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European structural funds and rural development in New Member States – an analysis of two cases, Poland and Romania[1]

Abstract: *By this study, the intention of the authors is to analyze the state of the agriculture in two New European Union (EU) Member States, the influence of the European structural funds, the perspectives of the rural economies in the frame of the new European regulations and the tendencies in rural development in the period 2007–2013. We will show the allocations and evolutions of the structural funds, their influence on economy, the main rural development programmes with direct impact on rural economy, the national programmes elaborated for achieving the principal goals of both counties and the main barriers which appeared in last years.*

Keywords: *rural development, structural funds, programmes, Poland, Romania*

Overview

The agriculture and rural area were always considered as a priority for governments, unfortunately for many times only at declarative level. In fact, the state of the agriculture was worst and worst. In time, the gap between agriculture and other branches became bigger and bigger, with unpredictable future risks for farmers and investors, especially now, after the accession into European Union (EU). In the last years, the business environment suffered a lot of changes and it was liable to transform it self, either legislative or institutional aspect, or psychological, cultural, or social aspect. These transformations are direct connected with the internal or external contacts established in here, the mentalities, customs or traditions of the "market actors". European institutions and foreign investors came with their own requirements and behavior but, in the same time,

[1] Janusz Rowiński is author of the Polish part of the paper and Dan Marius Voicilas is author of the Romanian part, introduction and general characteristic of the EU programmes.

they adjusted their self and borrowed from the internal environment, and in this case we can talk about some national particularities.

A good impact and start of development in agriculture and rural areas was associated with the international programmes and projects in which the countries are involved, under the authority of international financial bodies or the EU institutions. The international funds appear as an important pillar of development, along with the effects generated by investors during their activity. They can be considered the main "actors" of development in agriculture and rural areas. In both countries, the European structural funds have had an important role and will represent one of the solutions in the future for the modernization and development.

There are two distinct periods and types of structural funds allocated to Poland and Romania: the pre-accession period and funds, of which SAPARD Programme had a major influence in recovering the dynamism of the rural economies and role in preparation of the countries for the next period as a member of EU; the period of integration as a full member of the EU with European structural funds which are allocated due to the rights of the Member States. In this regard, the national authorities elaborated national programmes according to EU directives and their principal scope seems to be attraction and utilization of the structural funds.

The present position of the Poland and Romania recommends new strategies in rural development, attracting the structural funds and, in the same time, investors. Among the rural development programmes co-financed from EU funds, only the pre-accession SAPARD was definitely development-oriented. By contrast, the current programmes and the programme to be implemented in the next financial period are mixed in character. They include measures contributing to rural development as well as agricultural income aid schemes and measures aimed at the environmental protection.

Such a structure of the programmes partly stems from the EU framework, but it also results from decisions taken by the authorities on the selection of relevant measures from the set proposed by the Council. Despite certain limitations imposed by the Council, the countries still have significant room for manoeuvre and may, following the guidelines, choose to develop a strongly development-oriented programme, one aimed at the environmental protection or at agricultural income aid.

On account of the obvious backwardness of Polish and Romanian agriculture and the difficult economic situation in most rural areas, it would be desirable to concentrate public funds on development-oriented undertakings, especially that presently public resources available to beneficiaries are well utilised, which reflects significant absorption capabilities. The need for the maximisation of public funds earmarked for improving the competitiveness and increasing the production potential in agriculture results from the fact that the 2007–2013 programmes is likely to be first and at the same time last opportunity to utilise EU funds for the modernisation of agriculture and the rural economy on such a large scale. In subsequent financial perspectives appropriations for this purpose may be reduced; moreover, Member States may be obliged to allocate the available financial resources primarily to the improvement of the environment and agricultural income aid.

These are only a part of the arguments that support the idea that the structural funds have a big importance for rural development and the necessity of new strategies and programmes for rural area is absolutely obvious for the recovery of the gaps between regions, branches, rural and urban.

For the majority of the New Member States (NMS) the integration of food economy is a very sensitive and difficult process in frame of general process of integration into EU. Poland and Romania do not make exception from this rule. Despite of all difficulties the experiences from pre-accession period and after 2004 enlargement showed that the accession accelerated the reforms and the process of structural changes of food economy and rural areas. Having in view the experience of the ten countries, which joined EU in 2004, in their new quality of member states, with all obligations and rights, there are many positive signs that the new trends, which characterized their evolution, will influence the Romanian evolution too. The evolution will increase the competitiveness of food economy and diminish the unfavorable tendencies manifested in Romanian in the last years, as it was the growth of the agricultural population in total population, the high share of self-provision, the extension of subsistence and semi--subsistence economy.

This study intends to be a real support for those who want to know the importance of the structural funds for two NMS, Poland (2004) and Romania (2007). The analysis of the absorption capacity of pre-accession and post-accession funds, especially for the period 2007–2013, will put into evidence the differences but also the common issues for the both countries, from many points of view.

The study is structured in two main sections: the first part is dedicated to Polish and Romanian experience in the pre-accession period in programming and utilizing EU funds for food economy and rural development, especially SAPARD Programme; the second part analyses the principles of financing rural development policies for 2007–2013 and principal directions of the National Programmes for Rural Development.

The study uses statistical data from the national institutes of statistics from both countries, data from ministries of agriculture, documents elaborated by national authorities during the implementation of SAPARD Programme or other relevant reports connected with this subject, published in Poland and Romania.

At EU level, there are funds with special destinations. These funds were structured to help the member states to increase their level of development and for a better repartition of money between sectors and activities. The funds have a decisive impact on the economies of the NMS.

Briefly, the Structural Funds are the European Regional Development Fund (ERDF) for infrastructures and Small and Medium Enterprises (SMEs), the European Social Fund (ESF) for training and employment, the European Agricultural Guidance and Guarantee Fund (EAGGF Orientation section) for rural development and the Financial Instrument for Fisheries Guidance (FIFG) for the modernization of the fisheries sector. The Cohesion Fund supports environmental and transport projects in the least developed Member States. The Structural Funds concentrate on two territorial objectives, Objective 1 (regions lagging behind in development) and Objective 2 (re-conversion of industrial, urban, rural zones or zones which are dependent on fisheries), and a thematic objective, Objective 3 (training systems and employment opportunities throughout the EU outside Objective 1). There are also the Community Initiatives – INTERREG III (cross-border, transnational and inter-regional cooperation), URBAN II (regeneration of urban areas), LEADER+ (sustainable development and rural areas), EQUAL (equality in the labor market) – as well as the Innovative actions (experimental). The programmes are drawn up and co-financed by the European Commission and national and regional authorities and implemented under the responsibility of the latter.

The Structural Funds allocation for the 2000–2006 period were EUR 195 billion, plus 15 billion for the new Member States between 2004 and 2006. The Cohesion Fund received EUR 25.6 billion for the EU-25.

For the 2007–2013 period, the Commission proposes to concentrate its programmes in three areas, with a global budget of approximately EUR 336 billion. “Convergence” will stimulate the development of the most disadvantaged regions, mainly in the new Member States. “Competitiveness” will anticipate structural changes in all the other regions. It will include a regional component, for which each Member State will select the beneficiary zones, and a national component based on the European employment strategy. Finally, “Cooperation” will strengthen the EU territorial cohesion, taking inspiration from the INTERREG experience.

Romania has a long tradition of cooperation with European structures. It was the first country of Central and Eastern Europe to have official relations with the European Community. The relations between the two parties were initiated at the end of the 60s, in the form of bilateral trade agreements (they were suspended in the 80s). Romania was included in the Community’s Generalized System of Preferences in 1974.

After 1989, EU membership has been the main goal of all Romanian Government. Romania signed its Association Agreement with the European Union in 1993 and submitted its official application for EU membership in June 1995, after Hungary and Poland. February 2000 marked the official start of these negotiations. The accession negotiations were closed on 14 December 2004. The Accession Treaty was subsequently signed in Luxembourg on 25 April 2005.

Romania became a full member of the EU starting with 1st January 2007. The EU Monitoring Report released by the EU Commission on 26 September 2006 confirmed Romania's accession. By comparison, Poland had a better position and became a full member of the EU starting with 1st May 2004.

Programmes in Romania

Besides SAPARD Programme, that was the main pre-accession programme for candidate countries, the Romanian authorities looked to implement other complementary or subsidiary programmes. Since 2000, a series of special measures and programmes were adopted. Among them, there were some with a significant impact on rural and agricultural economy. There were so called pre-accession programmes for EU accession and, in the next stage, after accession at 1st January 2007, programmes for integration of the Romanian agriculture and rural area into EU structures.

The National Plan for Agriculture and Rural Development 2000–2006 (PNADR) is part of the National Plan for Development (PND) that was elaborated by National Agency for Regional Development and its partners. The objectives of the plan were focused on the following main priorities in rural areas and agriculture in pre-accession period: Processing and marketing of agricultural and fisheries products, Improving the structures for quality, veterinary and plant-health controls, for the quality of food-stuffs and for consumer protection, Development and improvement of rural infrastructure, The development of the rural economy and human capital. Mainly, they were structured like the principal measures of SAPARD Programme, as a complementary programme and the intention were to add new sources of financing to it.

The funds allocated (according with EU regulations) had in view the preparation of Romanian farmers and processors for the competition within EU. The main aim was the competitiveness of the Romanian products in the EU market and the authorities tried to avoid the collapse of the Romanian producers and the negative effects determined by the strong competition in EU.

Having in view the needs of the Romanian farmers and producers for investments in agriculture, other sectors of food economy and rural areas, the Romanian Government initiated other complementary measures with SAPARD Programmes such as: establishment of a credit system with different advantages for agricultural producers, establishment of a help system "Cupoane", negotiations with international donators for identification of the best sources of financing.

A special law for young farmers was voted. The intention was a new basis for next generation and a new system of agriculture in Romania, from which the subsistence and semi-subsistence farms will be excluded.

The Romanian Fund for Social Development (FRDS) was an institution established for public interest and the idea was to put at public disposal the necessary funds, information, plans, consultation against poverty, for future cooperation and social consolidation. The targets groups were: the inhabitants from the poorest regions in Romania, the inhabitants from rural areas and the groups with major disadvantages. The sum accorded by FRDS was considered as a grant. World Bank (WB) initiated the programme, in collaboration with BIRD and Romanian Government.

National Plan for Rural Development 2007–2013 (PNDR) is the main programme elaborated by Romania after the accession into EU. It has as legal basis the National Strategic Plan for Romania (PNSR) and EU Regulation no. 1698/2005. By this special programme, the Romanian authorities give a direct support to all farmers that fit the general conditions mentioned in its body text. There are component programmes like "Fermierul" or "Romanian SAPARD" with the task of continuation the SAPARD Programme and its measures.

Other components of this programme are: Special credit policies for agriculture, farmers and middle-class, Special funds for retirement, Measures against land fragmentation, Improvement of genetic quality for cattle, Support for rural and agriculture consultancy, Modernization of irrigation systems and cooperation in their exploitation.

Programmes in Poland

With regard to EU support for the food economy and rural development, the year 2006 was special since as many as four programmes co-financed from the EU budget were being programmed or implemented. These include: (1) the SAPARD programme (Special Pre-Accession Programme for Agriculture and Rural Development) whose implementation and the clearance of accounts were completed the 31 December 2006. Two more programmes – (2) the Rural Development Plan for 2004–2006 (*Plan Rozwoju Obszarów Wiejskich*, hereinafter referred to as "PROW-2004") and (3) the Sectoral Operational Programme for the "Restructuring and modernisation of the food sector and rural development" (*Sektorowy Program Operacyjny "Restrukturyzacja i modernizacja sektora żywnościowego oraz rozwój obszarów wiejskich"*, hereinafter referred to as "SPOR") – were being implemented, with the active stage[2] practically over. Therefore, they include projects in progress or completed projects under the clearance of accounts procedure. The deadline for the completion of both programmes is 31 December 2008. Finally, (4) the Rural Development

[2] The active stage is the period when new eligible projects may be included in the portfolio. "Passive" programmes are those with closed project portfolios, but still implementing approved projects and carrying out the clearance of accounts.

Programme for 2007–2013 (*Program Rozwoju Obszarów Wiejskich na lata 2007–2013*, hereinafter referred to as “PROW-2013”) is currently at the end of the programming phase. The programming of “PROW-2013” is longer than expected and it should be presumed that all the necessary formalities for the programme to be launched will not be completed until the second half of 2007. (“PROW-2013 was approved by Commission the 24 July 2007).

Unlike the other three programmes, SAPARD was developed and partly implemented prior to accession and it became passive even before Poland joined the European Union. As a pre-accession programme, it served different purposes than the objectives defined for Member States in rural development programmes for 2000–2006. The “PROW-2004” and “SPOR” programmes were already designed in line with rules applicable to EU Member States (the most important modifications, even if limited, enabled the “new” Member States to include projects which were ineligible in the “old” Member States). The bases for preparing the draft PROW-2013 were regulations applicable to all Member States.

Another fundamental difference between SAPARD and the other three programmes is the amount of appropriations. Total financial resources for the SAPARD programme (EU and national public funds combined) were €945 million (of which €709 million represented EU funds), appropriations for the “PROW-2004” and “SPOR” totalled €5,377 million (of which €4,059 million were EU financial resources) and those for the “PROW-2013” in current prices – €17,218 million (including EU funds of €13,230 million)[3]. Therefore, EU appropriations for agricultural and rural development in Poland have been growing and will increase further (the amount of EU funds to be spent under the “PROW-2013”, at current prices, is more than 18 times higher than EU appropriations for Poland within the framework of SAPARD), but the differences partly result from the duration of the programmes. It appears that under SAPARD the annual average EU funds for Poland were €177 million. On the other hand, the respective amount is €1,353 million in the case of the “PROW-2004” and SPOR programmes, and some €1,680 million in constant prices under “PROW-2013” (about €1,890 million at current prices). EU financial resources for the implementation of “PROW-2013” in Poland are likely to be yearly approximately ten times greater than those received under the SAPARD programme.

There are certain common features in all the programmes, primarily due to the interrelations between them. “PROW-2004” and “SPOR”, programmed and implemented at the same time, clearly complement each other so it is useful to analyse them together. The interrelations are not reduced to the complementarity

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3 At constant 2004 prices. Under Commission Decision no 2006/636/EC of 12 September 2006, commitment appropriations for Community contribution to rural development in Poland for 2004–2013 were set at €13,230 million, to be indexed at 2% per year. It means that national public funds needed for this purpose will amount to some €3,990 million. Therefore, in 2007–2013 total public expenditure on rural development in Poland should be approximately €17,220 million.

of "PROW-2004" and "SPOR"; subsequent programmes are connected as well. As a result, the SAPARD – "PROW-2004" and "SPOR" – "PROW-2013" programmes represent a three-link chain whose individual parts differ, but certain elements in each subsequent programme serve as a continuation of the previous programmes. Due to the similar scope, there are particularly strong interrelations between PROW-2004 – SPOR and PROW-2013.

Pre-accession Funds

General characteristics

Enlargement of the European Union is both a historic opportunity for Europe and a challenge for cohesion policy. With the enlargement in 2004, regional disparities have doubled. At the same time, the other two countries that joined the European Union in 2007 have even a lower level of wealth than other new Member States. European regional policy, which has proved its value in reducing disparities in the past, now has more of a reason for being than ever. Allocated more than a third of the Union's budget, it gives practical shape to European solidarity for the benefit of economic and social cohesion and the exploitation of Europe's competitive advantages, which are essential for growth and employment. It is not a policy of wealth redistribution, but a policy that creates better conditions for the growth of economy giving at disposal of member countries supplementary resources. Largely decentralized, it is based on the initiative and responsibility of all the regional development actors, bringing to their action the coefficient of the sharing of experiences and common objectives among Europeans.

European Cohesion Policy covers countries, which joined the European Union and no less than EUR 4397 million, were spent between 2004 and 2006. Aiming to become a EU member in 2007, Romania received pre-adhesion aid for the period 2004–2006 of approximately EUR 3078 million of European funding.

This information provides an overview of the wide range of actions implemented.

As to the future, the challenge will be to further strengthen European solidarity through consolidated resources and their most efficient possible use in the service of all the Union's citizens and territories, beginning with the most disadvantaged and adapting aid in line with specific situations.

Measures contributing to agricultural and rural development in subsequent programmes

The SAPARD programme was designed to achieve two goals: (1) efficient implementation of the *acquis communautaire* concerning the common agricultural policy (CAP) and related policies, as well as (2) solving the most important problems of agriculture and rural areas by the candidate countries. The objectives could be realised by means of 15 available measures and each candidate country was free to select those considered relevant (the Commission insisted only on the inclusion of agri-environmental measures into specific programmes). The list of eligible measures contained very different activities. An appropriate selection of measures could result in an investment-oriented programme supporting agricultural and rural development or produce an environment-oriented programme rather than a development-oriented one, a programme aimed at setting the organisational framework or primarily oriented towards training activities.

SAPARD in Romania

Adopted by the European Council at Copenhagen in December 2002, the roadmap for EU membership for Romania envisaged an annual increase of pre-accession aid of 20%, 30% and 40% respectively for the years 2004, 2005 and 2006. During this period, Romania has benefited from EUR 3078 million of European pre-accession aid. This aid was divided between three instruments: PHARE (half of the aid), ISPA (a third of the aid) and SAPARD (one sixth of the aid) (see table 1 and figure 1). Their implementation forms part of the National Programme for the Adoption of the Acquis and the Accession Partnership for Romania.

PHARE, ISPA and SAPARD are the main three instruments through which Romania received the funding. These instruments were replaced after 1st January 2007 by the post-accession funds.

Romania also participated in a number of community programmes such as: The Fifth and Sixth Framework Programme for research and development, Leonardo da Vinci and Socrates in the field of education and training, and multi-country programmes: Small and Medium-Sized Enterprises Facility, Nuclear Safety Programme etc.

The SAPARD Programme was launched in 2000 to facilitate the adaptation of agricultural structures and rural areas in the candidate countries of Central and Eastern Europe. In Romania, SAPARD programming (EUR 513 million in 2004-2006) was mainly aimed at improving the competitiveness of the agrifood sector and rural infrastructures, the development and diversification of the rural economy and training human resources.

Romania chose 11 measures that were necessary for improving the state of the rural economy. These measures are: 1.1 - Processing and marketing of agricultural and fisheries products; 1.2 - Improving the structures for quality, veterinary and plant-health controls, for the quality of food-stuffs and for consumer protection; 2.1 - Development and improvement of rural infrastructure; 2.2 - Agriculture water resources management; 3.1 - Investment in agricultural holdings; 3.2 - Setting up Producer Groups; 3.3 - Agriculture production methods designed to protect the environment and maintain the countryside; 3.4 - Development and diversification of economic activities, multiple activities and alternative income; 3.5 - Forestry; 4.1 - Vocational Training; 4.2 - Technical Assistance.

The Programme implementation has so far demonstrated considerable effects on all relevant indicators used to measure the results and the impacts. These effects include important contributions to economic growth of the supported beneficiaries especially in agriculture and food processing, far beyond average Romanian national economic growth rates, creation of numerous jobs in primary production and in processing, and improved competitiveness and productivity achieved in compliance with EU standards for product quality and safety, environment, working conditions and animal welfare.

The Programme has contributed significantly to improve the living standards in rural areas through investments in rural infrastructure and through creation of new alternative income possibilities. The programme has made the rural areas a considerable better place to live than what would have been possible without the programme support.

In the light of these positive results it is also the conclusion that the financial absorption so far has been relatively limited, except for measure 2.1 Rural infrastructure. This is disappointing in the sense that effects of what have been implemented of projects are considerable and that the needs in rural areas are considerable. The primary causes of the relatively low absorption of funds are the late accreditation of important measures, such as Measure 3.1 Investments in Agricultural Holdings, but also lack of risk-willingness among the banks as well as among the potential beneficiaries. Measures taken to reduce risks without compromising additionally of investments are needed, nationally as well as in changes of the EU regulatory framework.

Almost 2.2 billion EUR were attracted by SAPARD applications. In majority, the funds were attracted between 2003–2006 (about 60% from total allocations). On the first place was measure 3.1. Development and improvement of rural infrastructure with 33.5% from the total funds, then measure 1.1. Processing and marketing of agricultural and fisheries products (29.3%) and measure 2.1 Investments in agricultural holdings (21%). The rest of seven measures counted about 15% from total SAPARD allocations.

Table 1. Pre-accession funds (millions EUR)

Year	EU: allocation for the pre-accession funds				Romania: allocation for cofinancement the pre-accession funds	Total
	PHARE	ISPA	SAPARD	EU's total payment		
2000	88	478	151	716	247	964
2001	103	413	151	666	228	894
2002	112	326	151	589	189	778
2004	174	312	161	646	243	889
2005	162	338	161	660	241	901
2006	128	364	161	652	219	872

Source: PNDR 2007–2013

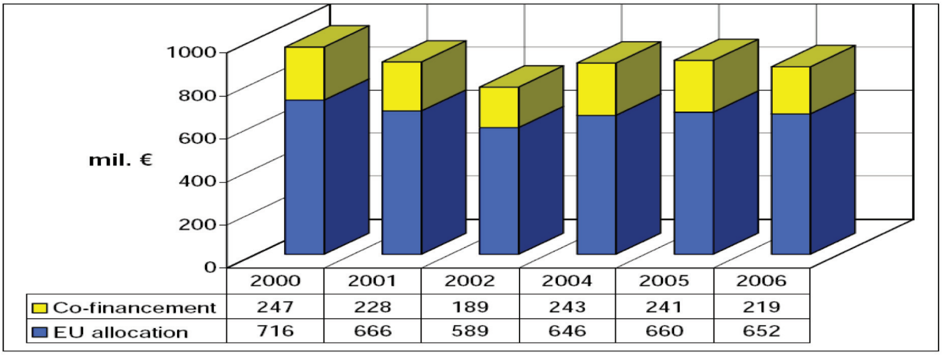

Figure 1. EU allocations for the pre-accession funds (millions EUR)
Source: PNDR 2007–2013

SAPARD in Poland

Poland chose seven measures. The selection proves that Poland designed an investment-oriented programme supporting the development of the broader rural economy, with development-oriented measures accounting for as much as 94% of public funds. Such an orientation was maintained throughout the duration of SAPARD and the modifications of the programme were primarily aimed at the highest possible utilisation of the available appropriations.

As in the case of other investment-oriented programmes, the impact of SAPARD on the situation in agriculture and rural areas will not fade away until investment made under this programme becomes obsolete economically or technologically. Therefore, residents of those rural areas where projects co-financed from SAPARD appropriations were implemented, mainly traders, farmers and other recipients, will benefit from the programme for many years.

It was impossible for SAPARD to solve the underlying problems of Polish agriculture and rural areas, not only due to the limited scope and duration of the programme. The fundamental reason is the backwardness of Polish agriculture, lagging behind Western European agriculture by some 20–30 years. Another severe problem of many rural areas is the underdevelopment of basic technical infrastructure, one of the determinants of living standards (roads, the water supply system, the sewage system, sewage treatment plants, landfill sites) or the poor condition of infrastructure in a number of regions.

As regards the first objective of SAPARD, the efficient implementation of the *acquis communautaire* concerning the common agricultural policy and related policies, the programme was primarily intended to contribute to the improved functioning of the market economy, create the conditions for compliance with quality and sanitary standards, as well as to generate new jobs in rural areas. The measure of particular importance to the achievement of this objective was "Investments in certain branches of the food industry and wholesale trade". Most investment projects were aimed at purchasing machinery and equipment enabling compliance with EU quality and sanitary standards or at construction works serving the same purpose.

Statistical data and market analyses suggest that public resources available under the SAPARD programme contributed to a marked improvement in sanitary standards in the Polish food industry. Investment in four branches of the food industry (meat and poultry, dairy, fish, fruit and vegetable industries; certain cold storage facilities were included at the final stage of SAPARD programming) was supported with EU and national public funds of some PLN 1.7 billion. As a result, by the date of accession a significant number of enterprises operating in the above branches had brought their production into compliance with EU standards and thus obtained the right to export goods to the markets of other EU Member States. Therefore, Poland could fully exploit the opportunities to sell products of the four industries in the Single European Market.

As a matter of fact, a great number of enterprises eligible for support under the SAPARD programme benefited from the available financial assistance. It follows that the programme largely contributed to the preparation of certain key branches of the food industry for EU membership.

The three other measures, i.e. the “Development and improvement of rural infrastructure”, “Investments in agricultural holdings” and the “Diversification of economic activities in rural areas”, initiated multi-annual programmes for agricultural and rural development. Therefore, the improvement in those areas resulting from support within the framework of the SAPARD programme only represented a step on the road to the modernisation of rural areas. Not surprisingly, the same or slightly modified measures have been continued in subsequent programmes supporting agricultural and rural development or in the Integrated Regional Development Programme.

Post-accession Funds

Rural Development Plan for 2004–2006 and the Sectoral Operational Programme for the “Restructuring and modernisation of the food sector and rural development” in Poland

Support for the Polish food economy and rural development has been continued in the form of “SOPR” and “PROW-2004” implemented in 2004–2006, the period of Poland’s membership in the European Union. The preparation of both programmes roughly followed the pattern of SAPARD programming; the Council proposed a selection of measures and Member States could choose those they considered relevant to make country-specific combinations.

Both programmes are comprised of a total of 23 measures. Therefore, financial resources have been less concentrated in comparison with SAPARD, even if one bears in mind that “PROW-2004” included two special measures, namely “Supplementary area payments” and “Projects approved under the SAPARD programme but not implemented on account of the lack of financial resources". The former had to be included in the programme due to the decision taken during the completion of accession negotiations at the Copenhagen summit. Poland negotiated the possibility to partly supplement direct payments with structural funds in 2004–2006. The necessary amount was included in "PROW-2004", at the expense of resources originally earmarked for other objectives.

The latter measure results from a reasonable decision made by Polish planners and approved by the Commission. It appeared that the total amount of funds needed for the co-financing of all the approved projects within the framework of the SAPARD programme under "Investments in agricultural holdings", "Investments in certain branches of the food industry and wholesale trade" and "Support for non-agricultural economic activities aimed at the creation of new jobs or alternative income in rural areas" exceeded the available financial resources. Therefore, the decision was taken that the projects, which could not be implemented under SAPARD for that reason, should be financed from special appropriations within the framework of "PROW-2004".

The increased number of measures included in "SPOR" and "PROW-2004" enabled the co-financing of projects, which would have been ineligible under SAPARD. On account of the new measures both programmes have supported not only the development of the food economy, but also other objectives such as sustainable rural development and agricultural income aid. In fact, both programmes addressed the issue of agricultural income aid as if it were a hidden agenda. "Support for farming in less-favoured areas" was included in the group of measures co-financing sustainable rural development. Yet it is difficult to recognise that its main goal is the environmental protection and support for sustainable development of rural areas. Although farming activities in less-favoured areas undoubtedly prevent environmental degradation, particularly the deterioration of the rural landscape, in Poland the lack of support could result in the discontinuation of agricultural activities and consequently permanent set-aside on a larger scale only in extremely disadvantaged regions. Therefore, measures aimed at covering the largest possible agricultural land with LFA payments have been oriented – apparently – towards increasing farmers' income rather than the environmental protection. Furthermore, it should be pointed out that this multi-annual measure is "quasi-fixed" since it should be included in an unchanged form (the area and rates of assistance) in the "PROW-2013" programme. Cutting the subsidy rates and/or the area covered is very challenging politically as it would unquestionably involve discontent among farmers and reduce their support for political parties attempting to introduce such a solution.

Another controversial issue, to say the least, is the fact that the EU categorised structural pensions as measures oriented towards improving the competitiveness of agriculture and forestry. Obviously, the basic eligibility criteria for receiving a pension favour an improvement of the agrarian structure and consequently strengthen the competitive position of a farm. At the same time, however, structural pensions are aimed at social protection, providing rather good financial conditions for farmers retiring from agricultural work. Social protection is almost certainly superior to the economic aspect under this measure. Expenditure on structural pensions is "partly fixed" since the granting of a pension entails financial consequences for many years. If appropriations are insufficient to meet the needs of all the eligible applicants for structural pensions, then the "first come, first served" rule is followed and pensions are only granted until the limit is reached. The pensions in "PROW-2013" are lower than in with "PROW-2004", which may result in serious discontent in rural areas.

According to the classification applied in Council and Commission regulations, measures directly contributing to the development of the food economy[4] accounted in the years 2004–2006 for €2,358 million (43.8% of total appropriations of the programmes in question), those supporting sustainable development – for €2,116 million (39.4%) and other measures – for €903 million (16.8% of total funds). Such proportions might suggest that the current programmes support rural areas, both the development of the food economy and sustainable development (the two types are not necessarily conflicting). However, a different classification[5] leads to different results; it turns out that measures directly contributing to the development of the broader rural economy account for €2,327 million (43.3%), of which the funds for the development of the food economy represent €2,195 million (40.8%), support for the environmental protection – €463 million (8,6%), agricultural income aid – €2,323 million (43.2 %) and funds for other measures – €263 million (4.9%). Therefore, a significant share of appropriations for "PROW-2004" and "SPOR" appears to be earmarked for the co-financing of measures oriented towards social protection and only some of them contribute indirectly to economic, also sustainable development.

Such allocation implies that the programmes implemented in 2004–2006 should be regarded as both social protection-oriented and development-oriented. The mixed character of both programmes is understandable. However, it is very doubtful whether programmes characterised by such a high share of social spending and income aid represent a favourable solution for rural development in the long term.

[4] Measures under two priorities, namely "Support for changes and adjustments in agriculture" and "Increasing the competitiveness of agricultural holdings", were considered to contribute directly to the development of the food economy.

[5] According to this classification, the following measures were considered to contribute directly to the development of the broader rural economy: 1. Investments in agricultural holdings, 2. Setting-up of young farmers 3. Diversification of agricultural activities, 4. Investment and modernisation of the agri-food industry and wholesale trade in agri-food products, 5. Land consolidation, 6. Support for non-agricultural activities, 7. Infrastructure, 8. Producer groups, 9. Standards, 10. SAPARD; the following were regarded as environment-oriented measures: 1. Agri-environmental schemes, 2. Afforestation, 3. Restoring forests damaged by natural disasters; the following measures were considered to be income aid: 1. Structural pensions, 2. Support for semi-subsistence farms, 3. Support for farms in less-favoured areas, 4. Supplementary direct payments.

Poland

The Community authorities imposed a uniform structure of national Rural Development Plans for 2007–2013 on all the Member States. The programmes need to be organised around three main "axes" (referred to as "priorities" in previous programmes) and a fourth, additional axis, i.e. the Leader approach. Axis 1 is "Improving the competitiveness of the agricultural and forestry sector", axis 2 – "Improving the environment and the countryside", axis 3 – "The quality of life in rural areas and diversification of the rural economy". Each axis includes a number of measures. According to Council Regulation, the Community financial contribution should cover at least 10% of the EU total contribution to the programme for axis 1 and 3, at least 25% for axis 2 and at least 5% for axis 4 (Member States were free to allocate the remaining 50% of available resources between objectives).

During the development of national programmes, Member States could choose from 37 measures. Poland selected 24 measures for the "PROW-2013", which reflects the lack of concentration of financial resources, as in the current programmes. Appropriations for axis 1 were set at 44.5%, for axis 2 – 36.6%, for axis 3 – 16.2%, for axis 4 (Leader) and technical assistance – 2.6% of the EU funds. Therefore, Poland fully exploited the opportunity to allocate the remaining 50% of the total Community contribution between measures according to country needs and, as a result, the balance between axes in the Polish "PROW-2013" is different from that suggested by the EU. The most appropriations were earmarked for improving the competitiveness of agriculture and forestry (the share of axis 1 exceeds the minimum level by 34.5 percentage points, i.e. it is 4.5 times higher). By contrast, the share of axis 3 increased relatively the least in comparison with the minimum Community financial contribution. The financing of rural areas through the Leader initiative was clearly approached as a necessary evil (the minimum share, except that certain measures under axis 3 will be implemented by local action groups).

The above allocation of public resources suggests that the "PROW-2013" programme focuses on measures improving the Polish food economy and increases funds for the environmental protection. However, an analysis based on the classification described in footnote 5 leads to different conclusions. It appears that appropriations for measures directly contributing to the development of the broader rural economy amount to €6,026 million (39.3% of total public resources), including €4,722 million (30.8%) for the development of the food economy, €3,097 million (20.2%) was earmarked for the environmental protection, €4,474 million (29.2%) for income aid, €1,720 million (11.2%) – for other measures. The above figures indicate that "PROW-2013" is as socially oriented as the current programmes and the environmental protection represents – judging by the allocated amount of financial resources – an important part of programme.

Such orientation of "PROW-2013" also stems from the fact that the top two measures – in terms of public contribution – are agricultural income aid schemes, i.e. support for farming in less-favoured areas (€2,286 million) and structural pensions (€2,188 million together with funds for 2004–2006 commitments). Furthermore, it should be pointed out that agri-environmental schemes also have a strong side effect in the form of agricultural income aid. Since participation in such programmes is voluntary, they require financial incentives for farmers, i.e. payment for running a farm or performing certain farming activities according to detailed instructions. Therefore, they should offer increased or at least unchanged income.

Romania

As a EU member, Romania will benefit from post-accession funds, which are significantly larger than the pre-accession funds. The total amount allocated for Romania for the period 2007–2013 for Structural and Cohesion Funds is Euro 19,668 billion, out of which:

- Euro 6.552 billion – Cohesion Fund;
- Euro12.661 billion – European Regional Development Fund and European Social Fund within Convergence Objective;
- Euro 455 million – European Regional Development Fund within European Territorial Cooperation Objective.

Allocations for agriculture, rural development and fisheries for 2007–2013 are estimated at Euro 7.1 billion from European Agricultural Fund for Rural Development and Euro 0.2 billion from European Fund for Fisheries.

The main post-accession funds available starting with January 2007, include:

- European Regional Development Fund (ERDF), which promotes economic and social cohesion through the reduction of imbalances between regions or social groups;
- European Social Fund (ESF), which improves the employment opportunities for unemployed and disadvantaged groups;
- Cohesion Fund (CF), a special fund that finances projects in the transport and environment sector;
- European Agricultural Fund for Rural Development (EAFRD) and the European Fund for Fisheries (EFF) to support the Common Agricultural Policy and the Common Fisheries Policy.

The funds are meant to increase economic competitiveness, improve transport and environmental infrastructure, develop and strengthen regional development, improve human resources development and strengthen administrative capacity, in order to speed up the economic convergence in the EU.

The use of structural instruments (ERDF, ESF and CF) is based on programmes. Potential beneficiaries can propose projects and apply for funding through Operational Programmes (OPs). Each OP gives orientation about the type of projects it will finance. Hence, potential beneficiaries need to identify the OPs, which would best fit their projects.

Romania has already set up the administrative structures for accessing the Structural Funds and distributing these to the beneficiaries. For each OP the managing authorities and intermediate bodies have been set up. The selection of projects is carried out by the competent national or regional authorities (Intermediate Bodies or Managing Authorities). An important document for helping potential beneficiaries in designing the projects is the Applicant Guide – at least one for each OP. The release of the Applicant Guides was expected in late 2006. Once a project is selected, its implementation becomes the responsibility of the beneficiary. This organization has to provide the co-financing for the project, to meet the project objectives, to deliver the outputs, to report and document the expenses and deliverables and to observe the programme's rules and constraints (which will be detailed in the relevant Applicant Guide).

The beneficiaries of the CF are public authorities, NGOs, businesses (companies, professional associations, chambers of commerce), research institutes, universities for ERDF and ESF, and the Romanian National Company of Motorways and National Roads, the National Railway Company, etc.

Parallel, but not part of the Structural Funds is the European Agricultural Fund for Rural Development and the European Fund for Fisheries.

The document that will clearly indicate the way these funds will finance investments in Romania is the National Programme for Rural Development for 2007–2013 and the Operational Programme for Fisheries.

The SAPARD Agency was transformed in Payment and Intervention Agency and theoretically, it will administrate 12 billions EUR during 2007–2013 (5 billions EUR direct payments and 7 billions EUR investments in agriculture and rural development).

According to the methodology for payments (n+2), in 2007 Romania must spend between 300-350 millions EUR funds allocated for 2003 and 2004, 100 millions EUR from "Romanian SAPARD" and in 2008 over 470 millions EUR funds allocated for 2005, 2006. In this way, till the end of 2008 Romania has a surplus of 1.5 billions EUR, additional money besides the allocated sums from other EU funds.

Closing remarks and general conclusions

Among the rural development programmes co-financed from EU funds, only the pre-accession SAPARD was definitely development-oriented. By contrast, the current programmes and the programme to be implemented in the next financial period are mixed in character. They include measures contributing to rural development as well as agricultural income aid schemes and measures aimed at the environmental protection.

Such a structure of the programmes partly stems from the EU framework, but it also results from decisions taken by the national authorities on the selection of relevant measures from the set proposed by the Council. Despite certain limitations imposed by the Council, Poland and Romania still has significant room for manoeuvre and may, following the guidelines, choose to develop a strongly development-oriented programme, one aimed at the environmental protection or at agricultural income aid.

On account of the obvious backwardness of Polish agriculture and the difficult economic situation in most rural areas, it would be desirable to concentrate public funds on development-oriented undertakings, especially that presently public resources available to beneficiaries are well utilised, which reflects significant absorption capabilities. Unfortunately, room for manoeuvre for the creators of the programme for 2007–2013 was reduced by the fact that some public funds, estimated at nearly €5.8 billion (37.7% of total public resources) represented fixed or partly fixed payments which had to be earmarked for structural pensions, LFA payments, semi-subsistence farms and agri-environmental payments in "PROW-2013". If programmes include multi-annual measures, fixed payments are indispensable, but their share – nearly 40% – is definitely too high. It results from the hardly explicable generosity of the creators and persons responsible for approving "SPOR" and "PROW-2004".

The need for the maximisation of public funds earmarked for improving the competitiveness and increasing the production potential of Polish agriculture results from the fact that the 2007–2013 programme is likely to be Poland's first and at the same time last opportunity to utilise EU funds for the modernisation of agriculture and the rural economy on such a large scale. In subsequent financial perspectives appropriations for this purpose may be reduced; moreover, Member States may be obliged to allocate the available financial resources primarily to the improvement of the environment and agricultural income aid.

The "PROW-2013" programme fails to concentrate funds on measures improving the competitiveness and productivity of Polish agriculture. It is characterised by a rather even distribution of appropriations between measures oriented towards (a). Development, (b). The environmental protection and (c). Agricultural income aid. Therefore, it may be regarded as a compromise programme (or a conformist one), which is unlikely to satisfy anyone, but still free from the fault of excluding measures important to the environmental protection and agricultural income.

Although it may prove difficult to eliminate certain measures included in the present version of "PROW-2013" or at least transfer some appropriations to development-oriented measures, it is indispensable. Furthermore, it is necessary to tighten the eligibility criteria for less-favoured areas. Finally, it should be considered whether certain measures could be financed exclusively from national funds. However, the last proposal seems not very feasible since the co-financing of "PROW-2013" already represents a significant strain on the state budget.

There are some other conclusions resulted from Romanian experience that can be added to those mentioned above.

The Romanian experience from SAPARD Programme put into evidence a few aspects that must be avoided in the future implementation of EU funds. One important lesson must be an immediate implementation of the necessary measures and programmes together with institutional accreditation without delays and cancel actions.

The programmes elaborated as complementary or subsidiary measures to the main programmes have opened new doors to those farmers without financial power, those with small dimensions and lack of other options of development. The maintenance of this trend will have a consistent contribution to the development of rural area and Romanian farmers, competitive in EU market and new possibilities of evolution.

Flexibility for the definitions of the target groups and the limit sum allocated for a project.

The lack of official data, standard with data provided by other countries will represent a big barrier for future adequate projects, close to Romanian needs.

Another barrier is the rural mentality and still the big dimension of rural area and agriculture in national economy. Changing all these features, the rural area could become that area in which environment and non-agriculture activities will acquire a bigger importance.

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