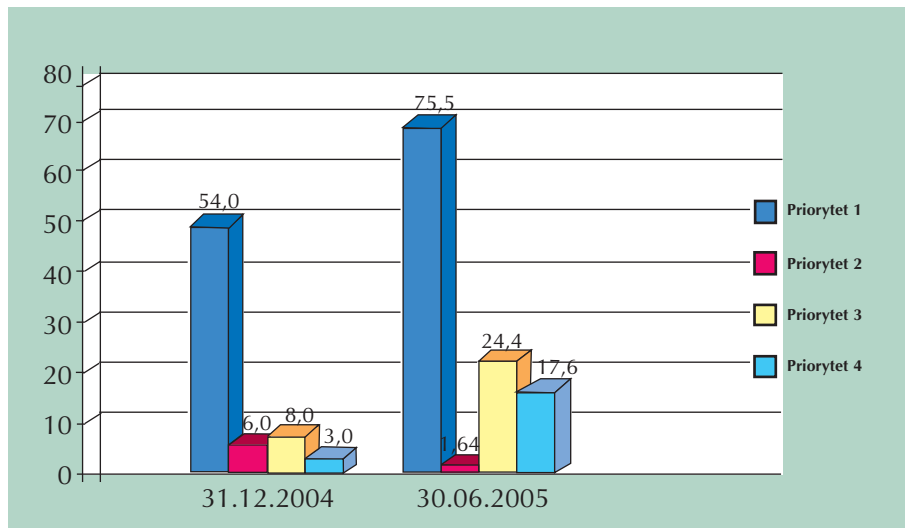
The amount of financial assistance for the loss of a workplace on board vessel as a result of its permanent withdrawal is EUR 10 000, however, a fisherman may not return to its profession for the period of 12 months.

By 30 June 2005, out of 598 applications for a premium, 359 were chosen for a contract and 145 fishermen were paid the assistance.

The use of funding under specific priorities of the Sectoral Operational Programme “Fishery and fish processing 2004 – 2006” varies as a result of the restructuring of the Polish sea fishery sector – the reduction of the number of fishing vessels and complementary socio-economic measures in support of fishermen leaving the profession. The support for the measures under priority 3 is developing much slower, because of a much longer investment process and complicated ownership conditions in inland fishery (Figure 9).

**FIGURE 9**

**Level of absorption of funds available under SOP “Fishery and fish processing 2004-2006” for specific priorities as on 30.06.2005 [%]**



Source: ARMA data.

## 5.2. Support for organisations of producers functioning in fishery products market

At the beginning of 2004, the process of harmonisation of the Polish law regulating the fish market and fishery in Poland with the EU regulations was ended. The stage of preparation of ARMA to pay out funds from the Guarantee Section of European Agriculture Guidance and Guarantee Fund is also coming to an end.

In the European Union, fishermen and aquaculture producers create, of their own free will, organisations of producers, assuring their products the best position on the market.

In Poland the development of the fishery sector is best seen in the rise in the number of recognised Organisations of Fish Producers. By 31 December 2004, 2 organisations were recognised and registered. Currently three other organisations await the inscription in the Register of Recognised Organisations. Long term forecasts predict that in the years 2006-2007, the establishment of two and then of three OPs can be expected.

### Financial aid for Organisations of Producers (OPs) within the common organisation of the market in fish

The Common Fishery Policy aims at stabilising the market and preventing an over-use of the aquatic resources, trying to protect the interests of both the

producers and consumers at the same time. The policy is implemented through: management and protection of aquatic resources, structural policy, external policy directed at third countries and common organisation of the market in fish. The most important element of the common organisation is the aid for organisations of producers, financed from European Agriculture Guidance and Guarantee Fund, Guarantee Section and, starting from 2007, from the European Agricultural Guarantee Fund.

Financial aid is granted to an OP for specific activities that the organisation implemented in the following fishing year. The transfer of aid takes place within:

- four months from the end of the fishing year that it concerns – in the case of aid applications submitted for preparing an operational programme
- eight months from the end of the fishing year that it concerns – in the case of aid applications submitted for one of the following mechanisms:
  - withdrawal of fishery products
  - preserving and storing of fishery products
  - private storage
  - independent withdrawal of fishery products

The introducing of measures under the common organisation of the market in fish is the first attempt at organising the fishery sector in Poland. Except for the financial aid for preparing an operational programme, it mostly concerns sea fishery.

### **Financial aid for organisations of fish producers for preparing an operational programme**

Organizations of producers inscribed in the Register of Recognised Organisations may receive compensation for a specific time period in order to compensate the costs of preparing an obligatory operational programme. The compensation is granted for the maximum of five years after recognition, and is paid out annually. The amount of aid depends on the size of fleet in a given OP (max. 500 ships) and the number of aquatic species constituting a large share in the total production of the members of the OP (max. 10 species) and its share of the market in the area an OP operates in.

### **Financial aid for OPs for preserving and storing fishery products**

The condition for granting the aid is the establishment by an OP of a withdrawal price or sale price, which must be used throughout the whole fishing year, and below which the OP will not enter on the market the products of any member of the OP.

### **Financial aid for OPs for private storage**

The condition for granting the aid is the establishment of a sale price by an OP, which must be used throughout the whole fishing year, and below which the OP will not enter on the market the products of any member of the OP.

### **Single payment for independent withdrawal**

The condition for granting the aid is the establishment by an OP of an independent withdrawal price, which must be used throughout the whole fishing year, and below which the OP will not enter on the market the products of any member of the OP.

Taking into account the possibility for the fishermen to enter the organisations of producers already existing in Poland and introduction of the legal regulation in this field, a rise of interest in this form of activity can be seen among fishermen. Based on the experience of these EU Member States who in the period of implementation of financial aid schemes for fishery sector noted a rise in the number of recognised OPs, Poland shall also see a rise in the number of Organizations of Producers that were granted recognition and registered in the Register of Recognised Organisations.

Despite the still small number of Recognised Organisations, the scale of aid available for fishermen as members of an OP under the market mechanisms will be large, amounting to over hundred thousand EUR per OP. The EU does not set any quota for this mechanism.

## **6. Animal Identification and Registration System<sup>6</sup>**

The Animal Identification and Registration System in Poland has been developed in line with Community regulations. The Act of 2 April 2004 on the Animal Identification and Registration System enabled Poland to fulfil its obligations as regards the development and operation of the Animal Identification and Registration System, and determine clearly the rules for participation in the system of all the entities involved. This is of particular significance in the light of the impact placed by EU states in the reinforcement of the systems where animal data are being registered in order to ensure food safety, with particular emphasis on the possibility to trace the whole life history of an animal from its birth to death.

As the existing regulations provide for, the supervision over the identification and registration of animals falls within the responsibilities of the Veterinary Inspectorate, while the Agency for Restructuring and Modernisation of Agriculture is the operator of the animal identification and registration system, including a computerised AI&R database. As the database constitutes part of the Integrated Administration and Control System, all the information on agricultural producers, holdings, herd seats and animals can be stored in one location. Such solution not only allows full information to be kept for the purpose of ensuring food safety, but also enables the data included in aid application submitted by agricultural producers under SOP and RDP measures to be juxtaposed against the information stored in the database.

The first stage of obtaining information on animal owners, seats of herds and animals, consisted in the identification of animals, which began in Poland in 2002

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<sup>6</sup> Detailed information can be found on the following websites: [www.arimr.gov.pl](http://www.arimr.gov.pl) and [www.wetgiw.pl](http://www.wetgiw.pl)

with cattle marking carried out by ARMA with the help of animal rearing specialists and veterinary services, and was financed by the state. This solution derived from the legal regulations being in force at that time, which indicated the state budget as a source of financing of cattle identification and registration in 2002 and 2003. Thanks to this solution the service provider supported farmers in the process of filling in system forms and taught them to correctly keep a cattle register.

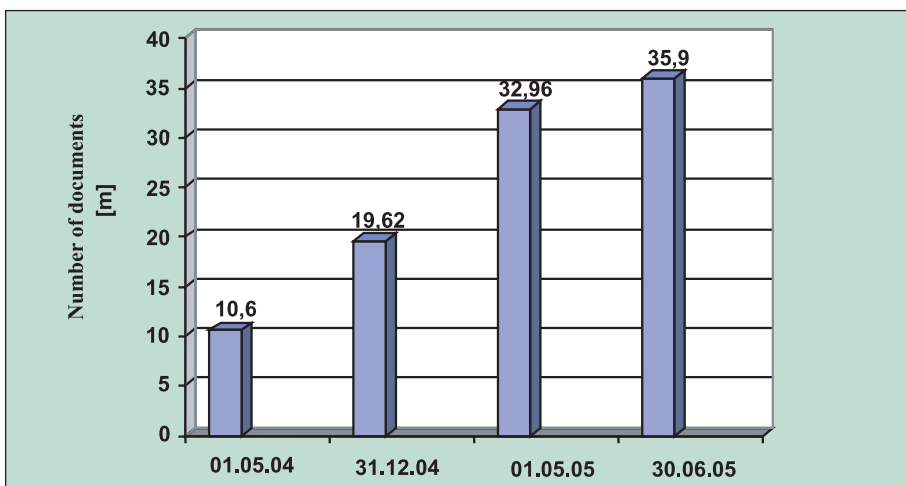
As a result of the actions implemented, the whole cattle population in Poland was marked and registered before Polish accession to the EU.

Since the Animal Identification and Registration System has been established in Poland, ARMA has ensured proper functioning of a computerised database and provided animal owners with the access to other elements of the system i.e. cattle passports, registers kept on farms and markings of the animals. It should be borne in mind that the entities to which the registration requirement applies include, apart from farmers who breed cattle, also slaughterhouses, sites for keeping stock and rendering plants.

The data on all species of animals are fed into the Central Database simultaneously and this is the job that requires enormous effort from the employees of the Poviats Offices of ARMA. The scale of this project is enormous because of the great number of farm animals in Poland i.e. over 5 million cattle, almost 18 million pigs, more than 300 000 sheep and 200 000 goats and the necessity to archive in the system all the data on animal movement reported by 1 089 251 herd sites, 1 695 slaughterhouses, 2184 sites for keeping stock and 29 rendering plants (source: CBD data of 30.04.2005).

During the first year following the accession to the EU, data from over 30 million documents were fed into the system. (Graph 10).

**GRAPH 10. The number of documents concerning cattle, sheep, goats and pigs fed into the system from 1 May 2004 till 30 June 2005.**



Source: ARMA data

The employees of the Poviats Offices of ARMA are responsible for inputting information from the system forms into the Central Database.

The experience gained during the first year of Poland's membership in the EU in the field of keeping the Animal Identification and Registration System show that the awareness of the rules of cooperation between various entities within the framework of the AI&R system is increasing. Nevertheless, the Agency takes into consideration the importance and necessity to disseminate information on the relevant rules and all the amendments implemented therein. This is crucial if we consider that unmarked and unregistered animals cannot be placed on the market.

All the actions are intended to enable veterinary services to react rapidly in case of disease spreading hazard. It should be mentioned that the quality of the Animal Identification and Registration System including both herd register and the Central Database is verified by means of checks carried out by ARMA and bodies of the Veterinary Inspectorate that supervise identification and registration of animals.

## 7. Cooperation of ARMA with external institutions

An important aspect of ARMA activity that is a prerequisite for its proper operation is the development of cooperation with external institutions. These institutions include governmental units (MARD, MF, MEAL, and Voivod Offices) and self governments (District (Starostwo), Poviats, and Gmina Offices), banks, advisory bodies, research institutes, non-governmental organisations etc.

The cooperation with ARMA environment is implemented at two levels:

- in respect of ARMA's preparation to implement and handle aid mechanisms/tasks which are being implemented – consultations on the aid delivery principles and implementation procedures, opinions on application forms and required documents, information needed to facilitate interpretation of aid rules under certain aid mechanisms,
- in respect of dissemination of information on the aid being implemented by the Agency and support for applicants in the process of applying for aid – organising of promotional meetings, support in preparation of applications and development of business plans, issuing required certificates and documents.

Apart from the cooperation in respect of new aid instruments, the Agency continued cooperation with external institutions within the scope of State Aid and the SAPARD Programme. The cooperation involved mainly banks and advisory bodies (Agricultural Advisory Centres and Regional Advisory Centres for Agriculture and Rural Development).

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<sup>7</sup> On the basis of the Act of 22 October 2004, starting 1 January 2005 the Agricultural Advisory System include Agricultural Advisory Centre in Brwinów with departments in Kraków, Poznań and Radom and 16 Voivodship Agricultural Advisory Centres.

## Banks

Since the very beginning of ARMA operation the banks functioning as “financial operators” are the Agency’s key partner in aid implementation. Credits are granted from the banks’ own financial resources and the banks solely bear the responsibility and the risk involved. This means that the banks decide whether to grant a credit and, as a consequence – whether to grant the preference in form of refunds of interest rates. The banks perform the final economic and financial evaluation as part of the procedure for handling credit applications. The evaluation of the project plan is a stage of selection during which the criteria of investor creditworthiness and financial liquidity of the project are applied. Moreover, irrespective of the approval by AAC, the banks are obliged to assess the project on their own in terms of its compliance with the legislation in force. Preferential investment credits are granted on the basis of cooperation agreements concluded between ARMA and the Banks. The number of Agreements concluded between ARMA and the Banks increased year by year and as a consequence the network of bank branches which grant investment credits subsidised by the Agency also increased (as by the end of 2003: about 2 800 branches countrywide). This allowed the investors considerable leeway as to the selection of credit provider. This is crucial since the competition among the banks leads to reduction of credit interest rates, the amount of commission or increased flexibility in respect of the type and amount of security.

## Agricultural Advisory Centre, Voivodship Agricultural Advisory Centres<sup>7</sup>

Agricultural advisory units play the role of „a technical operator” that advises the potential borrower on credit requirements and the necessary documents. The Voivodship Agricultural Advisory Centre is solely responsible for the issuing of opinions on plans of projects cofinanced from preferential investment credits. Obtaining of a positive opinion of the territorially competent agricultural advisory centre is a prerequisite for the credit to be granted. AACs, while giving their opinion on business plans, are obliged to check the project’s compliance with the requirements laid down in the legislation in force, its purposefulness and cost-effectiveness. Moreover, they evaluate sales markets indicated by the investors. AACs notify the Agency on a monthly basis of project plans submitted for opinion, and deliver opinions to allow estimate of the demand for credits in a particular Voivodship or across the country.

In addition to the above, AAC performs technical and economic evaluation of projects co-financed from the SAPARD Programme funds under Measure 2 “Investments in agricultural holdings”. With regard to the above, the Agency was cooperating on an ongoing basis with AAC, inter alia in the field of dispelling doubts resulting from interpretation of the requirements for granting aid under the SAPARD Programme (written queries, meetings, trainings, seminars). At the same time, in order to facilitate farmers’ access to aid under

the SAPARD Programme, in 2004 the Agency provided the farmers with a financial support for the performance of tasks related to advisory services and informing on agricultural holding management in connection with the implementation of projects under the SAPARD Programme.

After the accession, these institutions became ARMA partners, especially with regard to dissemination of information on the aid available from EU funds, as well as support for beneficiaries in preparation of applications.

**Agricultural Market Agency** – pursuant to the provisions on the organisation of fruit and vegetable market, hop market, tobacco market, dried fodder market and amendments of certain Acts, ARMA together with the Agricultural Market Agency implements tasks related to intervention mechanisms applicable to fresh fruit and vegetable market. Besides, in the case of milk quotas and payments to the production of selected milk products, the Agricultural Market Agency uses IACS data.

**Agricultural Property Agency** – apart from the long lasting cooperation which consists in APA's forwarding of the information which could be of help in the interpretation of the "Rules for the granting of credits..." for the RDP Measure "Early retirement", this institution holds the right of preemption of the agricultural land from farmers who decide to cease agricultural activity in exchange for the retirement pension.

**Marshal Offices** – implement selected aid instruments under the Sectoral Operational Programme "Restructuring and Modernization of the Food Sector and Rural Development" ("Land consolidation", "Agricultural Water Resources Management", "Renovation of rural areas, and preservation and protection of the cultural heritage"). ARMA executes payments under the above mentioned measures at the request of the Marshal Offices.

**Foundation of Assistance Programmes for Agriculture (FAPA)** – is the implementing authority of three Measures of SOP "Restructuring and modernisation of the the food sector and rural development 2004-2006": "Trainings", "Agriculture advisory and extension service support", "Pilot Leader+ Programme". ARMA executes payments under the above mentioned measures at the request of FAPA.

**Local self government** – ARMA transfers to Poviát governments the funds that are to be paid to beneficiaries who decided to enter the afforestation scheme. Moreover, ARMA cooperates with Poviát authorities (Starostwo) which issue certificates that allow beneficiaries to apply for aid granted by the Agency.

**Head Office of Geodesy and Cartography (GUGiK)** – ARMA cooperates with GUGiK on the basis of an agreement of cooperation aiming at the establishment and maintenance of a national register of producers, register of agricultural holdings, register of payment claims, and updating the reference database of the IACS system.

**General Veterinary Inspectorate** – ARMA provides the bodies of the Veterinary Inspectorate with specific data included in the register of marked farm animals and conducts trainings for the employees of the Veterinary Inspectorate in the field of data management. The cooperation of these

institutions comprises checks of the correctness of AI&R system data, carried out by the Veterinary Inspectorate.

**Agricultural and Food Quality Inspection**, which executes supervision at the national level over authorised certifying authorities in organic farming and also accepts applications from producers who want to start producing with the use of organic methods

**The State Plant and Seed Inspection** – supervises plant health, marketing and application of plant protection products, as well as the production process, evaluation, and seed marketing. The State Plant and Seed Inspection is also responsible for the maintenance of organic seed database.

**Agricultural Chambers** – support ARMA in the informing of beneficiaries on opportunities to obtain state aid (on the basis of Ordinance of the ARMA President on “Rules for granting credits (...).” After the accession, Agricultural Chambers actively participate in the promotion of new aid instruments.

**Certifying Authorities** – the provisions of the Act of 20 April 2004 on organic farming oblige Certifying Authorities to submit to ARMA the register of producers who have fulfilled the requirements on organic farming production by 31 October each year. Certifying Authorities provide ARMA and the Minister of Agriculture with the register of producers who have fulfilled the requirements on organic farming production in a given year. Data included in the register are used as the basis for verification of information provided in producer applications for aid under the RDP measure “Support for agri-environmental projects and the improvement of animal welfare – Organic Farming package”, and constitute the basis for payment calculation.