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## Does Less Favoured Areas Measure support sustainability of European rurality? The Polish experience

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**Abstract:** *The article presents some of findings of research on less favoured areas in the European Union, with a special focus on Poland. The author conducted three types of studies and analyses. Firstly, the paper presents the conclusion of the farm accountancy data analysis what gives the view of the economic situation of LFA and non-LFA farms in Poland. Secondly, by means of interview questionnaires, the LFA farmers' attitude to continuing agricultural activity in these areas, which is one of the objectives of the instrument were investigated. Thirdly, the author analysed foreign statistics and literature to compare LFA support in Poland and other EU member states. Basing on the above mentioned research the author tries to answer does the measure supporting less favoured areas support sustainable development of rural areas in Europe.*

**Keywords:** *the Common Agriculture Policy instrument; support for less favoured areas (LFA); compensatory allowances for LFA; sustainable development; rurality*

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### Introduction

For many years there has been discussion in the European Union on how the importance of rural areas and agriculture for European society and economy should be reflected in the EU's development policies and budgetary spending. There is a general consensus that rural areas have many unique assets – fresh air, open space, nature, landscape, clean waters, relatively uncontaminated soils, rural cultural heritage and so on – which constitute a public good valuable to society and future generations. At the same time, compared to cities, rural areas are generally less populated, have poorly developed infrastructure, are peripheral, many of them have unfavourable natural conditions for farming and features that are not conducive to social change. Farmers tend to be seen as a poor class, one less educated and less able to adapt to social and eco-

conomic change than other social classes, while farming is perceived as hard and unprofitable work on the land. In this context, farming is becoming a rather unattractive source of income. As a result, many people may be persuaded to give up farming, consequently, contributing to the depopulation of rural areas, a process which is highly undesirable.

This situation requires action on the part of the state, whose role is to intervene in socially important spheres by means of relevant policies. By working on the land and living in rural areas, farmers are “guardians” of the countryside and provide a link between policy pursued by the state and the condition of the countryside. Therefore, they are indispensable if rural areas are to be preserved. The state influences the social, economic and environmental development of rural areas through instruments targeted at these areas directly or indirectly by agricultural, rural, environmental, regional and social policies. All agree that the instruments should support sustainable development of rural areas. What is sustainable development then? There are plenty of definitions concerning different levels of sustainability. Having them in mind the author uses following own for the purpose of the research:

1. Balanced management of certain economic, social and environmental resources;
2. Considering long-term, medium and short-term effects of contemporary actions for next generations;
3. Considering the effects of our decisions and actions for not only local area but also for neighbour area and region.

Among the instruments targeted at rural areas is support scheme for farmers in less favoured areas (LFA). By compensating the farmers for lower income they derive from farming, the schemes are designed to maintain agriculture and population levels in rural areas. There are a few reasons which make research on quality of less favoured areas scheme regarding sustainability advisable. Firstly, LFA support schemes account for a major proportion of funds set aside from the EU and national budgets for rural areas. Secondly, opponents of the LFA measure argue that objectives set to it are too broad and vague, something which gives member states too much freedom in interpreting the objectives and makes reliable evaluation and verification of the measure difficult [Special...2003 ]. Thirdly, LFA schemes, like most measures aimed to support rural development, are planned at the EU-27 level but are intended for countries which differ greatly in economic and environmental terms. Therefore, it is important to find out how the measure addresses the needs of Polish rural areas.

## Methodology

Given the controversial nature of this instrument, the author decided to set three goals to her research:

1. Analysis of the LFA support concept as an instrument designed to support sustainable development of rural areas;

2. Attempt to assess whether the LFA support concept is in conformity with the principles of the functioning of this instrument;
3. Analysis of how well the instrument in its existing form suits Polish conditions.

In the course of the research, the author used the Polish Farm Accountancy Data Network (quantitative part of the research), conducted field studies (qualitative part), examined the Polish and foreign literature on the subject and collected a general statistical data base. The analysis of the situation of LFAs in other than Poland EU members concerned 15 countries (until 2003). The quantitative research was based on 2005 FADN data. By identifying differences in the resources and organisation of farms located in individual LFA areas and non-LFA farms, the author was able to make an attempt to assess the legitimacy of compensatory allowances in individual areas.

The author used FADN notional categories. The size of the FADN sample in Poland – the author considered the whole population of FADN farms in the first full year of Poland’s membership of the EU, i.e. 2005 - differed for individual LFA categories and regions (Table 1). The FADN farms were analysed according to location: in lowland LFAs, mountain LFAs and in non-LFA areas. With the data available, it is impossible to distinguish LFAs I and II and LFAs with specific handicaps. As a result, they were all treated as lowland LFAs. In line with FADN principles, the author assumed the division of Poland into four SGM (the farm classification is based on Standard Gross Margins (SGM) “2000” for the year 2005) regions presented in Table 1.

**Table 1. Number of farms in the Polish FADN sample in 2005**

Specification	Number of farms in region				
	Total	Pomorze and Mazury (north and north-east)	Wielkopolska and Slask (west and south-west)	Mazowsze and Podlasie (central-east and east)	Ma <sup>3</sup> opolska and Pogorze (south and south-east)
Symbol		A	B	C	D
Number of farms in sample:					
- non LFA	6078	1000	1712	3015	351
- mountain LFA	109	-	23	-	86
- lowland LFA	5562	513	2193	1872	984

Source: Author’s own compilation on the basis of FADN data

The second part of the research project was field studies focused on social problems. Research on farmers’ views and attitudes is important because the views and attitudes determine farmers’ decisions to continue or discontinue agricultural activity and consequently have an impact on the extent to which the LFA measure achieves its objectives. The purpose of the field research was to learn about farm operators’ attitude to the new farming conditions, especially EU support, and the associated benefits and disadvantages, and about their

views on continuing agricultural activity, developing their farms and living in rural areas. The research is not representative. Its findings were only meant to help deepen the analysis and make it easier to draw conclusions.

The field research was conducted from 1 April to 3 June 2006 in six communes located in four Polish regions. The regions selected for the research are located at the four opposite ends of the country (regions with the most peripheral location in Poland). Conditions in these regions are characteristic of a given LFA type. Additionally, the author also took into considerations areas which, for various reasons, are discussed in literature as having special problems: mountain and hill areas, the eastern part of Poland and areas whose agriculture had been dominated in the past by large state-owned farms. From 19 to 24 interviews were conducted in each region. The total number of interviews was 88. The sample selection was targeted and was made in consultation with agricultural advisory centres in relevant counties. Interviews were conducted with farm operators. The research was qualitative in nature and the author conducted the interviews on her own with the use of a specially designed questionnaire. Most of the questions were in open format.

### **Less favoured areas in the EU-15**

The idea to support farms located in areas with unfavourable natural conditions for agricultural activity has originated in England. Under The Hill Farming Act of 1946, cattle and sheep producers in mountain and hill areas received compensatory allowances to offset their lower incomes. The share of the allowances in the total income of family farms which received the assistance was quite considerable [Draft..., 2004]. After its entry to the European Communities in 1972, the UK asked for introducing the system of compensatory allowances for farmers in disadvantaged areas in all member states.

In 1975 the Council Directive 75/268 of 28 April 1975 on mountain and hill farming and farming in certain less-favoured areas was adopted, authorising member states to introduce a system of compensatory allowances for farmers in areas with relatively poor natural conditions for farming to offset higher production costs. Compared to the English system, the scope of support to be provided under the Council Directive was expanded to include lowland areas. The Council Directive was supplemented by Explanatory Memorandum (COM(74) 2222), which provided member states with guidelines for the implementation of the programme.

The assumptions of the Council Directive 75/268 provided the basis for further legislation to regulate the system of compensatory allowances, including the Council Regulation (EC) No. 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) in the years 2000-2006 and the Council Regulation (EC) 1698/2005, which regulates development programmes for 2007-2013.

The main objectives behind compensating farmers for lower incomes derived from farming in LFAs are as follows: to ensure continued agricultural land use, maintain rural populations at viable levels and protect rural landscape in these areas. Member states were authorised to introduce the LFA measure to encourage farmers to continue agricultural activity by compensating them for the income deficit due to their farming in disadvantaged areas, which consequently meant raising the farmers' incomes.

Three types of disadvantaged rural areas, each with varying degrees of handicap affecting farming, were designated. The first type, one with the greatest natural handicaps, was mountain areas (Article 3(3) of Council Directive 75/268/EEC). Farming in these areas was deemed necessary to prevent water and wind erosion, maintain rural landscapes and preserve the areas' attractiveness for tourists. The degree of handicap is measured by conditions existing at individual altitudes. The European Commission decided that such natural conditions can be found at altitudes ranging from 600 to 800 metres and/or in areas with slopes of at least 20% [Explanatory Memorandum, 1975]. Farms located in mountain areas produce lower yields owing to lower temperatures, poorer soil quality and short growing seasons. Land slope, which makes work in the fields more difficult or requires using expensive special machinery, was taken into account for lower altitudes. [Explanatory Memorandum, 1975].

The second type was areas in danger of depopulation, something which had an adverse impact on the viability of local communities and rural landscape protection (Article 3(4) of Council Directive 75/268/EEC). The areas had to be homogenous in terms of natural conditions for farming and had to meet the following criteria:

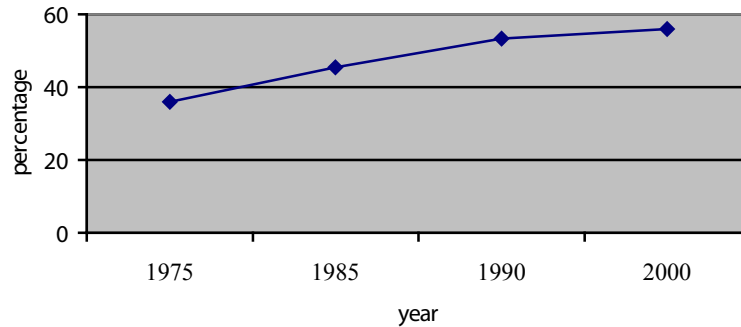
- presence of soils not suitable for crop production or intensification without incurring high costs - soils intended mainly for extensive cattle production;
- poor soil quality, or low population density and farming as the main source of livelihood.

These conditions meant that member states were required to adopt indices for three types of phenomena occurring in these areas: economic indices, population density and the production index [Explanatory Memorandum, 1975].

The third LFA type is small areas with specific handicaps where continued agricultural activity was deemed necessary to preserve rural landscape, maintain the tourist potential of the area or protect the coastline. The Memorandum complemented these characteristics with poor soils, unfavourable water conditions, excessive salinity in coastal areas and small islands. The share of these areas in any of the EU member states was not to exceed 2.5% of all less favoured areas [Explanatory Memorandum, 1975].

The most recent expansion of the less favoured areas in the EU-15 took place in 1998. Therefore, the data for the years 2000-2003 presented below are still

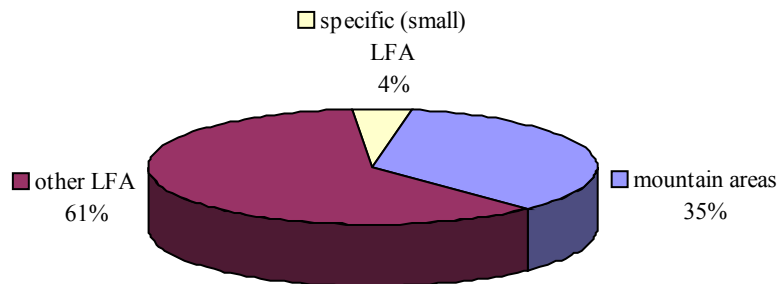
relevant. In the years 1975-2000, the share of less favoured areas in the EU-15 increased by 20% (Figure 1). The largest increase was recorded in Italy, Ireland, Germany and France. [Special..., 2003].



**Figure 1. Share of less favoured areas in the EU-15 in 1975-2000**

Source: Special Report No 4/2003 Concerning Rural Development: Support For Less-Favoured Areas, Together With The Commission's Replies. Court Of Auditors (Pursuant to Article 248(4), Second Subparagraph of The EC Treaty) (2003/C 151/01) OJ C 151, 27.6.2003

In both EU-15 and EU-27 the second LFA group was the largest. The reason was that this category was the most wide-ranging as it described three indices: economic, demographic or production ones. The smallest category was type 3, i.e. coastal areas, islands and other (Figure 2).



**Figure 2. Structure of the areas of particular types/groups of LFA**

Source: Special Report No 4/2003 Concerning Rural Development: Support For Less-Favoured Areas, Together With The Commission's Replies. Court Of Auditors (Pursuant to Article 248(4), Second Subparagraph of The EC Treaty) (2003/C 151/01) OJ C 151, 27.6.2003

Member states were given the right to expand the LFA objectives and guidelines included in the EC Regulation, and to introduce additional conditions and eligibility criteria. The additional objectives included supporting a rise in farmer incomes, counteracting depopulation in rural areas, enhancing the competitiveness of rural areas, supporting employment in rural areas, protecting the farm structure adapted to local conditions, supporting small family farms, and rewarding services for the public. The introduction of the addi-

tional LFA objectives indicates that individual member states have different needs and different expectations of CAP measures. Additionally, it makes the measure quite difficult to assess and its effects difficult to compare.

The first group were countries, for example France, Finland and Austria, which suffered from severe depopulation in rural areas and needed to maintain small and medium-sized family farms. In these countries, compensatory allowances were an important form of farm support. Some countries, for example Finland, set aside additional funds from their national budgets to support these areas.

Another group were countries with a large number of economically relatively weak farms with lower ESU levels and smaller size (Greece, Spain and Portugal) where a significant number of farms received relatively low payments. One example is the Spanish rural development programme, which incorporated almost all available measures. As a result, the programme lacked orientation and unit payments were low. Compensatory allowances were of little significance in small countries (Denmark, Belgium and Holland).

The objectives set to the LFA measure, delimitation indices, degressive payments, additional requirements set to beneficiaries and payment rates indicate which policy the member state has chosen: a policy aimed to aggregate support amounts for smaller areas or to set aside small amounts for numerous beneficiaries. It also reflects to some extent the member state's attitude to LFA – showing whether the state treats the LFA measure as a way to easily transfer money to rural areas or as a real tool for supporting rural development.

The LFA measure is flexible. It gives member states much freedom in adjusting LFA support to their specific needs and conditions. At the same time, the measure is difficult to assess while its imprecise objectives and varied assumptions give countries too much freedom in interpreting the rules of action. However, this situation is beneficial to member states because a thorough assessment of the assumptions and mechanisms of the LFA measure could lead to a reduction in the total LFA area and stir up controversies within the World Trade Organisation (WTO).

The Court of Auditors points out that the European Commission does not have data which would enable an in-depth evaluation of the LFA measure and its updating [Special... 2003]. There are two reasons for this. The first one is the strong lobby of large member states and farmer groups, which successfully defend in Brussels transfers for their members. This means creating a political rent, as a result of which EU farmers' incomes depend to a large extent on pressure exerted on decision-makers rather than the actual situation on the market [Wilkin, 2005].

The second reason is that the legitimacy of LFA compensatory allowances, despite some reservations, can be justified quite easily at the WTO. The LFA measure assumes that the farmer has to continue operating his farm for five



years since receiving the first compensatory allowance and has to hold agricultural land. This is understandable given the purpose of the measure, which is to ensure that agricultural activity is continued in order to help maintain viable rural communities. However, for the measure to qualify for the “green basket” as decoupled according to paragraph 6e annex 2 to the The Uruguay Round Agreements Act (URAA) one of the criteria has to be met, i.e. “payment should not be dependent on production” [Cardwell after Swinbank, 2005]. Since 2001 LFA compensatory allowances have met this condition.

### Less favoured areas measure in Poland

The measure discussed above had the largest share (26%) in the Rural Development Plan 2004-2006. The second largest measure was early retirement and the third one was the agri-environment support.

LFAs of the first type are mountain areas disadvantaged due to their climatic conditions, terrain features and soil quality. In Poland, communes and geodetic districts where more than half of all agricultural land is at an altitude of at least 500 metres have been designated as mountain LFAs (In the EU-15, the altitude has to be at least 600 metres. The reason is that climatic and plant conditions in the Carpathians and Sudetes at an altitude of 650 metres are comparable with conditions found in the Alps at an altitude of 920 metres) [Plan..., 2004].

The second type of less favoured areas are lowland LFAs. They are divided into lowland LFAs I (less disadvantaged) and lowland LFAs II (more disadvantaged). The Land Quality Index (LQI) together with population density and the share of population engaged in agriculture have been used in order to designate lowland LFAs in Poland. The LQI is an aggregated indicator based on the assessment of the following factors: soil quality; climate; land relief; soil soil moisture index. Areas with LQI values of over 52 points (60.9 points on average) were classified as LFA I. It was estimated that from the total population of model farms, the following shares of farms belonged to this group:

- 5% of intensive farms with good soils;
- 35% of intensive farms with medium soils;
- 15% of extensive farms with good soils;
- 40% of extensive farms with medium soils;
- 60% of extensive farms with poor soils.

These farms, situated in 750 gminas, would represent around 37.9% of the total farmland area in Poland. Only extensive farms with poor soils (40% of such farms) were classified as LFA II (LQI below 52 points – 47.6 points on average); such farms represent about 13.15% of the total farmland area in Poland in around 270 gminas. (Plan 2004).

This division corresponds with the one used by England and Ireland, where less and more disadvantaged land categories have been designated within the second LFA type, and the one used by France, where piedmont (areas

included in the second LFA type and defined as mountain areas, however with less severe climatic and topographical conditions) and simple LFAs have been delimited.

According to Council Regulation (EC) 1257/1999, lowland LFAs have to meet three criteria: low productivity, limited production potential and disadvantaged demographic situation. The Land Quality Index (LQI) is used to measure productivity in less favoured areas. It takes into account soil quality, climatic conditions, water conditions and topographic factors (Soil quality accounted for around 80% of the index). The same index is used to measure production potential because its value is highly correlated with yields. The demographic index enables determining population density, which in the second LFA type must not exceed 75 persons per square kilometre at county and commune level. In line with Explanatory Memorandum COM (784) 2222, in both categories of LFAs account was taken of communes where the share of farming population is at least 15%.

In 2004, the share of LFAs in the total area of agricultural land was 54.2%, with 52.6% qualified for payments (0.7% of agricultural land in LFAs is in farms smaller than 1 hectare what exclude them from the support). 2.06% of these areas were mountain areas, 89.16% were lowland areas and 8.78% were areas with specific handicaps. The LFAs were delimited with the use of the LQI developed by the Institute of Soil Science and Plant Cultivation in Puławy. The European Commission approved this delimitation criterion due to the similarity between Polish and German delimitation. Thanks to the existence of the index, Poland was able to effectively defend its position and include over 50% of the country's area to LFA. If data based on LQI had been absent Poland would have had to adopt the Commission's criteria, as a result of which only 13% of areas qualified for LFA would have been eligible for payments [Kukuła, 2006].

In Poland, the LFA measure is widely accessible for beneficiaries because the criteria that are in force are easy to meet. In practice, they are limited to the criteria defined by the Commission. An additional criterion is minimum farm size, but its introduction is associated more with the need to provide a definition of farm than an attempt to limit access to the measure or make the criteria more stringent. A member state's approach to the criteria is determined by its strategy for using the funds from this measure. Poland has clearly given preference to supporting the largest possible number of beneficiaries with smaller amounts of money. This is in contrast to France, for instance, where numerous criteria have been introduced, including the farmer's age, place of residence and income from farming as well as additional subdivisions of LFA types. Poland should not be explicitly criticised for its approach to LFA. For a country like Poland it is more important to absorb the funds available than to achieve additional advanced goals, which may only be realised if the country's development level is on a par with most of the old EU countries.

Data on the organisation and output of the farms analysed indicate the importance of extensive animal production in mountain areas, the presence of poor natural conditions and poorer economic results. In devising a system to support farms in these areas, it would be desirable to strengthen different forms of support for activities associated with animal production, i.e. production typical of mountain regions, including forms of support aimed at preserving traditional mountain breeds, sheep grazing in national parks, supporting traditional animal products, and the region's culture and identity.

According to the broad FADN data analysis there are only small differences in the resources and economic situation of farms in lowland LFAs and non-LFAs farms. For instance net income per capita was about 5% higher in lowland LFA and non-LFA areas. The instrument should be assessed for individual LFA types. The research conducted shows there is overcompensation in lowland LFAs and undercompensation in mountain LFAs. Farms in the Małopolska and Pogórze (mountain and hilly) region have much worse indices for all LFA types than the remaining regions. Net income per capita in the mountain areas was about 36% lower than in lowland LFA and about 32% lower than in non-LFA. This shows the need to enhance regional support for these areas.

A correlation was found between the extent to which agri-environment programmes are used and farm size and location. Small mountain farms were found to have the highest participation levels in these programmes. The reason is that for small farms with poor soils it is easier and more profitable to use agri-environment programmes than to intensify production.

Natural conditions determining farmers' participation in individual structural programmes shows once again the need to strengthen the support for farms situated in areas with the worst natural conditions in aiming to remove development disparities between EU regions and enhance socio-economic cohesion. Diversify forms of support for mentioned areas seems to be important.

Investment programmes contribute to increasing the value of fixed assets, an example being the SAPARD programme. Most of the investment made as part of this programme was in machines and equipment, especially tractors, while the value of production did not increase. Compensatory allowances may be and are to a large extent set aside for working capital. They also contribute to using more fertilisers and better livestock feeding. However, this problem requires research.

### **Farmers' views on LFA support and their attitudes to continuing agricultural activity**

Finding out about farmers' views on conditions for farming after Poland's entry to the European Union is important because these views influence measures taken by farmers on their farms. These measures, in turn, determine the

farms' condition and their survival prospects. Whether or not LFA objectives - such as continued farming, and the protection of the environment and landscape - will be achieved depends to a large extent on this.

On the basis of the interviews with farmers, the author assesses that the LFA measure in Poland may strengthen the polarisation of farms due to excessive, in farmers' view, phytosanitary requirements, which farms have to meet in a relatively short time, something which involves high costs (e.g. manure pads). Research showed that farmers holding medium-sized animal farms located close to cities were most sceptical about investing to comply with the EU requirements, and hence staying in agriculture. Paradoxically, small farms, which in many cases have no alternative, are more likely to survive. A question arises whether the LFA payments associated with environmental requirements have a positive impact in some areas on decisions to continue agricultural activity and therefore encourage structural changes. More in-depth research into this problem is needed. On the other hand, LFA payments offer the greatest chance to medium-sized farms, which have resources to be able to access the funds (own contribution) and at the same time still suffer from underinvestment. EU funds also offer an opportunity to catch up with farms which so far have been regarded as the best in the village, something which often gives farmers much motivation.

According to farmers, subsidies are a factor of marginal significance in their taking decisions to continue agricultural activity. Those with large farms or the small farms which have no alternative have it easier to take such decisions. Although in the case of better farms, payments encourage successors to take over, the decisive factor is the economic strength of the farm and good role models of farmers as successful entrepreneurs growing their business.

According to most farmers, in 2005 their income from farming was lower than the average annual income in the years 2000-2004. Farmers equate Poland's entry to the European Union with a drop in purchase prices for agricultural produce and a rise in production costs. However, these views do not correspond with data on profitability in agriculture. According to the Central Statistical Office (GUS), the average monthly disposable income per farming household increased by around 16% in 2000-2004, by around 26% in 2000-2005 and by around 12% in 2004-2005 while the average income per private family farm rose by 17%, 20% and 4% respectively. According to Poczta [2006], in the years 2000-2005 the income of agricultural producers increased by 44% in current prices if calculated using accrual-basis accounting and by 55% if calculated using cash-basis accounting. Thus the farmers' opinion should be treated very carefully, having in mind that farmers are the working group with the tendency to present their income situation in an unfavourable light.

The author did not find any correlation between farmers' views and attitudes to continuing agricultural activity and location in individual LFA types. But there is correlation between farmers' attitudes and the economic strength of

their farms. In communes where the largest share of farms produced “for the market,” farmers’ willingness to stay in agriculture was the strongest, irrespective of the payments.

Farmers do not distinguish between payment types: it does not matter to them whether the money they get is LFA payments or other payments, they treat them as a single whole. Most farmers say they use the payments to buy fertilisers, plant protection chemicals, seeds and fuel, which makes it possible for them to avoid working-capital loans. Farmers say the subsidies have enabled them to use more fertilisers, which has contributed to higher yields and higher incomes.

## Conclusions

1. Considerable funds have been set aside from the Guarantee Section of the European Agricultural Guidance and Guarantee Fund and from national budgets for support to less favoured areas. The system of support to less favoured areas is designed in a way which enables directing the funds towards different objectives. The first objective is to increase farmer incomes and use the LFA measure mainly as an easy way to transfer funds to rural areas. The second is to counteract the depopulation of rural areas. Countries with small farms and weaker agricultural sectors limit themselves to minimal requirements: those imposed by the European Commission. As a result, the subsidies get “diluted” because they go to too many beneficiaries.

The member states which have more developed agricultural sectors, larger farms and better infrastructure have introduced many additional stipulations. As a result, the LFA measure in these countries is something more than support to farmer incomes. Among the additional criteria are those aimed to improve environmental quality, which supports the “greening CAP” principle introduced under Agenda 2000. Another goal is to improve the farming structure through the introduction of additional criteria, like for example farm size and the age of the beneficiary. Poland belongs to the first category of countries. The support of LFA is contemporary. It has no more influence if the payment are stoped. There is no long term influence in the development of the area. The condition of sustainability is hard to gain then.

2. As member states have much freedom in adjusting LFA support to their specific needs, each country is guided by different rules. The right to adjust LFA support has good points but the drawback is that it makes evaluation impossible and does not provide a strong rationale for change. Over the 30 years since it was established the LFA measure has never been thoroughly assessed; it has only been expanded. This shows that LFA is to a large extent a political measure and is now very difficult to reform. LFA objectives are too wide-ranging and not precise. If the goal is to maintain viable rural communities social policy measures may be more suitable. For the protecting the environment and preserving rural areas the agri-environment measures are

much more effective. And farmer incomes may be supported through direct payments for land. All these instruments exist and are used as direct measures. Therefore, LFA support looks like the “hybrid” of other measures for which a special philosophy has been developed. However, LFA is a “convenient” measure to support agriculture and rural areas and is easy to justify at the WTO.

3. One should not forget that measures under the Rural Development Programme 2004-2006 in Poland, including the LFA measure, were the first instruments of support for rural areas after its entry to the European Union. This means that both the administration and the beneficiaries were only learning to use this form of support. It is natural that a priority for those responsible for the Rural Development Programme was to absorb the funds set aside for the programme while the high share of funds earmarked for the LFA measure was expected to help achieve this goal. Poland has set its farmers minimal requirements and has not introduced any additional stipulations. As a result, the measure works in Poland as an easy way to transfer financial means to rural areas. However, it would be advisable to consider whether more money should not be set aside in the next programming periods for creating additional jobs in rural areas, education, improvement of the farming structure and income diversification. Perhaps LFA payments should become only an additional, complementary, form of support to improving farmers’ financial condition and, consequently, their share in the total budget of rural development programmes should be reduced.

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