



Institution and utilization of agricultural structural funds in Poland

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1. Introduction

In 2004, there appeared a series of EU financed measures designed to restructure the Polish rural economy. Within the framework of the Sector Operating Program "The restructuring and modernization of food sector and the development of rural areas" (SPO) and the Development of Country Areas Plan (PROW) were introduced. Both were long awaited follow-up programs to the pre-accession SAPARD program. This article offers an analysis and review of selected agricultural structural funds from 2004 until the present moment. Drawing on the experience of employees of the foundation 'Reinforcement of Poland's Agriculture', agricultural counselors and employees of institutions managing agricultural structural funds, we wrote this article as a contribution to the debate on the function and importance of European Union funds in the development of rural areas.

The Sector Operating Program "The restructuring and modernization of food sector as well as development of country areas" (SPO) is the most important program for rural areas. It is based on the Board Decree (WE) 1257/99 with the following major goals: to improve competitiveness as well as the sustainable development of the agricultural sector; to provide support for manufacturing industry in order to improve its competitive position; and to support the sustainable development of rural areas.

Within the frames of SPO the following actions are being realized:

- Investments in agricultural farms
- Facilitating start-offs for young farmers
- Training
- Support for agricultural advising
- Improvement of manufacturing and marketing of farming products
- Restoration of forest production destroyed by catastrophe and/or fire as well as the introduction of suitable preventive instruments
- Integration of soils
- Restoration of the countryside as well as preservation and protection of cultural heritage
- Diversification of agriculture and related activity in order to provide alternative sources of income
- Managing agricultural water supplies
- Development and improvement of technical infrastructure connected with agriculture
- Piloting of the Leader+ program

2. The four most popular programs

The start of SPO was planned in May 2004 but actually began in August. From the 12 actions mentioned above, four programs attracted the most attention from the very beginning:

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- I. Investments in agricultural farms,
- II. Facilitating start-offs for young farmers,
- III. Diversification of agricultural and related activities in order to provide alternative sources of income,
- IV. Development and improvement of technical infrastructure connected with agriculture.

In case of all four actions the Initiation Institution which undertakes all decisions concerning support allowances is the Restructurization and Modernization of Agriculture Agency (ARiMR).

The greatest amount of proceeds in the SPO budget for the period of 2004–2006 went to the program “Investments in agricultural farms” – on the whole 603,92 mln Euro to approximately 30 000 Incumbents – individuals managing agricultural activity. The aim of the action is develop and modernize of Polish farmlands, improving their competitiveness on the common EU market, as well as increasing investment levels among people managing agricultural activity. Within this action, one can obtain support ranging from 50 to 65% of incurred qualified costs by the Incumbent, however the total figure can not more than 300.000 zł. (around 75,000 euros).

Under the programme, farmers can purchase of new or used farming machines (in the pre-accession SAPARD program there was no such possibility), build or modernize of farm buildings, purchase farming endowment, elementary herd of farming animals, and establish long term plantations. Persons applying for support must meet the criteria concerning agricultural education or have adequately long professional experience in farm-work. Farms must meet certain standard requirement of reaching economical viability. Moreover, farms must fulfil minimal standards concerning the conditions of animal maintenance, hygiene and environment preservation. The most difficult conditions are connected with the preservation of environment. The basic problem for those managing animal production is the necessity to construct adequate devices to store natural fertilizers (manure plates, containers for manure). This was supposed to be partly solved by the introduction of the PROW action „the Adaptation of agricultural farms to the European Union standards” within which farmers could apply for 100% of the costs of constructing such devices.

The second popular action within the SPO is the program “Facilitating start-offs for young farmers”. 173,33 mln Euro from both the EU and the national budget was dedicated to this program. The program is designed to encourage “young farmers” to take over and start their own agricultural farms as well as to enable their development, modernization and improvement in competitiveness. According to the program “a young farmer” is someone who:

- a) At the moment of the decision about whether to grant support by ARiMR is not over 40 years old, and
- b) Started to manage an agricultural farm for the first time, in other words became the autonomous or dependent owner of the farm not sooner than 12 months before ARiMR decided to grant its support.

The action makes an assumption about the situation when a farmer is the owner of an agricultural farm for more than 12 months. Various time periods are taken into account in determining eligibility for those ‘owning’ farms for more than a year, for instance, time spent studying in secondary school or university or performing military service would not figure as making up the 12 months.

Farmers taking over the farm from their spouses or from co-owners can’t use the program. Moreover, persons applying for bonuses must fulfil additional criteria such as: being subject to social agricultural insurance on the day of application, and possessing or supplementing agricultural education during the five year period since purchasing the farm. Additionally, farmlands of receiving support must fulfil minimal standards concerning environmental preservation, hygiene and conditions of animal maintenance within 5 years of receiving support.

Persons, who meet these requirements or oblige themselves to fulfil them within 5 years of purchasing an agricultural farm, can obtain 50 000 zł (about 10 500 Euro) immediately. Financial support does not depend on refunding costs already incurred but on paying a one-time advance. According to the program, the applicant should use this advance for farm development, purchase of farming machines, inventory animals, etc, although so longer as he or she fulfils the relevant criteria, the money can be spent at will.

The program "Facilitating start-offs for young farmers" makes obtaining of financial support dependent on ownership of an agricultural farm. According to Polish law, the basis of an agricultural farm is soil. The inventory buildings and animals do constitute a part of an agricultural farm but they are not an indispensable element for the existence of a farm. In other words, in order to become a young farmer in Poland and to obtain financial support, one does not need to purchase a dozen or so hectares of farmland with buildings, machines and equipment. It is enough for parents to pass on to their children one ha of farmland to make them potential beneficiaries of the program. At the same time, such fragmentation of holdings does clash with one of the basic goals of the program, i.e. – to increase the overall size of agricultural farms.

Moreover, one concern was that farmers with additional non-agricultural employment could exploit the program. This was controversial from the very beginning. However, the Ministry of Agriculture justified their inclusion on the grounds that the majority of Polish farmers have to have additional work because of the low profitability of agriculture. Plans have been made that in the 2007–2013 programming period, farmers working outside agriculture will not be able to benefit from this action.

Within the action "Diversification of agricultural and related activities to provide alternative sources of income" projects that connected with developing additional economic activities within the farm may be financed. The program was supposed to encourage farmers to undertake or to develop agrotourist activities. The eligibility criteria do not require beneficiaries to have agricultural qualifications, however, due to the goals of the program, refinancing can only be obtained by projects implemented in areas with the lowest income or highest unemployment rate. There is also the requirement that applications cannot originate in settlements larger than 5000 people.

The action "Diversification of agricultural and related activities to provide alternative sources of income" owes its popularity to the possibility of obtaining finance for the renovation, reconstruction, or adaptation of buildings where guests are to be located. The program also provides funds for the purchase of indispensable endowment for it such as furniture, bathroom fittings, sport and general tourist equipment.

The second group of projects represented most frequently within this action is the purchase of transport for the purpose of providing services. Farmers, who start or intend to start providing transport services may receive finance for the purchase of a truck or suitable trailer. This measure is the only action that presumes the possibility of financing transport (the action "Investments in agricultural farms" assumes the possibility of financing only the purchase of farm tractors as well as trailers). Taking also into consideration the fact that Polish law recognizes as trucks some field cars and vehicles such as vans, it is no wonder that this action is so popular.

In any case the beneficiary may count on a 50% refund of incurred costs although not more than 100.000 zł. The budget allocated to this action totals 107 mln Euro.

The final program is the "Development and improvement of technical infrastructure connected with agriculture." It consists of the following four sub-actions:

1. construction and modernization of internal roads and parking places,
2. construction and modernization of energy supply devices,
3. construction and modernization of water supply devices,
4. construction and modernization of devices to clean and drain off sewage.

The first two schemes are the most popular. In the first, farmers apply to modernize their farmyards and harden internal roads with pavement bricks. The second scheme allows farmers to obtain finance for, say, the instalment of solar batteries or wind power stations. Funds are only available for new devices and there is a certain limit, since the maximum financing amount for this subaction equals 120.000 zł. (around 30,000 euros).

In sum, a beneficiary of any one of these four projects can expect financing of about 480.000 zł. (120,000 euros). Financial support comes by way of a 50% refund for eligible project costs. In a similar manner to the

action "Diversification of agricultural and related activities.", the eligibility criteria do not require any agricultural qualifications or longterm training in agricultural farm, but they may only originate in sub5000 population settlements. The budget allocated for this action is over 40 mln Euro.

3. Some basic problems with the institution process

Despite the experience of pre-accession SAPARD when the managing authority was also the ARiMR, the application process within these agricultural and rural development programs suffers from a series of flaws.

The basic problem is the deadline for responding to applications sent to ARiMR. According to the SPO records, this period should be around 2 to 3 months (depending on an action). However, due to insufficient preparation of AriMR, in the main the problem of there being too few qualified employees, applications are being processed between 8 to 12 months. These delays can have serious consequences, particularly for applicants to the "Facilitating start-offs for young farmers" action. If they are deemed to have been the manage for a farm for over 12 months then, strictly speaking, they cannot apply for funds under this programme. Similarly, because of the long application process, at the moment of signing the contract, costs included in the original application may more than likely be out-of-date. There have been considerable increase in prices of farming machines in recent times. Delays in adjudication and release of advance payments impose additional costs on those using bank credits for their part of the project.

A second group of impediments is the frequently changing criteria of access to particular actions as well as repeated modifications to documents (the application with annexes, fill-out instructions). It can disorganise the work of those processing applications whilst create additional impediments for applicants. It often happens that the basis of decisions made by a clerk verifying the application and having fundamental significance for accepting the given project are unclear. In the application, there are few unambiguous rules of interpretation.

As a result it may lead to a situation where in case of two identical projects, one of them can be accepted for financing and the other rejected.

The third group of impediments is the high degree of bureaucratic formalization of the application process. Each application must be accompanied by at least 7 certificates from four different institutions (Social Insurance Institution, Agricultural Social Insurance Office, Treasury Office, Commune Office), and these certificates cannot be older than 1 month at the moment of depositing them in AriMR. It often happens that the contents of a certificate do not correspond exactly to the contents on a verification card (the card is used by AriMR employees). Moreover, the whole set of analogous certificates has to be handed in together with the payment application. As a consequence, the applicant must personally attend separate institutions several times in order to obtain the appropriate certificates. Substituting official certificates for suitable declarations by the applicant would be a great facilitation.

4. Closing remarks

Despite the confusion, the protracted procedures of the application evaluation, and the shortcomings and non-preparation of public institutions operating structural funds, the interest among farmers for EU structural funds remains enormous. The Restructurization and Modernization of Agriculture Agency, with its regional centres (with the headquarters in the capital city of a province) accepted applications for the more than the SPO budget allocation for the 2004–2006. In the majority of provinces in Poland, ARiMR does not accept any new applications for over a year. The main problem today is the matter of punctual payment of financial means.

It is also worth mentioning that beside "hard" investment programs, there are also "soft" projects realized from the EU structural funds which are dedicated to the inhabitants of rural areas. The goal of such projects is to conduct various kinds of free training, to equip farmers with additional skills and professional qualifications. These funds are designed to encourage this social group to start work outside agriculture and are implemented within the frames of the European Social Fund.

The Ministry of Agriculture and Rural Development has already announced the project of the Development of Rural Areas Program for the period from 2007 to 2013. It basically assumes the continuation of present functioning funds, hence it is followed with great attention by its potential beneficiaries. The detailed analysis of structural funds for rural development between 2007 to 2013 will be the topic of successive publications of the Support for Polish Agriculture Foundation.