THE INFLUENCE OF THE COMMON AGRICULTURAL POLICY AND EU FUNDS ON RURAL DEVELOPMENT AFTER THE ACCESSION OF POLAND TO THE EUROPEAN UNION

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The basic function of agricultural areas is, according to the European Charter for Rural Areas, agriculture and preservation of the natural environment based on a well-functioning agricultural sector that operates in harmony with nature. The Council Regulation (EC) 1257/1999 in support of rural development from the European Agricultural Guidance and Guarantee was adopted in 1999. The programmes that are currently binding in the territory of Poland were developed in accordance with the EU policy expressed in the abovementioned acts and other documents concerning development of rural areas. These included: the Rural Development Programme that focused on social and environmental aspects, as well as a part of the Sectoral Operational Programme devoted to the development of rural areas, as well as restructuring and modernisation of the food sector.


Based on the priorities of the Council regulation, two strategic objectives have been set: 1) Improvement of competitiveness of the agriculture and food economy, 2) Sustainable development of rural areas.

The Accession of Poland to the European Union triggered new social understanding of the value of rural areas. Features stemming from specific conditions of rural areas that influence the situation of the rural population have gained a new meaning in the changing socio-economic and political reality. Roles in the family intertwine with productive roles. Seeking the growth of farmers’ prosperity and eliminating gross disparities regarding living standards, which should be implemented within the framework of the socio-economic development, have surfaced as the most important objectives.

Implementation of these objectives requires the support of the Common Agricultural Policy. Polish European Union membership contributed to setting its objectives and increasing the ability to subsidise economic entities, as well as develop both the food and rural areas economy\(^3\). Considerable support and financial aid granted within the framework of CAP and structural funds were of great importance since they positively influenced the economic condition of the country and its food economy, as well as the living standards in rural areas. The first major changes have already been accepted in the pre-accession period, e.g. within the framework of implementation of the SAPARD programme. The following transfer of financial funds was guaranteed by withdrawals stemming from the execution of structural programmes, i.e. PROW, SPO Agriculture. Except for the system changes resulting from the transformation of the Polish economy, the accession to the European Union has also influenced the socio-economic situation of the dwellers of rural areas which had to be adjusted to the new conditions of life and work\(^4\).

The accession of Poland to the European Union also triggered a considerable transformation of the way agriculture operated and in the nature


\(^4\) Ibidem, p. 8–9.
of agricultural areas. Polish agriculture turned out to be the biggest beneficiary of the CAP in comparison to all other new member states of the EU. The free access to the European Union market enjoyed by domestic producers, macroeconomic changes, considerable support and financial aid within the framework of the CAP and structural funds have positively influenced the condition of the domestic food economy and living standards in the rural areas. Modernisation of the food processing sector and the technical infrastructure was considerably accelerated.

Thanks to direct payments and the increase of the prices of agricultural products, the monetary income of part of farms has increased.

Those seeking financial aid not only have to meet specified conditions, but they also have to be active when it comes to adjusting to changes. The National Development Plan 2004–2006, adopted by the Council of Ministers on 14 January 2003, was the key document establishing objectives for public support and the direction for actions during the first years of Polish membership.

From 2004 to 2006 farmers and the rural population could rely on the support offered by operational programmes that were co-financed using the resources of the European Regional Development Fund (ERDF) and the European Social Fund (ESF) which concerned, e.g. transportation, competitiveness of enterprises, human resources, fisheries economy and regional development. One of the instruments of implementing was the Sectoral Operational Programme “Restructuring and modernisation of the food sector and rural development” (“SPO Agriculture”), co-financed using the resources of the European Agricultural Guidance and Guarantee.

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The National Development Plan had to be consistent and complementary with the basic principles of the common policies, including CAP\textsuperscript{10}.

The Rural Development Programme (RDP) was established for the years 2004–2006 in order to facilitate rural development within the framework of CAP. Its objective was the increase in competitiveness of farms and sustainable rural development\textsuperscript{11}. The programme was financed using not only national funds, but also the aid offered by the Orientation Section of the EAGGF. The total financial contribution amounted to €3,592 mln, of which €2,866 mln was paid from the EU budget and €726 mln was paid from the national budget. SAPARD devoted €682 mln to complement direct payments and €140 mln to finance the actions of the programme. The accession of Poland to the EU resulted in including the national agriculture in the system of direct payments. The payment if Poland and other EU countries differed when it came to the amount of the payments and the organisational system. Polish farmers received payments within the framework of single area payments and the amounts were lower than those granted to farmers in the “old” member states of the European Union\textsuperscript{12}.

After the Accession of Poland to the European Union, it appeared that agriculture was the very first element that could use the common support. Polish membership in the EU assured that rural areas were given funds higher than hitherto. Between May 2004 and the end of 2010, agriculture and rural areas have received support in the amount of PLN 112 billion to implement CAP, including: the RDP 2004–2006 (PLN 13 billion), SOP “Restructuring” (PLN 6.5 billion), Direct Payments 2004–2010, including IPO and UPO – financed using the resources of the national budget (PLN 63 billion), RDP 2007–2013 (PLN 26.2 bilion), Common Organisation

\textsuperscript{10} Narodowy Plan Rozwoju, Warszawa 2003, p. 76.
of Markets (PLN 1,5 billion), as well as Sustainable Development of the Fisheries Sector and Coastal Fishing Areas 2007–2013\textsuperscript{13}.

The level of support has increased by another € 25 billion\textsuperscript{14} thanks to the implementation of RDP 2007–2013 and direct payments operative until 2013.

Direct payments had the essential role in financing agriculture and rural areas. Each year, over 1,4 mln farmers receives this form of support. The Polish simplified system of direct payments has become the impetus for the increased utilisation of soil resources thanks to the fact that the amount of payments depends on the arable land area and, on the other hand, it contributed to the increase of its value.

The influx of European Union funds has, in a way, forced increase in the national spending on agriculture, agricultural markets and rural development. Between the years 2003 and 2010, the amount of the support has increased more than fivefold (from PLN 41 billion in 2003 to almost PLN 22 billion in 2010)\textsuperscript{15}.

The Council Regulation No. 1290/2005 of 21 June 2005 on the financing of the common agricultural policy established two European agricultural funds. One of them concerned the 1\textsuperscript{st} pillar of CAP – the European Agricultural Guarantee Fund, and aimed at financing direct payments, market policy and other objectives. The other one concerned the 2\textsuperscript{nd} pillar of the CAP- the European Agricultural Fund for Rural Development, and aimed at financing rural development programmes. On 1 June 2007 the amounts of common support for the rural development were established in accordance with the member states for the period from 2007 to 2013\textsuperscript{16}.

The basic principles of the policy on rural development 2007–2013 are included in the Council Regulation No. 1698/2005 of 20 September on support for rural development by the European Agricultural Fund for Rural Development (EAFRD). The regulation requires that the objectives

\begin{flushright}
\textsuperscript{14} Ibidem, p. 19–20.;  \\
\textsuperscript{15} Ibidem, p. 20.  \\
\textsuperscript{16} A. Mickiewicz, \textit{Przebieg i realizacja działań w ramach I i II filara wspólnej polityki rolnej (analiza)}, Szczecin 2011, p. 50–51.
\end{flushright}
have to include the specification of areas important due to the implementation of the EU priorities necessary to ensure sustainable development and consistency with other policies of the European Union. Each member state has been obliged to prepare a National Strategic Plan specifying priorities and their meaning within the framework of the EU and in relation to the needs of particular member states and regions\textsuperscript{17}.

In order to ensure sustainable rural development, member states have been obliged to limit their crucial objectives and focus on agricultural competitiveness, managing the arable land, protecting the natural environment, living standards and diversification of activities in these fields\textsuperscript{18}.

Before Polish agriculture was adjusted in order to integrate with the EU, various pre-accession programmes have been proposed, e.g. SAPARD, ISPA, PHARE. These programmes were established to unify the legal output of the EU, as well as prepare the grounds for shaping rural areas. After the accession to the European Union (2004), actions for the first member period 2004–2006 were implemented. They included direct payments, Sectoral Operational Programme and the Rural Development Plan. During the following years (2007–2013), SOP and RDP were combined into one programme of rural development, which devoted special actions to priority objectives. Polish agriculture became an element of the agricultural sector of the European Union member states and gained access to various support mechanisms stemming from the common agricultural policy\textsuperscript{19}.

The improvement of living standards in rural areas is the objective which is connected with the basic directions of the economic and social development of farms, as well as good standards of living in regard to the quality of the environment and the landscape, as well as the social and technical infrastructure. Also, ensuring jobs and income by means of developing non-agricultural activities is valid. The second group includes activities aiming at improving living standards. They refer to the renewal

\textsuperscript{17} Ibidem, p. 50–51.
\textsuperscript{18} Ibidem, p. 51.
\textsuperscript{19} Ibidem, p. 55–56.
of rural areas, improvement in the state of the cultural and environmental heritage, as well as improvement of the infrastructure of rural areas by rendering services for the benefit of the dwellers\textsuperscript{20}.

LEADER is a bottom-up approach the goal is to increase the activity of the rural population. According to this initiative, the rural community formulates a local strategy for the development of rural areas and the implementation of the consequent innovative projects, which combine resources, knowledge and skills possessed by representatives of the public, economic and social sectors. These representatives comprise so-called Local Action Groups\textsuperscript{21}. RDP 2007–2013 was the document determining what actions were to be implemented during the course of 7 years, in order to dynamise the process of modernisation of the Polish agriculture and accelerate the development of rural areas. The majority of the actions included in the programme constituted the continuation of actions that had been implemented between 2004 and 2006. RDP was adopted on 27 July 2007 by the Committee on Agriculture and Rural Development, a committee of the European Commission. The Act of 7 March 2007 on supporting development of rural areas with the use of the EAFRD funds constitutes the basis for developing RDP 2007–2013 within a national context. RDP 2007–2013 was the European Union programme which priority was the wide-ranging development of rural areas. Voivodeship governments were granted the status of managing authorities\textsuperscript{22}.

Tasks delegated to voivodeship governments that were included in RDP 2007–2013 comprised, among others: 1) improvement and development of the infrastructure and development and adjustment of agriculture and forestry, 2) provision of general services for the rural economy and population, 3) renewal and development of rural areas and implementation of local development strategies, 4) implementation of cooperation projects, 5) acquisition of skills and activation. The majority of the funds were directed to modernise farms (€ 4,5 billion, i.e. 33,7\%). The second place, taking into consideration the amount of expenditure, was taken by the initiative

\textsuperscript{20} Ibidem, p. 152.
\textsuperscript{21} Ibidem, p. 153.
\textsuperscript{22} Ibidem, p. 154–155.
providing for the “Increase of the added value of the basic agricultural and forest production” (€ 4.4 billion, i.e. 33.2%)\textsuperscript{23}.

According to one of the rules binding in the European Union, financial obligations stemming from RDP 2004–2006, having exceeded three years, pass to the following RDP 2007–2013. The general amount of the obligations for the previous period amounted to € 3116 mln, which constituted 23.5% of all funds granted within the framework of EAFRD\textsuperscript{24}.

The European Union funds have constituted and still constitute an important source of financing of modernisation and development of Polish agriculture. The support received thanks to the EU funds is granted under the condition that also national, both public and private, sources are also invested. The agricultural area amounted to 16899 thd hectares, including individual farms – 14858 thd hectares\textsuperscript{25}.

Poland’s membership in the European Union has created tremendous development opportunities. Modernisation of Polish agriculture and development of rural areas, with the use of EU financial support, were one of the aims of the National Development Plan 2004–2006\textsuperscript{26}.

The majority of EU funds are used to finance enterprises. They include pre-accession funds and Structural Funds\textsuperscript{27}. They facilitated restructuring of selected economy sectors, social and political life or served as a certain type of humanitarian aid. The EU Commission made final decisions on granting them to potential beneficiaries, after they had met all the procedural requirements.

The pre-accession funds included:
1. PHARE- Poland and Hungary: Assistance for Restructuring their Economies (21 June 1999)

\textsuperscript{23} Ibidem, p. 157.
\textsuperscript{24} Ibidem, p. 161.
\textsuperscript{27} Z.M. Doliwa-Klepacki, Integracja europejska, łącznie z uczestnictwem Polski w UE i Konstytucją dla Europy, Białystok 2005, p. 675–708.
2. ISPA – Instrument for Structural Policies for Pre-Accession (21 June 1999)
3. SAPARD – Special Accession Programme for Agriculture and Rural Development\textsuperscript{28}.

Since Poland’s accession to the European Union on 1 May 2004, the country had to adopt solutions implemented in other EU countries, i.e. implementation of a simplified system of the so-called are payments which included all farmers. In relation to direct payments, a mixed system was established, i.e. a simplified procedure of receiving financial aid – farmers’ petitions and two systems of donating agriculture: for hectares of land remaining in possession, and for plant or animal production.

Area payments are completely financed by EU funds. They relate to all agricultural areas kept in good agricultural culture and are subject to requirements of the environment. Area payments in Poland amounted to 25%, 30% and 35% respectively, from 2004–2006. The accession treaty provided for the possibility of increasing such payments up to 55%, 60% and 65%\textsuperscript{29}.

The support in implementing structural policy, often referred to as regional policy, was introduced in order to increase economic and social consistency in the EU, and to decrease differences in economic development and living standards in given regions of the EU. These funds include: the European Social Fund, the European Regional Development Fund, a section directing the European Agricultural Guarantee Fund and the Financial Instrument for Fisheries Guidance\textsuperscript{30}.

The SOP determined objectives, priorities and principles which will constitute the basis for supporting restructuring within the framework of sustainable development of rural areas and improvement of competitiveness of the agricultural and food economy.

\textsuperscript{28} Ibidem, p. 675–686;
\textsuperscript{29} S. Fornalczyk, \textit{Unijne wsparcie rozwoju obszarów wiejskich...}, p. 82–83; Z.M. Doliwa-Klepacki, \textit{Integracja europejska...}, p. 675–682;
\textsuperscript{30} Z.M. Doliwa-Klepacki, \textit{Integracja europejska...}, p. 687;
€3563 million was spent to implement PROW between 2004 and 2006 – the amount comprised the EU funds- €2866.3 million, and national funds – €969.5 million\textsuperscript{31}.

The following actions were pursued within the framework of SOP:

1. Early retirement was to encourage farmers in the preretirement age to cease carrying on their agricultural activity and transfer the ownership of their farms, as well as to assure that they receive other sources of income – pensions.
2. Increase of investment capacity of farms with a small economic potential.
3. Support of farming activities conducted in areas unsuitable for farming\textsuperscript{32}.
4. Afforestation of agricultural land in order to increase the area of forests by afforesting agricultural areas with a low suitability for farming. The amount of support will be determined on the basis of the agricultural area and paid once – from PLN 4300 to PLN 5900.
5. Aid for the process of adjusting Polish farms to European Union standards\textsuperscript{33}.

RDP 2004–2006 received the biggest budget (PLN 13,7 billion) from among programmes supporting agriculture and agricultural areas implemented between 2004 and 2008. Its strategic objectives included: increase in competitiveness of the food and agriculture economy and sustainable development of rural areas. Increasing competitiveness of the food and agriculture economy received: PLN 3,42 billion, sustainable development of rural areas received: PLN 7,35 billion and other objectives received: PLN 2,98 billion. RDP 2004–2006, according to experts, achieved the majority of the planned strategic objectives. Most of the RDP 2004–2006 sources were granted to the poorest and prevalently agricultural regions of Poland, i.e. the so-called Eastern Wall, part of the Mazowieckie Voivodeship, as well and the Wielkopolskie and Kujawsko-Pomorskie Voivodeships that have developed agricultural culture. Sectoral Operational Programme

\textsuperscript{31} S. Fornalczyk, \textit{Unijne wsparcie rozwoju obszarów wiejskich...}, p. 84;
\textsuperscript{33} S. Fornalczyk, \textit{Unijne wsparcie rozwoju obszarów wiejskich...}, p. 85;
“Restructuring and modernisation of the food sector and development of rural areas”, implemented between 2004 and 2008, which covered matters previously included in SAPARD\textsuperscript{34}.

The Rural Development Programme planned for the years 2007–2013 assumed the levelling of development opportunities and support for structural changes in the rural areas within the framework of cohesion policy. The new European Union policy regarding development of rural areas retained the continuity of programmes supporting rural areas. Member states still could choose from among a variety of instruments that were given the financial support of the EU within the framework of which could be funded with the use of financial aid. They included: 1) the increase of competitiveness of agriculture and forestry by supporting restructuring, development and innovation, 2) improvement of the state of natural environment and rural areas by way of land management, 3) improvement of living standards in the agricultural areas by supporting various economic activities\textsuperscript{35}.

A discussion on the future of the Common Agricultural Policy after 2013 commenced in September 2008. In 2009, the discussion focused on verifying the objectives and tasks which CAP will have to face in the long-run. On 18 November 2013, the European Commission adopted the following communication: “Common Agricultural Policy planned until 2020 has to be able to match future challenges connected with food, natural resources and territorial aspects”. The challenges which the reform has to handle have been determined as: security of food and the natural environment, climate changes and territorial balance\textsuperscript{36}. It has also been emphasized that CAP still has to be a strong policy based on two pillars,

\textsuperscript{34} Wpływ WPR na polskie rolnictwo i obszary wiejskie – 7 lat po akcesji, editor: A. Poślednik, A. Więcek; Z. Giersz, Fundacja Programów Pomocy dla Rolnictwa FAPA, Warszawa 2011, p. 30–31;
\textsuperscript{35} Ibidem, p. 30;
that is capable of taking up challenges that the EU agriculture and rural areas have to face and that will be of use when implementing the Europe 2020 strategy regarding intelligent growth and sustainable development. According to the European Commission, the reformed CAP shall enter into force as of 1 January 2014.\textsuperscript{37}

**LIST OF ABBREVIATIONS**

ARMA – Agency for Restructuring and Modernisation of Agriculture  
ADA – Agricultural Development Agency  
AWRSP – Agriculture Property Agency of the State Treasury  
CNDP – Complementary National Direct Payments  
EAGGF – European Agriculture Guidance and Guarantee Funds  
ERDF – European Regional Development Fund  
ESF – European Social Fund (Europejski Fundusz Społeczny)  
EEC – European Economic Community  
EAGGF – Guarantee Section of the European Agricultural Guidance and Guarantee Fund  
FIBR – Financial Instrument for Fisheries Guidance  
ISPA – Instrument for Structural Policies for Pre-Accession  
EC – European Commission  
NAEP – National Agricultural and Environmental Program  
LAG – Local Action Groups  
SME – Small and Medium Enterprises  
NDP – National Development Plan  
AUF – Areas Unsuitable for Farming  
LB – Local Branch  
RDP – Rural Development Project  
PAED – The Polish Agency for Enterprise Development  
SAH – state-owned agricultural holdings  
PHARE – Poland and Hungary. Assistance in Restructuring Economies

SUMMARY

The basic function of agricultural areas is, according to the European Charter for Rural Areas, agriculture and preservation of the natural environment based on a well-functioning agricultural sector that operates in harmony with nature. The Council Regulation (EC) 1257/1999 on support for rural development from the European Agricultural Guidance and Guarantee was adopted in 1999. The programmes that are currently binding in the territory of Poland were developed in accordance with the EU policy expressed in the abovementioned acts and other documents concerning development of rural areas. These included: the Rural Development Programme that focused on social and environmental aspects, as well as a part of the Sectoral Operational Programme devoted to the development of rural areas, as well as restructuring and modernisation of the food sector.

Based on the priorities of the Council regulation, two strategic objectives have been set: 1) Improvement of competitiveness of the agriculture and food economy, 2) Sustainable development of rural areas.

Implementation of these objectives requires the support of the Common Agricultural Policy. Polish European Union membership contributed to setting its objectives and increasing the ability to subsidise economic entities, as well as develop both the food and rural areas economy.

Keywords: Common Agricultural Policy, Agriculture, European Union