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THE RURAL DEVELOPMENT POLICY IN POLAND. SYNTHETIC PICTURE OF THE NEW POLICY IMPLEMENTATION RESULTS¹

ABSTRACT

The integration with the EU changed the national rural policy in Poland, as a fundamental change of the institutional environment took place, and the adjustments of legal regulations and system of support institutions were enforced. The objective of this article is to show how the post-accession agricultural and rural policy has changed the picture of the Polish rural areas, improving the living conditions (technical and social infrastructure), the economic situation of agriculture, structural changes in agriculture, and attitudes of rural inhabitants with regard to EU integration. In addition, the article tackles the issue of efficiency and effectiveness of EU funded programs with regard to overcoming the development disparities.

Key words: rural development policy, growth polarization, EU funds.

JEL Classification: Q01.

1. INTRODUCTION

Eight years have passed since Poland's accession to the European Union (EU) which was preceded by a difficult restructuring process of the Polish economy consisting of radical economic reforms and political transformations². The real harmonization of the Polish legislation with that of the EU, which understood not only as the appropriate legislative actions but also as a change in the functioning of public authorities, primarily in the administrative sphere, was a true challenge for the integration within the EU structures. The adjustments to the

¹ This article was elaborated based on the author's paper, being part of the report published in June 2012 by the Foundation for the Development of Polish Agriculture, *Rural Poland 2012, Rural Development Report*.

² At the Copenhagen European Council of 21–23 June 1993 a political decision was adopted to admit the countries of Central and Eastern Europe and the membership conditions were set (the so-called Copenhagen criteria) which included: institution building to guarantee democracy, rule of law, human rights, respect for national minorities, functioning of the market economy, capacity building to meet the EU competition; adopting the *acquis communautaire* and capacity to fulfill the obligations of membership.

EU internal market requirements confirmed a strong bureaucratization of the process. The adoption of the Common Agricultural Policy (CAP) legislation was complicated due to an extensive EU legislation (both primary and secondary) governing the agricultural markets, direct farmer income support, instruments supporting the development of rural areas and the “necessary extension” of the national legislation.

The period preceding the accession moment was particularly hard on the farmers and rural area inhabitants because of the prevailing conviction among “non-rural” part of the society that agriculture was a barrier to the quick accession of Poland to the EU. The Accession Treaty signed in Athens in 2003 was criticized by the farmers’ representatives many times, because the accession conditions differed from the demands of Poland presented in the negotiation position in the area of *Agriculture*. On the other hand, the conditions were considerably better compared to the 2002 EU proposals which did not provide for covering the Polish farmers with the direct payment scheme³. At that time, many analysts argued that the negotiations results, in particular in the area of quotas, production limits and direct payment levels, would not restrict the agricultural production in Poland in view of the existing and expected level of agricultural production in Poland.

Regardless of the evaluation of negotiations results, the integration with the EU changed the national rural policy in Poland, in the sense that the fundamental change of the institutional environment took place, and adjustments of the legal regulations and system of rural and agricultural support institutions were enforced. The need for the modernization and restructuring of the Polish agriculture and rural areas imposed by the EU integration was reflected by the agricultural and rural policy programming processes, scope of the allowed public aid in the agricultural sector, financial instruments applied, or aid organization. CAP application to the Polish agriculture and the introduction of the new set of agriculture and rural development instruments gave Poland access to significant new funding sources originating from the Community budget for restructuring, modernization and development.

The rural area inhabitants also benefited from the EU cohesion policy in the area of social and technical infrastructure development, development of human capital and creation of off-farm jobs. However, in order to have access to the funds within the framework of EU financing sources, the significant preparatory measures in the institutional, legal and organizational sphere had to be undertaken first. One of the key stages of these preparatory measures consisted in the proper planning of aid based on the adopted rural development strategy to make it possible to use the EU assistance. The objectives of such policy had to meet the needs of the Polish rural economy, farmers and rural inhabitants, but at the same they had to be convergent with the European Community strategic targets.

³ The EU arguments resulted from the fact that EU did not allocate funds for direct payments for the CEE farmers in the Agenda 2000 of 1999 which outlined the framework budget for 2000–2006.

This article attempts a synthetic evaluation of the “new” agricultural and rural development policy implementation in real terms, in the regulation sphere, among rural population attitudes as well as with regard to its direct and indirect effects.

2. NATIONAL POLICY FOR RURAL AREAS IN POLAND IN THE STRATEGIC DOCUMENTS

For years, one of the basic weaknesses of the rural policy making in Poland was the lack of proper quality strategic documents which would present the multi-annual targets and objectives of such policy. Even a greater weakness of this process consisted in the lack of programs and operational plans which would transparently link the timely achievement of the pursued objectives with the policy instruments, funding sources and, above all, which would determine how to control and assess the efficiency and effectiveness of achieving the strategic and operational objectives. In the period preceding Poland’s accession to the EU, many strategies came into existence, which attempted to diagnose the rural development progress and outline its perspectives and trends. In general, these were voluminous documents with very extensively elaborated objectives and fragmented measures. EU accession initiated a qualitative change in this respect.

The first strategic document prepared by Poland jointly with the international experts after 1990 was entitled *Rural Development Plan*. This document initiated the systemic transformation in the Polish agriculture and provided for:

- privatization and demonopolization of the raw material base (dismantling of the state farms), of the agricultural processing sector, transport and storage sector;
- abandonment of agricultural holdings and processing sector subsidizing,
- limiting the government’s role to create a good institutional environment for the transformation of the food sector.

In 1999, at the time of the association period with the EU, a key document was worked out, with the title *Coherent Structural Policy for Rural Areas and Agricultural Development (Coherent..., 1999)*, which outlined the program of the Polish agriculture and rural areas preparation for the accession to the EU, focusing on three strategic objectives:

- creation of working and living conditions for the rural area inhabitants in line with civilization standards, enabling them to fulfil their economic, cultural and social goals (through the development of technical and social infrastructure and establishment of conditions conducive to the development of non-agricultural economic activities);
- restructuring of the agricultural sector (agricultural area structure improvement, modernization of the agricultural holdings, strengthening the farmers’ position on the agricultural market, biological progress implementation);

- establishing sustainable development conditions in the rural areas, protection of the natural environment resources and rural cultural heritage, including the propagation of organic farming and other environment-friendly farming methods, development of marginal land areas (e.g. by afforestation).

The authors of the “*Coherent Structural Policy...*” worked on this document having in view the use of the pre-accession funds under the SAPARD Program. This Program was established at the request of the European Commission (EC) addressed to the Polish government, but at the same time it was a kind of novelty in the sphere of rural policy making that consisted in linking the strategic documents with the specific operational programs and proposing a set of measures together with the allocation of funds for their implementation. SAPARD constituted a set of aid mechanisms selected from a catalogue of possible SAPARD aid pre-determined by the EC. This was the first program that was prepared and implemented in line with the EU principles, starting from the assistance programming, through partnership under the form of consultations with social partners, concentration of funds on selected measures and co-financing from the national budget and investors’ own funds. This was also the first public intervention program assessed *ex post*, i.e. subject to an evaluation of the effects of the aid funds paid.

Regardless of the quality evaluation of this process and its efficiency, it should be emphasized that SAPARD provided a new legal, institutional and financial framework for the public aid programs operation in Poland:

- national regulations were adopted based on EU regulations to determine specific management and control arrangements, the role of particular institutions, instruments implementation rules, including aid granting and payment criteria;
- harmonization of the national legislation included the issues of multi-annual programming (2002–2006), multi-annual budget planning, changes in public support rules, including public procurement contracts, environment protection, rules for the monitoring, control and evaluation of EU funds utilization.

Poland, like other candidate countries, built the system for SAPARD fund management and control independently, taking into account the national administrative structure and the existing institutional system of national public funds management in the agriculture sector. Over a very short time period, Poland had to adopt not only new legal regulations necessary for assistance launching, but also the government had to establish the relevant implementing institutions, including a SAPARD Agency accredited by the EC.

The SAPARD funds were designed for the improvement of competitiveness of agriculture and agri-food processing sector both on the domestic and international market through the harmonization with the phyto-sanitary, veterinary, hygiene and quality requirements of the Single Market and the stimulation of a multi-functional rural development through the development of technical infrastructure and establishment of the conditions for non-agricultural business activities in rural areas. The original budget of SAPARD program amounted to EUR 944

billion (EUR 708 billion from the EU budget and EUR 235.6 billion from the domestic budget)⁴. The SAPARD program was an example of a well-constructed operational program that truly implemented the funding concentration principle, being limited to the implementation of 5 measures (Technical Assistance excluded), while the implementation of two of the measures (*Improvement in processing and marketing of agricultural and fishery products; Development of rural infrastructure*) consumed almost 78% of budget, though the projects implemented under these measures accounted only for 25% of all investments under SAPARD. Finally, PLN 4.4 billion had been paid to over 22.7 thousand aid beneficiaries by the end of 2006 (Nurzyńska, 2011, p. 71). The largest financial envelope was designed for the implementation of local community infrastructure projects in rural areas (45%), about 34% of funds were paid for the investment projects implemented by the agri-food undertakings, whereas the largest number of projects (about 13 thousand) included projects carried out on agricultural holdings, although only 13.5% of the programme budget was allocated for their implementation.

Valuable experience and skills acquired during the SAPARD program implementation were used for the purpose of agricultural and structural policy implementation after the accession. Despite a wide-spread criticism of the use of EU funds during the first few years of Poland's membership, the institutions involved in the implementation of pre-accession assistance were praised for their efficiency.

When Poland became an EU Member State in 2004, it did not participate in the implementation of a full seven-year programming period (2000–2006) and had a limited access to the EU budget. Yet, in order to have access to the EU funds, Poland had to develop a strategy on the use of structural funds (National Development Plan 2004–2006, NDP 2004–2006), a strategy on the use of Cohesion Fund and a rural development strategy for the purpose of CAP instruments implementation. This was a heavy administrative work carried out over a very short period of time.

NDP 2004–2006 determined the major objectives and priorities of the economic development of Poland after accession in the period 2004–2006 and the use of EU Structural Funds. These objectives and priorities included the development of a competitive knowledge and entrepreneurship-based economy capable of long-term harmonious development and ensuring employment growth and improved social, economic and spatial cohesion with the EU at regional and national level. Transformation in the agricultural sector and rural development represented one of the axes of NDP 2004–2006.

NDP 2004–2006 became a basis for the multi-annual operational programs of horizontal and regional nature and, among other things, it laid down the orientation of agricultural and rural development and provided a basis for the Sectoral

⁴ SAPARD budget was increased by EUR 114 million as a result of funding RDP 2004–2006 (that Poland already benefited from as a EU Member State).

Operational Program “*Restructuring and modernization of food sector and rural development 2004–2006*” (SOP Restructuring...). Apart from the Structural Funds for agriculture under SOP (over EUR 1 billion from the EU budget)⁵, the farm income support measure (direct support scheme), market intervention instruments and rural development mechanisms became accessible for Poland under the Common Agricultural Policy (CAP). Among the CAP instruments, the direct support scheme turned out to be most profitable in terms of income generation (EU co-financing for this instrument amounted to EUR 2.5 billion). In addition, Poland implemented the Rural Development Plan 2004–2006 with a budget of EUR 3.5 billion (including EUR 2.8 billion from the EU budget)⁶. The total financial allocations for the agricultural sector and rural areas in the period 2004–2006 from the EU budget were several times higher compared to the assistance under SAPARD, but at the same time considerably lower than the funds allocated for the period 2007–2013.

In the period of 2007–2013, for the first time Poland could fully participate in the seven-year programming and EU financing. This was preceded by significant reforms resulting from the new EU legal regulations and new instruments of financing programs for agriculture and rural areas. At that time, Poland was implementing a model of multi-functional rural development and multi-functional agriculture, in accordance with the adopted strategy (Strategy, 2005), and provided support for the diversification of business activities in order to ensure alternative income sources for the rural people. In accordance with the strategy adopted and with the EU guidelines, the Rural Development Program 2007–2013 had three objectives: economic, social and environmental (so-called priority axes) plus a LEADER axis.

The analysis of the strategic documents that were designed before the accession and those designed with the intention to use the CAP funds beyond 2004 shows their strong sectoral nature which derives from the “sectoral” approach to the rural area problems. It is more and more often mentioned that **the comprehensiveness, complexity and spatial nature of the rural development problems require a new rural development policy, at its non-agricultural dimension, to be included into the scope of interventions of national regional policy and European Cohesion Policy (ECP)**. A requirement to coordinate these policies in Poland is embedded in the National Regional Development Strategy 2010–2020 and Directions of Rural Development after 2007.

⁵ The program was financed by the European Agricultural Guidance and Guarantee Fund (EAGGF, Guidance Section) and supported 15 different measures, including investments on agricultural holdings (those run by young farmers included), modernization and adjustment of the processing and marketing of agricultural products units to the conditions of the Single Market, modernization of land improvement facilities, revitalization of rural areas, training and advisory services, etc.

⁶ The Program was financed by the European Agricultural Guidance and Guarantee Fund, Guarantee Section, and supported the implementation of the so-called accompanying measures, including early retirement scheme, agro-environmental measures, afforestation, LFA support.

At the same time, it should be noted that the accuracy of objectives formulated in the strategic documents, which were drawn up more than 12 years ago in Poland, is still valid and this shows huge social and economic underdevelopment of the agricultural and rural sector, but also may confirm the low efficiency of the implemented rural development policy and need for change in this respect. The reasons for this situation should be sought in the lack of sufficient funds allocated for measures mobilizing the rural area resources, in particular specific labour resources. The sectoral dimension of this policy, implemented till today, prevents overcoming the negative effects that took place in the rural areas in the period of the People's Republic of Poland (prior to the 1989 political change) and limited down the functions of the rural areas to food production and workforce "storage place" for the non-agricultural sectors of the economy.

3. FINANCIAL AND INSTITUTIONAL DIMENSION OF THE RURAL DEVELOPMENT POLICY AFTER ACCESSION

Increased expenditure from the national budget for agriculture is a tangible effect of Poland's accession to the EU. The expenditure was growing both in nominal and real terms: in 2004 it amounted to PLN 5.7 billion while in 2010 it reached PLN 25 billion (Agricultural Social Insurance Fund⁷ expenditure excluded). The share of agricultural expenditure in the total state budget expenditure (Table 1) also changed: from 2.89% in 2004 to 7.3% in 2010 (*Information...*, 2011). Compared to the pre-accession situation when the agricultural expenditure share in the whole period 1997–2003 amounted to 2.23% on the average, this means more than triple growth (*Przepływy...*, 2009).

Table 1
Agricultural budgetary expenditure according to the selected budget sections in 2004–2010,
(PLN million, %)

	2004	2005	2006	2007	2008	2009**	2010**
Agricultural budget expenditure (KRUS excluded)	5721,8	7999,5	8379,1	17136,8	26383,64	18426,01	25042, 3
Share of agricultural budgetary expenditure* in the total state budget	2,89	3,29	3,74	6,67	8,58	6,18	7,4%

* Agricultural state budget expenditure (agriculture, rural development and agricultural markets) directly associated with the agricultural sector: funds intended for domestic instruments and co-financing of EU programs under the Common Agricultural and Fisheries Policy).

** Task based budgeting (Function 21. Agricultural and fisheries policy).

Source: Opinion on the 2010 Budgetary Act concerning the part related to agriculture, rural development, agricultural markets and fisheries, Seym Chancellery, Biuro Analiz i Dokumentacji,

⁷ Agricultural Social Insurance Fund (pol. KRUS) a separate fund of social insurance system for farmers and members of farmers' families.

Dział Analiz i Opracowań Tematycznych, December 2009, and The 2009 expert opinion “Przepływy finansowe pomiędzy Polską a Unią Europejską w ramach Wspólnej Polityki Rolnej na tle wyników ekonomicznych rolnictwa” [Financial Flows between Poland and the EU within the framework of the CAP in the context of agriculture economic performance] elaborated by A. Czyżewski, A. Poczta-Wajda, A. Sapa for the Agricultural and Rural Policy Council of the President of Poland and /www.mf.gov.pl/_files_/budzet_zadaniowy/sprawozdawczosc/opis_2010_wykonanie.pdf.

A significant increase in the budgetary expenditure for agriculture and rural areas resulted not only from covering Poland with CAP instruments and EU structural policy, but also from one of the basic rules concerning accessibility of the EU assistance programs. i.e. co-financing the operational programs, but also from the accession negotiations results with regard to the possibility to co-finance the direct payments from the national budget (the so-called Complementary National Direct Payments)⁸.

The EU budget became the key source of funds for the growing agricultural budgetary expenditure after accession – in 2010 the EU funds accounted for 58% of the budgetary expenditure for the agricultural sector. **From the very beginning of the EU membership, Poland was a net beneficiary receiving over EUR 19.3 billion from EU budget (as on November 2011, Table 2) within the framework of different support instruments (such as market intervention, direct support scheme, rural development programs and fisheries policy).** The major share of these transfers is represented by the direct payments (over 45%) and payments for the implementation of the rural development programs (43.8%).

Table 2
Financial flows within the Common Agricultural Policy in 2004–2011⁹, EUR thousand

Transfers	2004	2005	2006	2007	2008	2009	2010	2011*	2004–2011
Market interventions under CAP	10 786	166 668	181 896	56 719	134 629	409 081	66 375	136 629	1 162 783
RDP	286 640	662 100	1 149 555	1 550 886	846 530	1 043 826	1 571 940	1 384 990	8 496 467
Direct payments	0	702 674	811 580	545 386	1 037 600	1 446 165	1 827 720	2 392 491	8 763 615
Other transfers under CAP	0	10 638	11 100	400 347	12 400	14 860	12 586	2 907	464 838
SAPARD	118 293	339 076	12	0	34 716	0	0	0	492 097
Total transfers	415 719	1 881 156	2 154 143	2 553 338	2 065 875	2 913 931	3 478 621	3 917 016	19 379 799

Source: Own calculations based on the data of the Ministry of Finance published on the MF Internet site http://www.mf.gov.pl/_files_/unia_europejska/programy_i_fundusze_ue/przeplywy_finansowe/.

⁸ Direct aid scheme (area payments) is financed from CAP Pillar 1, where EU covers 100% of expenditure. Following the negotiations with the EC, Poland was entitled to co-finance (to a determined extent) direct payments in particular years.

⁹ Data as on the end of November 2011.

Apart from the CAP, Poland has been benefiting from the European Cohesion Policy (ECP) since the accession. ECP implementation has a strong territorial dimension and helps improve the quality of life in rural areas (construction of roads, public transport, waste water treatment plants, health centers, schools, cultural institutions, human capital development etc.) Therefore, as far as the analysis is concerned, a significant difficulty consists in isolating the impact of CAP instruments alone on the condition of rural areas.

In the period 2004–2006 Poland received over EUR 12 billion from the EU budget under the cohesion policy whereas in the next programming period the allocations increased several times. In 2007–2013, EU allocated EUR 28.9 billion (Table 3) for the modernization of agriculture, rural areas and fisheries, whereas the allocations for structural measures under ECP amounted to PLN 67.3 billion, i.e. 7.8% of all commitments towards the Member States.

Table 3
Allocations of funds under EU funded programs (EU and national funds)
in the period 2007–2013, EUR billion

Allocation for Poland (commitments)	EUR billion
Funds (100%) under the National Strategic Reference Framework, including:	67.3
– European Regional Development Fund (51%)	including: 34.1
– European Social Fund (14.5%)	9.7
– Cohesion Fund (32%)	21.5
– Reserve (2.5%)	2.0
European Agricultural Fund for Rural Development	13.2
European Agricultural Guarantee Fund	15.0
European Fisheries Fund	0.7
EU budget	96.2
Co-financing of Poland (without the complement to EAGF), including:	18.3
– from public funds	11.9
– from private funds	6.4
EU and national funds total	114.5

Source: I. Nurzyńska, 2011 p. 78.

In order to have access to EU funds, not only the assistance programs had to be prepared but also the existing system of institutions functioning under the new legal regime and responsible for the management, implementation and control of the public aid had to be built or adjusted. The Agency for Restructuring and Modernization of Agriculture (ARMA), which has been participating in the management and implementation of the public intervention programs aimed at the agricultural sector and rural areas since 1994, is responsible for the implementation of most EU aid instruments of the agricultural and rural development policy. The accession was preceded by a process of adjustments of this institution to the

functioning compliant with the EU requirements. It is also a national public institution that participates in the distribution of EU funds and serving the largest number of the aid beneficiaries (over **2 million**). From the beginning of its operation, ARMA disbursed over PLN 135 billion (including national aid), including the programs co-financed by the EU – over PLN 117.76 billion, including the value of necessary co-financing from the national budget (Table 4).

An analysis of the structure of payments made by ARMA (Paying Agency) under the national and EU policy (including the national budget co-financing) shows that direct support payments accounted for a major share in expenditure (46.3%) whereas the expenditure for measures aimed at the rural development programs, co-financed from the EU budget, accounted for about 21% of total payments. Expenditure on the national policy instruments (e.g. subsidized loan interest rate) does not exceed 14%.

Table 4

Cumulated financial effects of the agricultural and rural development policy implementation by the ARMA– disbursed funds (in PLN thousands), as on 30 November 2011

AID FORM	CUMULATIVE SINCE LAUNCHING	2008	2009	2010	2011
Direct Aid Schemes (SAP, UPO sugar, energy, separate and transitional fruit and vegetables payment, specific support)	62 826 276.1	10 330 927.6	10 462 419.4	10 234 831.1	8 360 615.9
RDP 2007–2013	28 486 604.7	4 705 354.2	6 540 272.9	8 425 251.5	8 685 237.4
Common Organisation of Markets in Fruit and Vegetables	2 172 389.4	91 208.1	318 420.5	670 102.3	966 489.6
OP Sustainable development of fisheries sector... 2007–2013	1 325 714.6	55 256.1	142 670.2	411 648.3	716 139.9
Common Fisheries Policy	1 440.0	427.5	286.4	199.0	144.5
RDP 2004–2006	10 877 815.4	291 790.1	0.0	0.0	0.0
SOP Restructuring 2004–2006	6 564 623.0	1 573 478.6	201 685.4	0.0	0.0
SOP Fisheries 2004–2006	1 002 469.5	278 371.5	210 252.9	0.0	0.0
SAPARD**	4 512 551.2	0.0	0.0	0.0	0.0
Programs financed from the EU funds in total	117 769 883.9	17 326 813.7	17 876 007.7	19 742 032.2	18 728 627.3
National aid*	17 986 370.5	965 030.5	758 015.8	776 622.2	733 208.5
National aid in total	135 756 254.4	18 291 844.2	18 634 023.5	20 518 654.4	19 461 835.8

* Data for subsidies to loan interest are valid for the period up to 31.10.2011.

** SAPARD projects funded from RDP 2004–2006 budget are included.

Source: ARMA.

Direct payments, which represent the basic instrument of farmers' income support, were the most popular form of aid. Under the direct support scheme, an amount of PLN 62.83 billion (Table 5) were paid under the area payments scheme (Single Area Payment – SAPS and Complementary National Direct Payment – CNDP) by 30 November 2011.

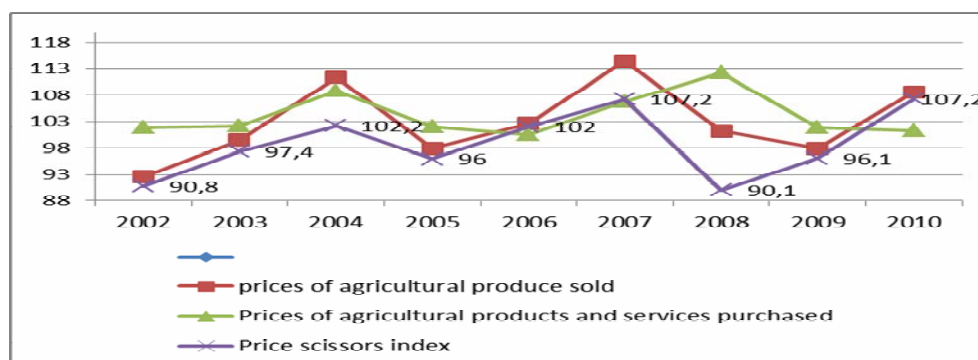
Table 5
Value of payments made during 2004–2010 campaigns, in PLN million

Specification	2004 campaign	2005 campaign	2006 campaign	2007 campaign	2008 campaign	2009 campaign	2010 campaign	TOTAL
SAPS	2 853.51	3 160.02	3 881.09	4 242.43	4 759.07	7 068.40	7 811.51	33 776.03
CNDP								
Other crops	3 486.80	3 529.11	3 915.82	2 763.00	2 560.50	3 384.23	3 093.46	22 732.92
Other payments	2.28	2.76	405.26	1274.88	1268.35	1693.35	1670.45	6317.33
TOTAL	6 342.59	6 691.89	8 202.17	8 280.31	8 587.92	12 145.98	12 575.42	62 826.28

Source: Own work based on ARMA data.

During the 2010 campaign, ARMA paid almost twice as much (PLN 12.57 billion) compared to the 2004 campaign (PLN 6.3 billion), with a decreasing number of beneficiaries of this aid form (1.4 million in 2004; 1.373 million in 2010; 1.358 million in 2011). Since 2004 the expenditure on direct payments has steadily grown, although during the first 3 years the heaviest financing burden for this instrument rested with the national budget. As the result, year after year, the direct payments became a more and more significant part of the income in agriculture. Before the accession, the subsidies accounted for 9% of farmers' income, whereas in the period 2009–2010 their share exceeded 60%. This was the situation despite of an increase in the agricultural production value in real terms only by 17.5% over the same period.

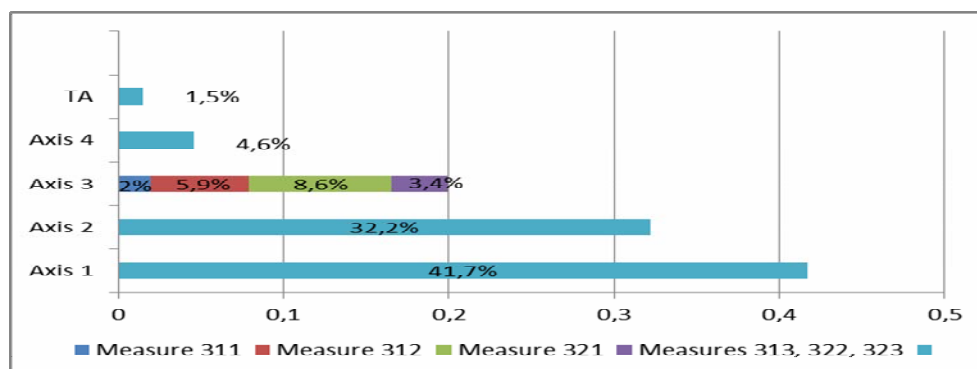
The application of CAP instruments in Poland doubled the real incomes of farmers, so that their economic situation improved and both their chances for financing the current inputs and implementing modernization investments were enhanced. It should be noted that the price dynamics of agricultural products sold by the farmers (108.6%) prevailed over the prices of purchased goods and services (101.3%) as late as in 2010, after two years of a disadvantageous price pattern. The so-called price scissors index was 107.2 in 2010 compared to 91.8 in 2008 and 96.0 in 2009 (Figure 1).



Source: Own work based on GUS data.

Figure 1. Price dynamics of the sold/purchased products and price scissors index in agriculture (previous year = 100) in the period 2002–2010.

Since 2007 Poland has been implementing the Rural Development Program 2007–2013 (RDP 2007–2013) with a total budget of EUR 17.2 billion (including EUR 13.2 billion from the EU budget). This makes Polish RDP the largest program among EU member states. In the RDP 2007–2013 budget, 41.7% of funds were allocated for the improvement of the agricultural and forestry sector competitiveness (Axis 1), while 32.2% for the environmental actions in the agricultural sector (Axis 2), which also contribute to the growth of farmers' incomes (LFA, agro-environmental measures) at a relatively low implementation cost of these actions for farmers. Less than 19.9% of the budget was allocated for the measures aiming at the improvement of the quality of life in rural areas (Axis 3, LEADER excluded), including the creation of non-agricultural income sources (Figure 2). The current monitoring of expenditure shows that almost 80% of funds under the program were contracted under the form of concluded agreements (commitments), while the beneficiaries received almost PLN 37 billion (payments). As a result, Poland has already utilized over 50% of the RDP 2007–2013 budget allocations¹⁰.



Source: Own work based on RDP 2007–2013.

Figure 2. Breakdown of the RDP 2007–2013 budget by particular priorities – axes and allocation of funds under Axis 3 (%).

The question is how the access to growing EU funds affected the situation of Polish agriculture and rural areas? The problem with finding instruments effectively mobilizing the untapped economic potential (mainly labour resources) still remains unsolved, and the effects of EU instruments implementation aimed at new jobs creation outside agriculture are not satisfying. Neither SOP *Restructuring...* in the period 2004–2006, nor RDP 2007–2013 have made a breakthrough so far. In the case of SOP *Restructuring ...*, the budget of measure targeted at the diversification of farmers' income had to be reduced by as much as 60% and only 2 thousand of 7 thousand applications were approved. In the case of RDP 2007–2013, less than 8% of the budget (over PLN 5.6 billion of public funds, including PLN 4 billion

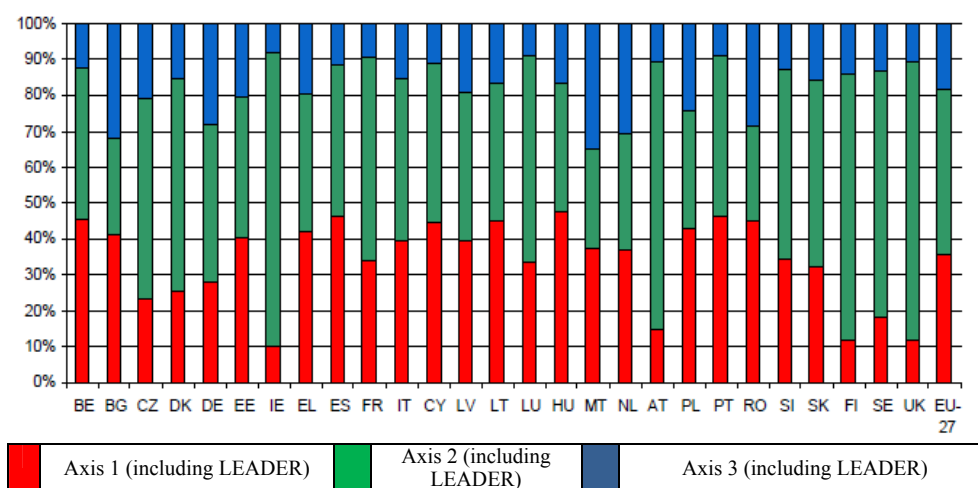
¹⁰ Under many popular measures, such as Modernization of agricultural holdings or Support for young farmers, the expenditure level amounted to 50% and 70%, respectively.

from the EU budget) was allocated to the development of different forms of entrepreneurship and job creation (see Chart 2); however, the amount of funds paid in the fifth year of the program implementation (*Synthetic information...*, 2012) remains below the average payments made throughout the whole program duration (49% of disbursement from the EU budget for the measure supporting *Diversification of farmers' income – Measure 311*, and only 14% for *Measure 312 – Creation and development of micro-enterprises*). In this context a conclusion may be drawn, i.e. on one hand, there are different barriers that determine low activity and interest level of the rural population as far as this type of support is concerned and low efficiency of the aid implementation on the other hand. At the beginning of program implementation, the need for co-financing and pre-financing the aid was one of the barriers that reduced the accessibility. Now, this barrier has been alleviated with a down-payment system. At the same time, the author's own studies (Nurzyńska and others, 2011) show that **there are institutional barriers that constrain the creation of jobs in rural areas and that cannot be solved by means of the EU aid programs** (such as complicated and excessively bureaucratic legislation or specific social and cultural environment), and also a lack of technical back-up, relevant training and advisory services for persons who would like to start business or later on in the different stages of business development. The latter practically does not occur in the Polish RDP. However, the experience of many countries shows that a subsidy for the creation or development of non-agricultural jobs in rural areas must be associated with an entire program that prepares the subsidy beneficiaries for running their own business (acquisition of the basic knowledge and business qualifications, training, on-going business advisory service, business mentoring etc.).

The positive impact of the EU agricultural policy on the national rural and agricultural policy in Poland is reflected in the increasing importance of environmental issues, protection and preservation of natural resources for which rural areas are a valuable habitat. The ecological awareness of farmers, who have earned a somewhat grandiloquent nickname of “nature and landscape guardians”, is increasing. Their role in the natural resources preservation, protection and care is appreciated, and this appreciation is manifested by the readiness of the European tax-payers to finance public goods delivered by the contemporary agriculture. The agro-environmental programs are an important element of the EU environmental policy. In the period 2007–2013, this was reflected by the need to allocate minimum funds under the rural development programs for the objectives associated with the improvement of environment. Poland allocated 32.2% of the RDP 2007–2013 budget for this purpose (over PLN 22 billion). For comparison, the highest allocations for Axis 2 measures (see Figure 3) were made by countries such as Ireland (80.2%), United Kingdom (75.5%), Austria (72.6%), while the lowest allocations were made in Bulgaria (24.2%), Malta (26.3%) and Romania (23.7%), (*Rural Development...*, 2011, p.272).

The CAP agro-environmental program is perceived to contribute to the greatest extent to reaching the environment objectives. Poland earmarked over

PLN 9 billion from the RDP 2007–2013 funds for this measure, which provides for the adjustment of agricultural production methods and conditions to the high environmental requirements and preservation of biodiversity in high nature value areas such as NATURA 2000 network. The economic attractiveness of the program is reflected by the fact that over 90% of the allocations for this measure were contracted under the form of multi-annual commitments – this is one of the highest rates in fund utilization under RDP 2007–2013 in Poland.



Source: Rural Development in the European Union. Statistical and Economic Information. Report 2011, DG Agriculture and Rural Development, December 2011, s. 272.

Figure 3. The share of three main RDP axes in particular Member States (%).

The program role in improving the rural population's quality of life (e.g. better quality of ground water) and maintaining the productive values of soil cannot be ignored either. Additionally, the disbursement of agro-environmental payments since 2004 contributed to an increased ecological awareness among agricultural producers, landless population of the naturally valuable areas and Polish taxpayers. Higher awareness (the social dimension of the program benefit) is associated with better understanding the need to keep the financial CAP support for agriculture going.

4. TANGIBLE DIMENSION OF THE RURAL POLICY AFTER ACCESSION¹¹

Despite the significant EU funds which have been absorbed by the Polish agriculture and rural areas both directly (CAP) and indirectly (Cohesion policy),

¹¹ Unless specified otherwise, this part was based on the report of the Central Statistical Office (GUS) "Rural Areas in Poland", Statistical studies and reports, GUS, Warszawa-Olsztyn, 2011.

we did not succeed in increasing the level of social and economic development in urban-rural terms (centre – peripheries), or in regional terms. Moreover, the spatial polarization is increasing, i.e. the development disparities between rich areas or areas growing wealthy and poor areas are increasing. The rich areas develop because they take advantage of their potential and economic situation, whereas the poor areas (the so-called “problem areas”) stagnate out of different reasons (Bański and Czapiewski 2008). The currently applied aid instruments, which were to foster the convergence of regions, are not capable to suppress the polarization (Rosner 2011, p. 173).

Poorly developed gminas with mono-functional agricultural character prevail on the eastern territory of the country and no significant improvements in this respect were noticed, although the structure of EU “agricultural” fund allocation for the voivodships in Eastern Poland took into account the objective of phasing-in the social and economic cohesion of these regions, and preferences for these regions were intended. Analyses of CAP funds absorption in the period 2004–2006 (the 1st and 2nd Pillar) show that the highest payments in relative terms (in relation to the Gross Regional Product) were granted to the eastern regions: Podlaskie, Warmińsko-Mazurskie or Lubelskie Voivodships.

Another regularity observed consists in the location of rural gminas with high development level around the urban areas (such as Warsaw; Tricity – Gdynia, Gdańsk, Sopot; Poznań; Wrocław; Łódź; Cracow and Silesian conurbation), though the degree and range of urban agglomerations impact is strongly diversified (for instance the impact radius of Warsaw agglomeration is considerably shorter than that of Poznań or Wrocław agglomerations, and around Warsaw there are gminas – local communities – with low or very low development level resulting from, but not limited to, the poor public transport communication with the capital (*Report...*, 2011, p. 151). With the increase in wealth of the gminas located around the urban agglomerations, a long-term upward trend in migration from the urban areas to the rural areas can be noticed. In the year 2009, the net migration (*Rural Areas...*, 2011, p. 216) amounted to 41.1 thousand persons, i.e. it increased by 34.9% as compared with 2003. This proves that the sub-urban rural areas become more and more attractive as a place of living.

The rural areas are inhabited by 39% of Polish people, but only 1/3 of households are located there. The rising incomes of the rural population contribute to narrowing the gap between the rural and urban areas in terms of disposable income, though in 2009 the incomes in rural areas amounted to about 71% of the average disposable incomes per 1 person in urban areas. **In the rural areas, the income accounted for 79.8% of the national average** (for comparison – it was 76.1% in 2006), whereas in the urban areas it reached 112.6% (113.1% in 2006). In the year 2009, the average monthly disposable income of a household amounted to PLN 3 153. The households of self-employed persons, persons with white-collar jobs and farmers had the highest income – PLN 4 718, PLN 4 468 and PLN 3 809, respectively. The households of pensioners had much lower income at their

disposal i.e. PLN 2104 (*Rural Areas...*, 2011, p. 218). At the same time a huge disproportion between the urban and rural areas may be noticed as far as the disposable income /capita on the households is concerned. The fact that the number of household members in the rural areas is greater than in the urban areas plays an important role in this respect. In the rural areas, the income per capita was PLN 889 – just a little more than on the agricultural holdings, whereas in the urban areas it was PLN 1255 (by 41.1% more than in the rural areas).

The decreasing role of agriculture (desagrarization) and an increasing importance of other income sources in the rural areas are confirmed by a relatively low share of income obtained on the individual farms in the structure of disposable household income in the rural areas (11.9% as compared to 46.8% obtained from paid employment). At the same time, the main components of the total disposable income on farmers households consisted of the incomes from individual farming i.e. 60.0% (*Rural Areas...*, 2011, p. 218)), whereas the relative majority of families living off the farm income are found in the voivodships (regions) with strong commercial farming: Kujawsko Pomorskie (25%), Dolnośląskie (21%), Podlaskie (24%), or Wielkopolskie (20%), (Zegar, 2011, p. 264).

The subjective assessment of the financial situation of farmers' households is similar to the national average (the prevailing answer – “average” situation – was given by 64.4% respondents in 2009). The situation was defined as “rather good” and “rather poor” by 19.6% and 11% respondents, respectively. Answers “very good” and “poor” were rare (1.3% and 4.0%, respectively), while the structure of answers in farmers' households was very similar to those given in blue collars' households (*Rural Areas...* 2011, p.149). In spite of this, the fact that it is the inhabitants of rural areas who are threatened by poverty to a greater extent cannot be ignored, and twice as much population lived below the poverty line than in urban areas. In 2008, 12.5% of the rural people were beneficiaries of social assistance (6.2% in urban areas). However, it shall be noted that poverty in rural areas, though equally bitter as in urban areas, is less degrading in social terms, and the fact of having a few hectares of farmland and own house gives the feeling of security and allows (at least theoretically) to continue farming activities while seeking additional sources of income.

In the context of creating conditions conducive to business start-ups in rural areas and “provision “of the inhabitants of rural areas with the skills that facilitate the creation of non-agricultural jobs, it is worth noting that the rural households with access to Internet in rural areas are relatively numerous (42.8%). This fact allows for the development of different forms of earning an income in rural areas, including the establishment of business specialized in e-commerce, and for acquiring knowledge and disseminating information among farmers (better access to information, applying for direct payments through the Internet etc.). The number of inhabitants of rural areas who declared the used Internet to seek information and on-line services is similar to the share noticed in the urban areas (86.1% as compared to 97.9% in urban inhabitants). In 2006, 35.1% of the rural population

aged 16–74 used the Internet, whereas in 2009 this share reached 51.1%. The increase was more pronounced than in urban areas and amounted to 16.0 percentage points.

The change in the domains directly affecting the rural people's quality of life as well as determining the possibility of non-agricultural job creation in the rural areas is an important aspect of the rural policy assessment. The social infrastructure development is still a focus of the EU funds – both those designed for regional aid and those for rural development. The availability of educational institutions, including kindergartens or health centers not only determines the quality of life of the rural inhabitants but also plays a key role in stimulating the economic activity, in particular among the rural women and young persons. The development of social infrastructure also suppresses the negative demographic trends and counteracts the negative effects of the rural area depopulation. Unfortunately, despite many valuable educational initiatives in the rural areas, one of the main problems that is still unsolved is the insufficient number of kindergartens – in the 2009/10 school year, the number of kindergartens increased by 7.4% across the country as compared to 2003/04, whereas in the rural areas this increase was several times lower and amounted only to 1.2%. The share of rural kindergartens accounted for 33.6% of the total number of these institutions in Poland and only 20.9% of rural children attended kindergartens in Poland.

Taking into account the priority to develop the knowledge-based society emphasized in the EU and national strategies, the changes in computer equipment of schools, including the Internet access, are worth considering. In the school year 2009/10, there were 275.6 thousand computer sets (twice as much as in 2003/04), including 190.3 thousand with Internet access for direct use by students (almost triple increase). It should be emphasized that **almost 60% of computers were installed in the primary schools from the rural areas. Hence, the number of students per one computer is twice lower in rural areas (7.1) compared to the urban areas (15.4).**

Certainly, the EU funds helped to support the cultural institutions (*inter alia*, within the framework of village renewal measure, and under the Regional Operation Programs financed via the Cohesion policy measures), in particular the clubs and rural community centers, out of which 60% carried out their activities in rural areas. The importance of these institutions for the rural communities cannot be overestimated as they perform different functions and satisfy many social needs. In 2009, there were 4.0 thousand cultural institutions (cultural centers, clubs and community centers) in Poland and within six years their number increased by 8.2% in the rural areas. The share of cultural centers among the above-mentioned institutions was the highest (47.5%) whereas 90% of the total number of cultural centers was found in the rural areas.

The accessibility of the EU funds also had a great impact on the increase in capital expenditure on the development of technical infrastructure in rural areas.

They represented an important factor stimulating such investments and mobilizing own resources for this purpose (local authority expenditure, national funds earmarked for environment protection and expenditure of the rural inhabitants themselves on the individual waste water treatment installations). Despite growing capital investments in environment protection and the water management sector in rural areas, out of which more than half was intended for the enlargement of the collective sewerage systems, the poorly developed sewerage systems still remain a significant problem. The waste water treatment plants served about 27% of the rural population.

In 2009, the total length of the sewerage network in rural areas amounted to 50.5 thousand km; this meant an increase by almost 75% compared to 2003 (by 24.3% in urban areas). The increase in the number of inhabitants with access to the sewerage network was much more significant in rural areas than in urban areas – 3.5 million rural by 2009; however, this represented only 23.5% of the total rural population. About 26.9% of the rural people were served by the wastewater treatment plants, i.e. over 10 percentage points more compared to 2003. In the year 2009, the water supply installations were provided on 89.0% of households in rural areas versus 98.6% in urban areas). Only 20.3% of rural households were connected to the gas network (compared to 74.0% in urban areas).

Taking into account the fact that the quality of life in rural areas depends on the development of technical and social infrastructure as well as the fact that the relevant investments in this domain are financed to a significant extent from the local authority budgets, the assessment of rural policy cannot pass over the assessment of the local authority budgets. For years, a significant improvement has been noticed in this respect. **In 2009, the revenue of rural gminas' (local communities) budgets increased by over 80% compared to 2003** (this increase was slightly higher than in the total number of gminas). In 2009, the average revenue per capita of rural gminas amounted to PLN 2645 (an increase by 80.7% as compared to 2003). The increase in revenue was accompanied by an increase by 89.1% in expenditure from the rural gmina budgets, which was lower than the national average (91.3%).

The highest dynamics (as in the case of revenues) was noticed in the sub-regions near the large cities – western sub-region of Warsaw (228.9%) and in Poznań sub-region (222.6%); it was the lowest in Opole sub-region (154.1%) and proves that the earlier mentioned argument of polarization in the development of peripheral gminas is true. In 2009, the budgetary revenues of rural gminas were first of all composed of the shares in taxes (32.0%) which constituted the revenue of the state budget; the prevailing part of these shares consisted of the revenues from personal income tax (95.4%) and property tax (28.1%). The fact that the revenues from agricultural tax amounted only to 7.5% of the own budgetary revenues of gminas in 2009 (*Rural Areas...*, 2011, p. 199) is also a proof of the ongoing changes in the rural areas (desagrarization).

However, despite these changes, agriculture still remains a very important element of the economic structure of rural areas. The analysis of the 2010 Agricultural Census shows that in 2010 the total number of agricultural holdings amounted to 2278 thousand, including 1563 thousand agricultural holdings exceeding 1 ha of farmland. Compared to the 2002 Agricultural Census results, the total number of agricultural holdings decreased by 656 thousand (i.e. by 22.4%). Compared to 2002, the most significant decrease in number occurred in the case of the smallest agricultural holdings (1 ha and 1–5 ha farms), the number of which decreased by 26.8% and by 24.8%, respectively.

The number of 5–20 ha agricultural holdings also decreased (by 17%). The decrease may indicate that the agricultural production is abandoned by the farmers who are facing problems with obtaining parity income level and do not see any possibility to develop their agricultural holdings. On the other hand, there is a growing number of agricultural holdings where the income level allows to satisfy the current consumption needs, to cumulate capital for development and to implement necessary investments on the holding¹². The number of agricultural holdings with the farmland area of 20–50 ha remained at the same level (with a slight increasing tendency by 0.8%), whereas the number of the largest agricultural holdings with the farmland area of 50 ha and more significantly increased. As compared to the previous census, the share of the largest agricultural holdings increased, though it is still low. The share of agricultural holdings with the farmland area of 20 ha and more increased from 4.0% in 2002 to 5.4% in 2010, while the number of holdings of 50 ha and more increased from 0.7% to 1.2% (*Report on the results*, 2011, p. 26–30).

Compared to other EU-27 Member States with relatively similar natural conditions of agricultural production, the share of agricultural holdings of economic size below 1 ESU amounted to 52.8% in 2007, while in Germany this share was only 5.9%, in France 6.9%, in the Czech Republic 34.2%, in the UK 40.5%, with the EU-27 and EU-15 average at the level of 68.5% and 46.4%, respectively (*Rural Development*, p.108).

5. THE EFFECTS OF RURAL POLICY IN THE RURAL AREA INHABITANTS' OPINION

The surveys carried out in the spring of 2011 by TNSOBOP (*Survey*, 2011) show that **the vast majority (90%) of the rural people were satisfied with living in the rural areas instead in the urban areas, while 47% of inhabitants were**

¹² According to many researchers (Poczta, Józwiak, Zegar), only agricultural holdings over 16 ESU with the farm land area over 30 ha may be included in this group. According to 2002 Agricultural Census, the number of agricultural holdings over 30 ha of farmland amounted to 51 thousand (2.6% of farms over 1 ha of farmland), and rose to 63 thousand in 2010; however, the share of these holdings is still only 4% of all agricultural holdings exceeding 1 ha of farmland.

very satisfied. The opposite view was taken only by 7% of respondents. For the majority of respondents, the urban area is not an attractive place of living – 81% of rural inhabitants did not intend to move to a city even if they could (50% – definitely not, 31% – rather not). These figures have not changed significantly since 2010. The inhabitants of rural areas are the most satisfied with the safety in the locality where they live (72%), access to the water supply network (77%) and to Internet (60%). However, they complain (*Survey...2011*, p.18–20) about the inaccessibility of gas network (49%), lack of sewerage system (42%), lack of the possibility to improve the professional qualifications and education level of adults (41%), and lack of access to culture, art and other entertainment (40%). The rural inhabitants, both farmers and landless persons, when asked about what should be improved in rural areas, indicated mostly frequently: access to non-agricultural jobs (farmers – 42%, landless – 41%), access to health care (farmers – 42%, landless – 44%), access to culture and entertainment (farmers – 32%, landless – 32%), access to sewerage system (farmers – 32%, landless – 27%).

As one can see, the subjective evaluation of the conditions of life and work made by the rural inhabitants themselves confirms the results of the statistical analysis presented earlier in the Report.

6. CONCLUSION

The application of the EU policy instruments to the Polish agriculture and rural sector, of CAP in particular, has brought about many positive changes both in the financial and institutional area. In the period 2004–2013, a historical increase in funds intended for agriculture and rural development occurred in Poland and caused an increase in farm incomes on one hand, and an improvement of the quality of life on the other hand. Thanks to the CAP support instruments, the rural areas received over PLN 117 billion, though a significant share of this amount was intercepted by other economy sectors under the form of expenditure on purchasing goods and services incurred by the CAP support beneficiaries. More than half of payments disbursed to the CAP beneficiaries consisted of payments directly contributed to the farmers' income under the direct payment scheme which became the most popular form of aid. This is the most income-generating CAP instrument due to which the 2011 subsidies represented about 60% of the agricultural incomes. At the same time, many surveys indicate that a significant part of direct payment funds is designed for funding the current productive expenditure (fertilizers, fuels, plant protection products, loan repayment) and for investments on agricultural holdings.

Despite agricultural structure changes in Poland, the number of agricultural holdings with farmland area over 1 ha amounts to over 12.7% of the total number of holdings in the EU, while the labour productivity in the agricultural sector does not exceed 26% of the average EU-27 level and amounts only to 14.8% of labour

productivity of the EU-15 agriculture (*Rural Development...* 2011, p. 115). The drawbacks of the Polish agriculture structure derive from the untapped and redundant workforce in the agricultural sector. Therefore, the true challenge for the rural policy in the years to come consists in launching measures aimed to create non-agricultural jobs. An increase in the allocation of public funds should be sought for to this end which had a relatively low priority (19.9%) in RDP 2007–2013 as compared to the funds allocated for this purpose in other EU Member States; for comparison, in Netherlands, the share of Axis 3 amounted to 29.6%, and in Germany to 27.4% (*Rural Development...* 2011, p.272).

Another challenge consists in counteracting further spatial polarization between the rich and the poor areas. The rich areas develop because they take advantage of their potential and economic situation, whereas the poor areas (“problem areas”) stagnate out of different reasons (Bański, Czapiewski 2008); the currently applied instruments that were intended to foster regional convergence are not able to withhold this polarization.

The future shape of CAP, accompanied by difficult discussions on the Community budget for the period of 2014–2020, is being discussed at EU level. Whereas the EC proposals for the allocation of funds designed for individual Member States under the 1st Pillar of CAP are already known, the national envelopes for the rural development programs are not. EU planned the CAP budget (*Regulation...* 2011) at the level of EUR 423 billion for 2014–2020 (1st pillar – EUR 317.1 billion; 2nd pillar – EUR 101.1 billion). The course of discussions indicates that Poland may count on an increase of the national envelope under the 1st Pillar (though there is no chance for levelling the direct payments with those in the EU-15) which is supposed to amount to EUR 21.6 billion (this accounts for 6.8% of the 1st Pillar funds for all Member States). This means that the allocations for Poland will increase in excess of 44% under the 1st Pillar compared with 2007–2013. Unless a drastic cut of the EU budgetary expenditure occurs, the level of allocations for RDP will probably remain at a level similar to that of 2007–2013.

At the same time when the EU debates on the new budget and programming process take place, Poland should start a discussion on the new policy of national development and the place of rural policy in this context. It seems justified and urgent to ask the following question: will the development and rural policy makers be able to adopt appropriate approach to the contemporary development trends and to overcome the signs of poor policy conducting in order to strengthen the effects proportionally to the value of funds allocated for its implementation?

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