

**WORKING DOCUMENT**  
**RURAL DEVELOPMENT COMMITTEE**

**Member State:**                    **Poland**

**1. APPROVED PROGRAMME:** *The Rural Development Programme for Poland*  
C(2007) 4126 of 7 September 2007

**2. LEGAL BASIS FOR THE MODIFICATION**

Modification related to the first implementation of Article 16a of Regulation (EC) No 1698/2005.

**3. REASONS JUSTIFYING THE AMENDMENT / STRATEGY CHOSEN**

This amendment results from additional resources allocated to the National Strategic Plan and the Polish Rural Development Programme in 2009. The main proportion of them comes from the decision of the European Economic Recovery Plan, which intended to help the Member States cope with the economic crisis by boosting, inter alia, rural development measures. Poland receives 167.79 million EUR for rural development from this Plan (Commission Decision 2009/545/EC). Moreover, the amendment incorporates also additional resources from modulation of the CAP payments as agreed in the Health Check of Common Agricultural Policy. (1.1 million EUR for Poland in 2013 (Commission Decision 2009/444/EC and Commission Decision 2009/545/EC).

Taking into account the national priorities defined in line with the needs in the National Strategic Plan and in compliance with the relevant EC legislation Poland has focused on the following challenges:

- (1) restructuring of the milk sector in preparation for the abolition of milk quotas in 2015 (37% of the additional funding)
- (2) improving water management (20% of the additional funding)
- (3) renewable energy (2% of the additional funding)
- (4) broadband infrastructure (35% of the additional funding)
- (5) biodiversity (6% of the additional funding)

Art. 69, par. 5 a of the amended Council Regulation (EC) 1698/2005 specifies that the additional resources should be spent on types of operations as defined in Art. 16 a. The Polish National Strategic Plan identifies restructuring of agricultural sector, water resources, rural infrastructure, renewable energy and biodiversity protection as some of the main priorities for rural development.

## 4 DESCRIPTION OF THE AMENDMENTS PROPOSED:

### 4.1 New priorities / types of operations

**Restructuring of the milk sector** in preparation for the abolition of milk quotas in 2015 is very important for Poland as the milk sector makes up a significant proportion of country's agriculture economic activity (18-20%) with a global production of 12 billion litres. The sector is also important for land use, in particular for maintaining pastures. The dairy processing sector represents 13.5% of food industry products by sales value. In recent years milk farms have made substantial investments in adjusting to EU hygienic and environmental standards, yet the level of investment and capital endowment of farms remains relatively low. Recent large decrease in milk prices has contributed to a decline in profitability of many dairy farms, putting many of them on the edge of bankruptcy. The sector is fragmented: 75% of farms have a small milk quota (up to 50,000 kg). The average Polish milk herd is small compared to the EU average (only 20% of Polish milk cows are in herds of more than 30 cows – whereas in the EU the equivalent figure is 90%). Thus, the sector needs strong restructuring efforts to allocate production capacities in bigger, more efficient farming units. As a result farms that mainly produce milk require support either to develop or to change to another type of production. There is a need to encourage transfer of milk quotas to bigger farms potentially able to compete in the internal and the world market, and encourage smaller farms either to enlarge or to diversify. Such a targeted approach will be delivered via a set of project selection criteria, which in principle will be aimed at increasing the share of farms with more than 50 cows. This scale should enable farms to have efficient productions and appropriate income levels and an overall improvement of the sector's competitiveness. The support will include tanks for animal waste (which will be monitored).

A similar need for restructuring is indicated in the milk processing sector. The additional resources will be used for on farm investments (see table 5.3.6. below), but the challenge is also being met within the existing budget under measure 123 as investment aid to the milk processing sector.

**Water management** and more specifically the construction of water retention equipment has an economic and environmental importance. As described in the NSP, a large proportion of Polish soil is light and has a low water retention capacity. Recent years have brought droughts, which have had adverse effects on agriculture. The additional resources will be earmarked for investments linked to the construction of water retention equipment, particularly those achieving it through soil retention and counteracting dehydration, as well as renaturalisation of peat land and water courses, which naturally increases retention capacity (see Table 5.3.6 below).

**Internet provision (broadband)** has become an element of infrastructure crucially important for economic and social development. Even though the coverage is rapidly increasing, it is still low compared with the EU average and with the Polish strategic commitments on the EU level. In 2008 the DSL coverage on the national level reached 70%, but only 42.5% in rural areas. Poland will, thus, use the additional funding from the European Economic Recovery Package to address this gap (see Table 5.3.6 below). A lot of emphasis will be placed on synergies with the broad activities in the area of IT society financed from the Structural Funds to ensure that the supported broadband infrastructure will actually be used.

*Development of renewable energy sources* responds to the long-term challenges of climate change and the need for energy diversification identified as Community priorities. Projects in biomass, sun, wind and geothermal energy will be funded from additional resources (see Table 5.3.6. below)

Poland notes that its existing agri-environment measure contributes to the challenge of preserving *biodiversity* identified in the Health Check. Additional resources will be allocated to package 5 (biodiversity on NATURA 2000 areas) of the existing agri-environmental measure (5.9%), which will allow to increase the area covered.

**Table 5.3.6**

Axis/Measure	Type of operation	Potential effects	"Existing" or "New" type of operation	Reference to RDP	Output indicators: target	
					Number of farms that received aid	Total investment value (EUR)
Axis I: Measure 121	Support of investment in restructuring of milk production	Improvement of competitiveness of milk sector	existing	Investment in the development of milk production or change of production profile of milk farms	1,588	172 840 278
					<b>Number of projects</b>	<b>Total value of investment (EUR)</b>
Axis I: Measure 125	Water storage	More rational use of water and improvement of water storage capacities	existing	Investments linked to the construction of water retention equipment, particularly those in soil retention and counteracting dehydration, as well as renaturalisation of peat land and water courses, naturally recreating the retention capacity.	80	37,531,111,00

					Number of farms supported	Area of agricultural land supported
<b>Axis II</b> <b>Measure 214</b>	Protection of biodiversity	Protection of biodiversity	Existing	Agri-environmental schemes protecting biodiversity inside and outside NATURA 2000 areas	3000	8,000 ha
					<b>Number of projects</b>	<b>Total value of investment (EUR)</b>
<b>Axis III :</b> <b>Measure 321</b>	Installation/infrastructure for biomass production and other renewable energy sources (sun, wind, geothermal)	Replacement of mineral fuels	Existing	Investment in production or distribution of renewable energy, in particular wind, solar, water, geothermal or biomass.	20	6,584,750
					<b>Number of projects</b>	<b>Total value of investment (EUR)</b>
<b>Axis III :</b> <b>Measure 321</b>	1) Creation and enabling access to broadband infrastructure, incl. backhaul facilities and ground equipment		New	Building of broadband infrastructure	295	103,026,580

## 4.2 Description of the amendments proposed to axes and measures

The amendments to the Polish RDP involve the following amendments in the existing measures. (Each particular amendment is numbered for the sake of reference):

### Measure 121: "Investment in agricultural holdings "

#### *Objectives:*

Amendment 1 consists in adding a more specific objective to the measure description, namely that one of the objectives of the measure is to provide agricultural producers with opportunities to adjust to the changing conditions, due to the expiration of milk quota system in 2015.

#### *Scope:*

Amendment 2 defines operations in line with Art. 16 a of Reg. 1698 as all projects implemented by farms which have a milk quota, invest in farm improvements on the way to development/modernisation of milk production or other production outside the sector; these investments will contribute to the improvement of the sector's competitiveness.

#### *Eligibility conditions:*

Amendment 3 is a deletion of the current requirement that the project should be in line with the milk quota possessed.

#### *Aid intensity:*

Amendment 4 provides for an increased aid intensity (by 10 percentage points) in case of group of applicants using machines/equipment jointly in dairy sector aid.

It should be noted that although Regulation 74/2009 introduces the possibility for increased aid intensity to all applicants implementing the new challenges, Poland wishes to concentrate its application on group beneficiaries only. This is motivated by the difficult situation of smaller farms (particularly numerous in southern and eastern Poland). The purchase of machinery/equipment for the use of several farms will be technically and economically justified.

#### *Costs*

The total public cost of the measure is thus increased from 1,779,932,000 EUR to 1,849,068,111 EUR and the total costs increase from 4,449,830,000 EUR to 4,622,670,279 EUR.

Other aspects of the measure, such as eligible costs, targeting, and identification of beneficiaries remain unchanged. Noteworthy, project selection criteria were approved by the Monitoring Committee on 23 June 2009, which give a priority to milk farms that have a certain (bigger) herd.

### -Measure 123 "Adding value to agricultural products"

### *Scope*

Amendment 5 specifies that operations in line with Art. 16 a of Reg. 1698 are investments connected with the improvement of processing and marketing of dairy products. No other aspects of the measure are modified.

### Measure 125 "Improvement and development of infrastructure related to development and adjustment of agriculture and forestry"

#### *Objectives*

Amendment 6 specifies that investments linked to the construction of water retention equipment, particularly for soil retention and counteracting dehydration, as well as to renaturalisation of peat land and water courses naturally creating retention capacity are implementing the objectives of Art. 16 a of Regulation (EC) nr 1698/2005 formulated in the Health Check.

#### *Financing*

The measure's financing is increased (Scheme II) by 37,531,111 EUR (total / public costs).

Other aspects of the (sub)measure such as definition of beneficiaries , financing (100% public) or eligible costs remain unchanged.

### Measure 214 Agri-environment

#### *Scope*

Amendment 7 specifies that operations in line with Art. 16 a of Reg. 1698 are: (the whole) agri-environmental programme, which directly or indirectly contributes to biodiversity.

#### *Financing*

Additional funding of 10 million EUR will be added to the measure, in particular to support Package 5 (Biodiversity in NATURA 2000 areas) which means that the total (public) budget of the measure increases to 2,314,861,111 EUR.

*Indicators* The increase in the budget allows to support an extra of 3,000 farms (8,000 ha) under the measure in Package 5.

### Measure 321- "Basic services for rural population"

#### *Scope/scale*

#### Renewable energy

Amendment 8 specifies that operations in line with Art. 16 a of Reg. 1698 are projects in renewable energy.

Additional funding will allow the financing of additional projects in renewable energy, whilst the main aspects of the measure remain unchanged.

### Introduction of broadband operations

Amendment 10 introduces the construction of broadband infrastructure as eligible investment. Support will be granted for investment costs, in particular the purchase of materials, construction works and the purchase of equipment. Projects will lead to the creation of broadband infrastructure in communes. The measure will support operations consisting in creating and enabling access to broadband infrastructure (incl. backhaul and terrestrial equipment) for both private and institutional recipients. Also public internet points will be supported (PIAP) in terms of broadband infrastructure. The beneficiaries of the (sub)measure are communes and associations of communes. Projects in broadband infrastructure can be implemented in peripheral areas where there is no access to broadband infrastructure ("white spots") Complementarity with other IT society projects (those already implemented or planned) is required as well as evidence that in a given area there are potential users interested to subscribe to broadband internet. Technological neutrality will be maintained. The aid will be compatible with de minimis. The aid intensity is 100% (in which 10% "own" public funds of the municipalities).

As regards the demarcation lines, the efforts of RDP will be additional to the efforts of 18 Polish structural funds programmes in this area. The RDP will cover white spots in rural areas. Mapping will be used to this end. A cross-check and cooperation mechanisms will be applied at the project level to ensure that a given project is not double financed from the Structural Funds. The RDP and the regional programmes are generally implemented by the same implementation body (the regional authorities).

A detailed description of the intervention of the Structural Funds in Poland in the area of IT society, and in particular, broadband infrastructure is added in the RDP chapter on demarcation with the Structural Funds. This is implemented by 18 Structural Funds programmes. The Eastern Poland OP covers backbone networks in 5 voivodships as well as access points in each municipality. The Innovative Economy provides "last mile" infrastructure. The regional programmes are regionally differentiated and they cover, inter alia, broadband networks, public access points, etc. These programmes cover both urban and rural areas. The Managing Institution for the RDP will cooperate with the respective Managing Authorities (notably, the Ministry of Regional Development, and the regional authorities) as well as with the Ministry of Internal Affairs and Administration (responsible for IT society in Poland) in order to efficiently contribute to the development of broadband infrastructure in Poland.

The additional public resources earmarked for this measure (for both renewable energy and broadband) as a whole are 62,889,500 EUR. This leads to an increase of the total public cost of the whole measure to 1,541,317,542 EUR.

### Advance payments to beneficiaries

Amendment 9 introduces advance payments for beneficiaries, which may be paid in line with Art 56 of Reg. 1974/2006

This change will ease access to the RDP for beneficiaries, who suffer from the consequences of the financial crisis and will make it easier for them to make investment decisions. The details of application will be set out in the national legislation – at the moment it is planned to cover the beneficiaries of measures of Axis IV as well as farm



modernisation, diversification, microenterprises and adding value to agricultural products.

## **5. THE EXPECTED IMPACTS OF THE AMENDMENTS**

As a result of the implementation improvement in the priority areas is envisaged, such as:

### **5.1. Milk restructuring:**

This intervention will improve farm competitiveness, both by modernisation as well as by encouraging transfer of milk quotas to bigger farms. Smaller farms (75% of milk farms and 26% of production) will be encouraged to change to alternative activities. Some 1,588 farms will obtain aid from the additional funding. *Target indicators are updated.* The total number of farms receiving aid is now 60,966. The additional allocation will generate the total investment of 172,840,278 EUR and the increase in the added value of 48,358,284 EUR. The total number of projects implemented from the extra allocation in this measure is also 1,588..

### **5.2. Water management:**

In Poland, gathering water will help counteract drought and anti-flood measures. Additional funds for small water retention (80 projects) will contribute to better water retention in agricultural areas and the increase of water resources. As a result of the injection of extra resources, the total/public costs of the measure increase to 637,531,111 EUR. 80 projects will be implemented from this funding in Scheme II. They will cover some 6,000 ha of areas with regulated water, some 5,000 ha with improved flood prevention and some 15 million cubic metres of water reservoirs.

### **5.3. Broadband infrastructure:**

Intervention in broadband infrastructure will complement the intervention from the Structural Funds and will enhance development potential of rural areas. An additional 2,005,115 people will obtain a potential access to broadband infrastructure (295 projects).

### **5.4. Renewable energy:**

This intervention will bring about less use of mining raw materials by using renewable energy sources (20 projects).

### **5.5. Protection of biodiversity**

This intervention will finance some 3,000 additional farms covering 8,000 ha (areas with biodiversity resources in NATURA 2000).

At the programme level, as the injection of new resources is relatively small (1.5%) the impact indicators remain unchanged – they will be reviewed at the mid-term evaluation.

## 6 ASSESSMENT

### General assessment of the modification

This modification is generally in line with the Polish NSP as well as the Community priorities. The priorities chosen by Poland are underpinned by the NSP SWOT analysis, which emphasizes the low capital endowment of farms, the need to restructure agricultural sectors, and in particular the milk sector (as its preparation for the abolishing of milk quotas), water shortages for agriculture, high biodiversity resources as well as poor rural infrastructure. They are also in line with the Community priorities defined during the Health Check of the CAP and the European Economic Recovery Plan. The modification correctly specifies operations under these challenges (as defined in Art. 16a of Regulation 1698/2005). The Member States have a flexibility to allocate funding to these operations in line with their needs. The Polish strategy is seen as broadly justified. The specific activities implement the priorities chosen.

## 7 FINANCING

### 6.1. Annual contribution of FEADER (EUR)

Year	Convergence Regions (EUR)	New Challenges – Convergence Regions (EUR)	Total (EUR)
2007	1 989 717 841	0	1 989 717 841
2008	1 932 933 351	0	1 932 933 351
2009	1 872 739 817	98 700 000	1 971 439 817
2010	1 866 782 838	69 090 000	1 935 872 838
2011	1 860 573 543	0	1 860 573 543
2012	1 857 244 519		1 857 244 519
2013	1 850 046 247	1 100 000	1 851 146 247
Total	13 230 038 156	168 890 000	13 398 928 156

**Table 6.2.**

### Financing plan by axis, convergence regions (in euro)

Axis	Total public funding (EUR)	EAFRD contribution (%)	EAFRD funding (EUR)

Axis 1	7 187 532 000	75	5 390 649 000
Axis 2	5 546 001 520	80	4 436 801 216
Axis 3	3 430 183 920	75	2 572 637 940
Axis 4	787 500 000	80	630 000 000
Technical assistance	266 600 000	75	199 950 000
<b>Total</b>	<b>17 217 817 440</b>	<b>76.84</b>	<b>13 230 038 156</b>

**Financing plan by axis, additional funds from Article 69(5a) of Regulation (EC) No 1698/2005 – convergence regions**

Axis	Total public funding (EUR)	EAFRD contribution (%)	EAFRD funding (EUR)
Axis 1	106 667 222	90	96 000 500
Axis 2	11 111 111	90	10 000 000
Axis 3	69 877 222	90	62 889 500
Axis 4	0	0	0
<b>Total</b>	<b>187 655 555</b>	<b>90</b>	<b>168 890 000</b>

**Total**

<u>Axis</u>	<u>Total public</u>	<u>% FEADER</u>	<u>Total FEADER</u>
Axis I	7 294 199 222	75,22%	5 486 649 500
Axis II	5 557 112 631	80,02%	4 446 801 216
Axis III	3 500 061 142	75,30%	2 635 527 440
Axis IV	787 500 000	80,00%	630 000 000
TA	266 600 000	75,00%	199 950 000
<b>Total</b>	<b>17 405 472 995</b>	<b>76,98%</b>	<b>13 398 928 156</b>

**6.3. Indicative budget connected with operations defined in Art. 16a of the Council Regulation (EC) nr 1698/2005 for the period from 1 January 2009 to 31 December 2013 (Art. 16a, par. 3b up to the amounts mentioned in Art. 69 par. 5a of Council Regulation (EC) nr 1698/2005.**

<b>Axis/measure</b>	<b>Name of the measure/operation</b>	<b>FEADER contribution 2009-2013</b>
Axis 1: Measure 121	Modernisation of agricultural holdings	62 222 500
Axis I: Measure 125	Improvement and development of infrastructure related with development and adjustment of agriculture and forestry	33 778 000
<b>Total axis 1</b>		<b>96 000 500</b>
<b>Axis II</b> Measure 214	Operations linked with priorities mentioned In Art. 16a, par 1 a)-f) of the Council Regulation (EC) nr 1698/2005	10 000 000
Axis III: Measure 321, in which	Operations linked with priorities mentioned In Art. 16a, par 1 a)-f) of the Council Regulation (EC) nr 1698/2005	3 778 000
	Operations linked with priorities mentioned In Art. 16a, par 1 g) of the Council Regulation (EC) nr 1698/2005	59 111 500
<b>Total Axis III</b>		<b>62 889 500</b>
<b>Total programme</b>		<b>168 890 000</b>
Total within Axis I, II, III, IV: operation linked with priorities mentioned In Art. 16a, par. 1 a)-f) of the Council Regulation (EC) nr 1698/2005		109 778 500
Total within Axis III, IV: operation linked with priorities mentioned In Art. 16a, par. 1 g) of the Council Regulation (EC) nr 1698/2005		59 111 500