Abstract. The second pillar of the Common Agricultural Policy is an important element of support for Polish rural areas, due to the need to improve the competitiveness of agricultural producers, to transform the employment structure, to boost infrastructure development and to implement tasks related to the protection of the environment. Thus, the size of the funds of the Rural Development Programme (RDP) for 2014–2020 and their allocation to different tasks is essential for the future of rural areas. The aim of the article was to evaluate the RDP for 2014–2020 from the point of view of the potential economic consequences of its implementation. This rating was made in two areas: the budget, and the construction of selected activities. Data on the budget and the allocation of funds in the new financial period indicate that the RDP limits expenditures on some of the objectives, primarily related to infrastructure and entrepreneurship. The priority actions are, however, pro-investment and modernization, and improving the position of farmers in the food chain. There are also programs of a social nature, aimed at small farms and activities with low added value (e.g. less favored areas, or LFA). Reducing the budget of the RDP forced implementation of some solutions, e.g. degressive payments and limits on the area and economic size of farms; thereby both the smallest and larger farms could be excluded from part of the support.

Key words: rural areas, Poland, RDP, budget, tasks, assessment

INTRODUCTION

Since May 2004 Poland has been a part of the CAP support structure. Previously applied interventionism mechanisms on the food market have been changed and EU funds started to be allocated to the domestic agricultural sector and rural areas. Jointly in the years 2004–20131 within the CAP framework beneficiaries were paid approx. 210 billion PLN, of which the greatest part was allocated to direct payments (slightly below 50% total support). Payments to a considerable degree supplemented income of farms and were mostly used for current production (purchase of fertilisers, feeds, pesticides, seeds, etc.). In turn, investments were made using funds from the Rural Development Programme (Program Rozwoju Obszarów Wiejskich – PROW) for the years 2004–2006 and 2007–2013. These funds were also used to finance other operations, e.g. subsidies to less favoured areas (LFA), agri-environment programmes, development of non-agricultural economic activity or rural infrastructure. The amount of 65 billion PLN was spent on the above-mentioned programmes in the period 2004–2013, accounting for over 30% total support within CAP (including the RDP 2004–2006 – 5.2%; RDP 2007–2013 – 25.9%).

1 A part of funds was also paid in the next two years based on long-term contracts.
The other 20% funds include e.g. market interventions, the sector operational programme, the common organization of the market in fruit and vegetables, the common fisheries policy (Łykowski, 2015).

In the new EU budget programming period for the years 2014–2020 the Common Agricultural Policy is based on new assumptions resulting from extensive negotiations of the EU member countries, finally concluded in the beginning of 2013 (The European Council Summit in February 2013 and the Council of Ministers for Agriculture in March the same year). Indications for changes in the previously applied mechanisms were both connected with external conditions – growing global demand for food, worldwide fluctuations in agricultural produce, climate change and the internal situation of the EU, including particularly financial problems in the EU countries as a result of the economic crisis of 2008–2009. The reform was connected with changes in the organization of support for agriculture, as well as expenditure for individual budget items. It needs to be mentioned here that for the first time in the EU history total funds for the agricultural sector are lower than in the previous financial perspective, and it was despite the accession of new member countries, i.e. – Bulgaria and Romania in 2007 and Croatia in 2013. At the same time it needs to be stressed that a decrease in the amount within the Natural resources section is a consequence of limitations in Pillar I of CAP (direct payments and market interventionism), while the amount for Pillar II (rural development) increases both in the relative and absolute terms (Rada Europejska, 2013). Thus an increase in the importance of Pillar II of CAP emphasizes the new approach to agriculture, in which non-productive functions and broadly understood public goods are gaining in importance (Czyżewski and Stępień, 2011).

Pillar II of CAP is obviously an important element of support for Polish rural areas. Its weight results from the necessity to improve the agrarian structure of agriculture in Poland, improved competitiveness of agricultural producers, transformation of the employment structure, needs connected with the development of infrastructure or finally the realization of environmental protection tasks. Thus the volume of funds in the RDP 2014–2020 and their allocation to individual tasks is of key importance for the situation of rural areas in the next few years, especially that it is probably the last such generous CAP budget for Poland. The aim of this paper is thus to evaluate the Rural Development Programme for the years 2014–2020 in terms of economic aspects of its performance. This evaluation will be conducted in two areas: budget potential and the structure of selected actions. This analysis is performed at the beginning of the third year of the current programming period, thus it is an ex ante evaluation, e.g. due to the fact that a considerable part of the realised actions is postponed.

BUDGET OF RDP 2014–2020

The structure of the Rural Development Programme results from the priority directions of actions adopted at the EU level, identical for all EU countries. In comparison to the previous budget perspective the countries were left with more freedom in the formulation of specific solutions.

Thus the previous division into 4 axes was replaced by six general objectives (MRiRW, 2013):

- support for knowledge and innovations
- increased competitiveness of agriculture and forest economy
- organization of the food chain and risk management;
- protection of ecosystems
- resource management and low-carbon economy
- increased public participation, reduction of poverty and economic development of rural areas.

Within these objectives the governments developed original programmes adapted to the needs of the domestic agricultural sector and rural areas. A considerable role is played here by the division of CAP funds at the EU level and the internal allocation of funds between CAP Pillars I and II.

The Polish CAP budget (only the EU funds) for the years 2014–2020 is 32.1 billion Euro in current prices, including 21.2 billion Euro of funds for Pillar I (direct payments and market interventionism) and 10.9 billion Euro within Pillar II – the Rural Development Programme. In comparison to the budget for 2007–2013 the support funds for area payments (as phasing in to complete payments in 2013), while RDP financing decreased (Table 1). Additionally,

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2 More specifically since the onset of long-term budget programming, the so-called Delors Package for the years 1988–1992.
a portion of funds in Pillar II (2.3 billion Euro) by the decision of the minister of agriculture was transferred to Pillar I in order to increase the amount allocated to direct payments. Thus the budget connected with the rural development programme for the years 2014–2020 is much lower than in the previous years (for more details see Czyżewski and Stępień, 2015).

Moreover, if we include liabilities resulting from contracts concluded in the period 2007–2013 – approx. 1.3 billion Euro, reserve for the action “Investments for economic growth and employment” – 0.7 billion Euro (in accordance with guidelines of the Common Strategic Framework), the budget of Pillar II for the other actions (supplemented with domestic funds) is 11.5 billion Euro, i.e. it is as much as 6 billion less than in the previous financial perspective (Czyżewski and Stępień, 2015). While it is assumed to co-finance some tasks connected with rural areas from the Cohesion Fund in the amount of 5.2 billion Euro, it needs to be remembered that to a considerable degree these funds are at the disposal of provincial local governments, which in their strategies and operating programmes prefer towns as key units of local development. It also needs to be stressed that in the period 2004–2006 approx. 10% funds within the cohesion policy were allocated to financing of projects dedicated to rural development, while in the years 2007–2013 this share increased to 15% (FUNDEKO, 2011). Nevertheless, the assumed level of 5.2 billion Euro is equivalent to a little over 6% total budget of the cohesion policy for the years 2014–2020. Thus there is no guarantee that the reduction of funds within CAP Pillar II may be compensated for in this way. Summing up, the budget of the Rural Development Programme in the present financial perspective is less advantageous than in the years 2007–2013, thus it is necessary to select priority support targets and to abandon the other objectives.

In view of the above, the budget of the Polish RDP 2014–2020 was constructed in a manner, which prefers actions concerning modernization of agriculture and its increased competitiveness (Kiryluk-Dryjska, 2014). It is evidenced e.g. by an increase in expenditure (both in the nominal and real terms) allocated to investments in fixed assets and operations of agricultural producer groups, as well as the “Young Farmer” support scheme (here it is a nominal increase). The total amount reserved for competitiveness of agriculture in Pillar II exceeded 4.3 billion Euro.

A slightly lower amount – 4.2 billion Euro – will be allocated to the agri-environment-climate programme, which results from the generally accepted principle of min. 30% Pillar II being used for that purpose. However, over 50% of that amount (2.3 billion Euro) will be used as payments to less favoured areas (LFA), which are de facto a supplementation of area payments and serve a passive role in environmental activities. The other funds in this area are much lower than in the years 2007–2013, despite the declared “green” EU agricultural policy. A particularly marked aspect is connected with a lack of sufficient funds to support water management systems, due to the increasingly frequent rainfall deficits, first of all in late spring and summer. A definite decrease in financing is evident also in the case of tasks connected with start-up activities and non-agricultural jobs (former “diversification of activity” and “microenterprises”, currently “start-up

### Table 1. Budget of the CAP for Poland in the years 2007–2013 and 2014–2020 (billions EUR, current prices)

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Pillar I – union’s money I filar – środki unijne</td>
<td>15.2</td>
<td>21.2</td>
</tr>
<tr>
<td>Pillar I – domestic money I filar – środki krajowe</td>
<td>6.6</td>
<td>0.2</td>
</tr>
<tr>
<td>Transfer from II to I Pillar Przesunięcie z II do I filara</td>
<td>–</td>
<td>2.3</td>
</tr>
<tr>
<td>Pillar I totally Łącznie I filar</td>
<td>21.8</td>
<td>23.7</td>
</tr>
<tr>
<td>Pillar II – union’s money II filar – środki unijne</td>
<td>13.4</td>
<td>10.9</td>
</tr>
<tr>
<td>Pillar II – domestic money II filar – środki krajowe</td>
<td>4.0</td>
<td>4.9</td>
</tr>
<tr>
<td>Transfer from II to I Pillar Przesunięcie z II do I filara</td>
<td>–</td>
<td>2.3</td>
</tr>
<tr>
<td>Pillar II – totally Łącznie II filar</td>
<td>17.4</td>
<td>13.5</td>
</tr>
<tr>
<td>Pillar I and II totally Łącznie I i II filar</td>
<td>39.2</td>
<td>37.2</td>
</tr>
</tbody>
</table>

subsidies”) and development of infrastructure (“basic services, renewal and development of rural areas”) (Table 2).

In conclusion, allocation of funds for individual activities is preferable for regions with well-developed agriculture. This is manifested in the relatively high amount of the budget for investments and modernization of farms and marginalization of activities connected with the development of infrastructure in rural areas and entrepreneurship. Such a structure of objectives may increase competitiveness of farms from voivodeships of western and central Poland (the Wielkopolskie, Kujawsko-pomorskie, Mazowieckie voivodeships), but it may also lead to further marginalization of agriculture in south-eastern Poland. Regionalization does not have to be wrong in itself, if agriculturally less developed areas are given an alternative direction for development. It is important in rural development process to consider specific local resources and use them more efficiently (Kołodziejczyk, 2015). In contrast, such an approach may hardly be observed in the RDP 2014–2020.

**SELECTED PROGRAMME ACTIONS AS SEEN EX-ANTE**

The Rural Development Programme in Poland may in practice be a continuation of previous activities (sometimes under a changed name), although it is at a much lower budget in comparison to the period of 2007–2013, which may significantly reduce effectiveness of the Programme. Planned tasks are to meet six above-mentioned priorities. A key direction of support within the RDP 2014–2020 is connected with farm competitiveness. 

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**Table 2. Budget of RDP in the years 2007–2013 and 2014–2020**

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Modernization of farms</td>
<td>2 489</td>
<td>2 816</td>
<td>2 532</td>
</tr>
<tr>
<td>„Young farmer”</td>
<td>581</td>
<td>585</td>
<td>526</td>
</tr>
<tr>
<td>Producer groups</td>
<td>183</td>
<td>353</td>
<td>317</td>
</tr>
<tr>
<td>Restoring of agricultural production potential</td>
<td>197</td>
<td>415</td>
<td>373</td>
</tr>
<tr>
<td>LFA</td>
<td>2 367</td>
<td>2 330</td>
<td>2 095</td>
</tr>
<tr>
<td>Agri-environment programme + organic farms</td>
<td>2 307</td>
<td>1 760</td>
<td>1 582</td>
</tr>
<tr>
<td>Afforestation + restoring of potential</td>
<td>361</td>
<td>301</td>
<td>271</td>
</tr>
<tr>
<td>Diversification + microenterprises/Start up</td>
<td>1 041</td>
<td>414</td>
<td>372</td>
</tr>
<tr>
<td>Basic services, renewal and development of rural areas</td>
<td>2 304</td>
<td>1 075</td>
<td>967</td>
</tr>
<tr>
<td>LEADER</td>
<td>801</td>
<td>735</td>
<td>661</td>
</tr>
</tbody>
</table>

Over 4.3 billion Euro will be allocated to this purpose, of which over 2.8 billion Euro will be within the “Modernization of farms” activity. In previous years it was a program very popular among beneficiaries, used by 51 thousand farms. Farmers purchased almost 34 thousand tractors, over 222 thousand machines, tools and other equipment, constructed or modernised over 2800 farm buildings (Łykowski, 2015).

Within the present financial perspective the programme assumes diversification of support levels depending on the investment. Higher amounts are allocated to the construction of farm buildings (900 thousand PLN in the case of pigs and 500 thousand PLN for cow’s milk and beef cattle production), while lower amounts are granted for the purchase of tractors, machines and equipment (max. 200 thousand PLN). It needs to be stated that such a solution is justified from the point of view of agriculture need. Firstly, due to the decline in animal production (primarily pigs) it is recommended to support these directions of activity, while secondly opinions are voiced (e.g. Muzalewski, 2015; Zieliński, 2012; Zegar, 2009) on excessive investments in the Polish agricultural sector (the problem concerns mainly smaller farms). In view of the above, it is an advantageous aspect to execute joint investments and to obtain higher co-financing for these operations (up to 60% investment costs in relation to 50% in individual investments). On the other hand, it seems that the established minimum fund availability threshold (10 thousand Euro at standard SO) is too low, as it is met by as many as approx. 450 thousand farms (while the Ministry of Agriculture is planning slightly over 50 thousand investments).

The adoption of the threshold of e.g. SO of 16 thousand Euro, i.e. a double value of the so-called viability threshold (Józwiak and Ziętara, 2012), would limit the number of potential beneficiaries by almost a half (decreasing it to 250 thousand farms), whereas funds would be granted to those, who have a greater chance for further development (Czyżewski and Stępień, 2015). Two statements given in the RDP are also objectionable. One of them assumes that financing will be granted to investments, “which do not cause an increase in production, for which there is not outlet market”. If we follow this line of reasoning, every business plan should prove to be successful, since we will produce outputs, for which we will find demand. However, in practice there are always some investment failures. Will farmers be forced to return the subsidy in such a case? In turn, the other principle stipulates the necessity to perform operations, which leads to an increase in the gross added value on the farm by min. 10%. Adoption of this measure of income as a criterion for the evaluation of a given activity may be objectionable, since farmers have little control over the external costs. In the case of their increase (e.g. as a result of an increase in oil prices costs of fertilizers, pesticides, fuel, etc. are also increasing) it may be impossible to reach this threshold, a better criterion could be provided by standard output SO. An increase in the added value by a specific value may also prove difficult to reach in the case of purchases of machines and equipment, which while rationalising operations, are reflected in the farmer’s income to a very limited degree.

For farms excluded from the “Modernization” support scheme due to the too low threshold of the economic value another programme, “Restructuring of small farms” was established (budget of 750 million PLN). According to the data of MRiRW (2015b) this action is to cover approx. 50 thousand investments in an amount of max. 60 thousand PLN. In view of the agrarian structure of Polish agriculture, such a solution is essential. A more comprehensive analysis of its structure leads to a conclusion that due to the limited scope of financial support and barriers in applications for other funds it is of limited importance for investments, which makes it similar to the previous programme for “Semisubsistence farms”. For example, the impossibility to simultaneously use funds for non-agricultural start-ups may result in this groups of farmers having perpetually low incomes, particularly as the sale of processed agricultural produce, as required by the regulations on direct sales, requires registration of economic activity. Thus on the one hand an obligation is imposed to show an increased economic size of the beneficiaries over 10 thousand Euro annually and over 20% in relation to the base year, while on the other hand the opportunities to obtain additional income e.g. through sales of products processed on the farm are reduced. Nevertheless, for small farms it would be a logical concept for business development (we need to remember that similar solutions are found in many other EU countries).

Another programme focused on farm development is the Subsidies for Young Farmers scheme. In the EU this...
action aims at the reversal of an adverse age structure of EU farmers, since as it is indicated by respective data the youngest farmers aged below 35 years account for only 7.5% farming population, while individuals aged over 64 years constitute almost 30% of all farmers. In this respect Poland is an exception for the better, with the above-mentioned age groups constituting 14.7% and 8.4% farming population, respectively (European Commission, 2015). In the group of five EU countries with the largest number of farms (i.e. Romania, Italy, Poland, Spain and Greece) Poland is an exception in terms of a different age group of farmers, as the share of young farmers is over two-fold greater, while that of the oldest farmers is four times lower than in the other countries of that group (even if we consider all EU countries the share of young farmers is highest in Poland). Maintenance of such a trend should be one of the priorities in support programmes for rural areas. For this reason it is an advantageous solution that despite a general reduction of the RDP budget the level of support for young farmers has been preserved (total budget of 585 million Euro). The amount reserved by the ministry is to subsidise approx. 23.5 thousand farms (mean subsidy level for one farm at 100 thousand PLN). Another advantage is connected with the fact that funds are to be granted to larger farms (minimum threshold of 13 thousand SO and UAA equivalent to min. national or provincial average), at the same time meeting the criteria for family farms (UAA up to 300 ha and SO max. 150 thousand Euro). In the case of such farms an increase in added value from agricultural production is most desirable, as this group is to provide the foundations for a competitive agricultural sector in Poland.

A positive opinion needs to be presented for the financial strengthening of the action connected with the “Establishment of producer groups and organizations” (a two-fold increase in the budget for that purpose in comparison to the period of 2007–2013 from 183 to 353 million Euro), since horizontal integration among agricultural producers in Poland remains limited. In the beginning of 2015 in Poland there were 1350 groups, associating a little less than 27.9 thousand members (KSOW, 2016). This means that less than 2% farms were operating within this form of economic activity and the disparity between Poland and such countries as Denmark, France, Belgium, Holland or Finland is huge. This is connected with specific consequences such as the limited proportion received by farmers from the final price of foodstuffs due to their low bargaining power in relation to the more concentrated processing and retail sectors. An additional programme improving the position of agricultural producers in the food supply chain may be “Processing and marketing of agricultural produce” (with a budget of 693 million Euro). This action is dedicated both to farmers and the sector of small and medium-sized enterprises and it may be used to enhance cooperation between farms and new enterprises (Mickiewicz and Mickiewicz, 2015). An important principle for the operation of the latter is connected with the obligation for procurement of agricultural produce based on permanent contracts including the pricing mechanism. Such a rule may reduce the risk of price variability in the free market, which facilitates long-term planning. A similar objective may have been associated with a novel CAP solution in the income risk management, i.e. the so-called Income Stabilization Tool (before there were no such instruments in the EU programmes). Unfortunately, due to the limited budget and the high estimated costs of this action (1.8 billion PLN in the years 2014–2020) the Ministry of Agriculture has not included this action in the RDP for 2014–2020.

Among the other specific observations the Programme we may also indicate the following (IRWiR PAN, ECORYS Polska Sp. z o.o., IUNG PIB 2014):

- A disproportionally high number of attachments to applications in several actions (e.g. “Modernization”, “Processing and marketing”), resulting in red tape and bureaucracy being a burden both for farmers and the respective administrative units. Additionally, another obstacle was connected with the need to run revenue and expense ledgers even in small enterprises
- In the Start-up action the RDP does not provide financing for training programmes targeting non-agricultural activity, with a simultaneous lack of opportunities to support existing microcompanies
- A negative opinion on the Agri-environment-climate package in terms of the descending support scale (environmental objectives are more
effectively realised over large and cohesive areas) and a lack of potential for the realization of various packages for the same farmland (in this way sustainable agriculture, i.e. farming connected with food production may be eliminated by protection of soils and waters)

• A positive opinion on the new LEADER scheme thanks to the extension of its scope and the establishment of the so-called umbrella operations7 as well as new actions, i.e. Transfer of know-how, Counselling services and Cooperation, which are to involve the scientific and business sectors.

CONCLUDING REMARKS

The motto for the Polish RDP for the years 2014–2020 assumes: “Improvement of agriculture competitiveness, sustainable management of natural resources and climate actions and sustainable regional development of rural areas”. Referring to its contents and the Programme structure we may state the following:

• the element connected with competitiveness of agriculture is being implemented. Such actions as “Investments in farms”, “Young Farmer”, “Establishment of producer groups and organizations” will obviously contribute to modernization of the agricultural sector. This objective was also allocated a relatively high share of the total CAP Pillar II budget;

• by necessity objectives classified as natural resource management are also financed, although a half of its budget is used for LFA payments. Funds for real environmental actions were limited, while there is a risk of lesser effectiveness of this action as a result of the implemented descending support scheme;

• the reduced budget of the RDP for 2014–2020 results in the marginalization of tasks connected with territorial development of rural areas, including infrastructure and jobs in the non-agricultural sector. While support is declared for these actions from the Cohesion action in the cohesion policy, the proposed level of allocated funds is lower than in the previous years.

7 It refers to actions, which combine the so-called microprojects, being too small to be financed separately.

REFERENCES


EKONOMICZNE ASPEKTY WDRAŻANIA PROGRAMU ROZWOJU OBSZARÓW WIEJSKICH 2014–2020. REMINESCENCJE I PROJEKCJA

Streszczenie. II filar wspólnej polityki rolnej jest ważnym elementem wsparcia polskich obszarów wiejskich, ze względu na konieczność podniesienia konkurencyjności producentów rolnych, przekształcenia struktury zatrudnienia, potrzeb w zakresie rozwoju infrastruktury oraz realizacji zadań związanych z ochroną środowiska naturalnego. Tym samym wielkość funduszy PROW 2014–2020 i ich alokacja na poszczególne zadania jest kluczowa dla przyszłości wsi. Celem artykułu była ocena Programu Rozwoju Obszarów Wiejskich na lata 2014–2020 z punktu widzenia ekonomicznych aspektów jego realizacji. Ocena ta została dokonana w dwóch obszarach: możliwości budżetowych oraz konstrukcji wybranych działań. Dane dotyczące budżetu i alokacji środków pieniężnych w nowym okresie finansowym wskazują, iż w PROW kurczą się wydatki na niektóre cele, przede wszystkim związane z budową infrastruktury i przedsiębiorczością. Priorytetem stają się natomiast działania proinwestycyjne i modernizacyjne oraz poprawiające pozycję rolnika w łańcuchu dostaw żywności. Są także programy o charakterze socjalnym, skierowane do małych gospodarstw oraz działania o niskiej wartości dodanej (np. ONW). Redukcja budżetu PROW wymusiła ponadto wprowadzenie pewnych rozwiązań, np. degresywności płatności lub limitów powierzchni i wielkości ekonomicznej gospodarstwa, przez co wykluczono z części wsparcia zostały zarówno małe gospodarstwa najmniejsze, jak i wielkotowarowe.

Słowa kluczowe: obszary wiejskie, Polska, PROW, budżet, działania, ocena

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