

ANDRZEJ CZYŻEWSKI  
ANNA MATUSZCZAK

**Agriculture and rural areas in Poland in the light of budgetary expenditures I and II pillar of the CAP in the long period. The attempt to compare<sup>1</sup>**

**1. Introduction**

The authors of this work aimed at answering the following questions:

1. of the proposed amendments to the Common Agricultural Policy for 2014-2020?
2. what follows from comparing the structures of budgetary expenditure of the EU and domestic for Pillar I and II of the Common Agricultural Policy in passing financial perspective 2007-2013?
3. can we refer to convergence as regards directions of the aid?
4. were there any differences between the proportions of the EU and domestic expenditures on the objectives of the CAP?

Prof. Andrzej Czyżewski, Full Professor  
Poznan University of Economics  
Head of the Department of Macro  
and Agricultural Economics  
Ph. D. Anna Matuszczak, Assistant  
Professor  
Poznan University of Economics  
Department of Macro  
and Agricultural Economics

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The paper uses excerpts of a wider expert opinion of the authors *Wydatki na sektor rolny w Polsce w budżecie centralnym i budżetach wojewodów w latach 2000-2012 oraz możliwości ich przesunięć w kontekście przewidywanych zmian WPR 2014-2020 (Expenditures on the agricultural sector in Poland in the central budget and the budgets of voivodes in 2000-2012 and the possibility of their transfers in the context of anticipated changes in the CAP 2014-2020)* written within the framework of Following Years Programme realised by IERiGŻ-PIB in Warsaw.

5. was there any significant convergence in the level of spending from specific headings funded from the national and EU budget and what is the possibility of their continuation?
6. what are the proposals for transfer budget in the new financial perspective 2014-2020 - rationale and scope?

The study will run on two levels. The first of these is associated with the assessment of the structure of agricultural budget divided to agriculture, rural development and agricultural markets and budgets of voivodes, together with the assignment of budget headings to selected parts, which will correspond to assigning them to Pillar I or II of the CAP. This will allow us to answer the question whether the national budget should be targeted at one of the Pillars, thereby complying with the „spirit” of the reformed CAP, or should it compensate for the identified deficiencies. The second level, determines the quantification of interdependences between expenditure from the national and EU budgets.

## **2. Spending on agriculture, rural development and agricultural markets in 2000-2013<sup>2</sup>**

Agricultural budget is divided e.g. to expenditure implementing the needs in respect to agriculture, rural development, agricultural markets<sup>3</sup> and within the remit of voivodes. Below (see table 1) is an assessment of the structure of spending on agriculture, rural development and agricultural markets. Expenditures on individual parts are different and vary depending on the needs and objectives of agricultural policy. The above analysis shows that over the analysed period there have been significant changes in both the quantity and quality of budget allocation. Firstly, the allocation within the various parts did not follow uniformly. However, it can be concluded that by 2006, the proportions of spending were fairly balanced.

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2 The paper uses excerpts of a wider expert opinion of the authors *“Krajowy i unijny budżet rolny dla Polski. Próba określenia proporcji współzależności oraz efektów dla sektora rolnego”* (National and EU agricultural budget for Poland. An attempt to determine the proportion of interdependence and effects of the agricultural sector) written within the framework of Following Years Programme realised by IERiGŻ-PIB in Warsaw entitled: „Budżetowe podstawy poprawy konkurencyjności polskiego rolnictwa”, Warsaw 2011.

3 The analysis in this case begins in 2000, when the Act for that year introduced a new division - in accordance with the provisions of the Act on the activities of government, the budget of the then Ministry of Agriculture and Food Economy situated so far in part 19, covered three new parts of budget classification: part 32 - office of the minister for agriculture, part 33 - office of the minister for rural development, part 35 - the office of the minister for the agricultural markets.

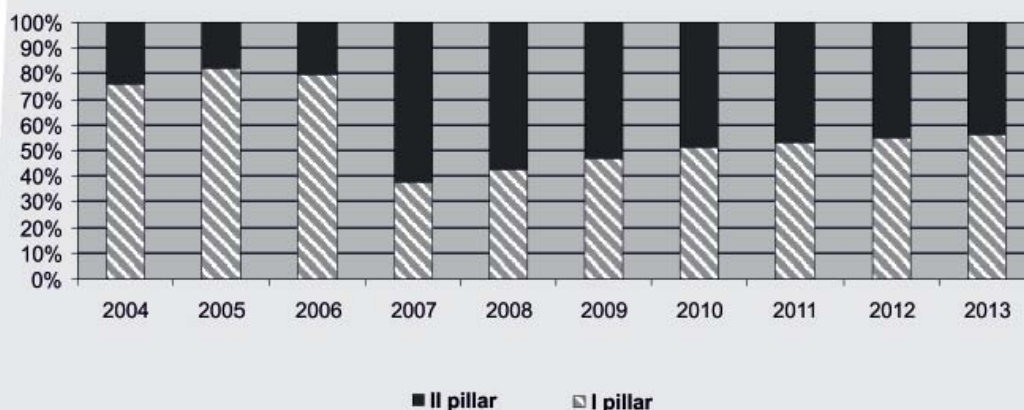
**Table 1. Structure of spending on agriculture, rural development and agricultural markets in Poland in 2000-2013 (%)**

Description	Prior to accession Poland to the EU					After accession Poland to the EU										
	2000	2001	2002	2003	average	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	average
Agriculture	31.1	21.8	26.5	19.7	24.8	20.2	19.9	25.2	6.6	3.3	5.1	10.2	11.6	13.6	13.2	12.9
Rural development	42.1	57.4	61.1	52.7	53.3	50.1	55.7	65.7	88.6	88.7	89.2	78.2	80.2	76.4	79.8	75.3
Agricultural markets	26.8	20.8	12.4	27.6	21.4	29.7	24.4	9.1	4.8	8.0	5.7	11.6	8.2	10.0	7.0	11.8

**Source:** own elaboration on the basis of annual agricultural budget opinions for 2000-2013, prepared by A. Czyżewski in the form of reports for the Chancellery of the Senate of the Republic of Poland, based on the analysis of the drafts and implementation of budget acts for the relevant years

Since 2007, that the entry into force financial perspective 2007-2013, there has been a significant change in the structure of spending in the parts in question of the agricultural budget - the share of rural development clearly increases at the expense of the other two items. This may be a result of the CAP, putting more and more emphasis on rural issues. It is also significant that the share of spending on that objective, although relatively high from the beginning, has almost doubled over thirteen years, while the share of expenditure on agriculture declined 6-fold, and for agricultural markets declined 2.5-fold. Analysis of the standard deviation in the individual parts of the agricultural budget indicates a higher variability of the tested values after the integration with the EU, especially in the case of expenditure on rural development. Similar conclusions can be drawn by analysing the dynamics of these expenditures. The biggest changes occurred in expenditure on rural development, which increased especially in 2007, mainly due to expenditures on ARMA - Agency for Restructuring and Modernisation of Agriculture (financing projects with the EU funds, i.e. RDP, but also direct payments), as well as on restructuring and modernization of the food sector and on rural development, while expenditures on agriculture were relatively the most stable.

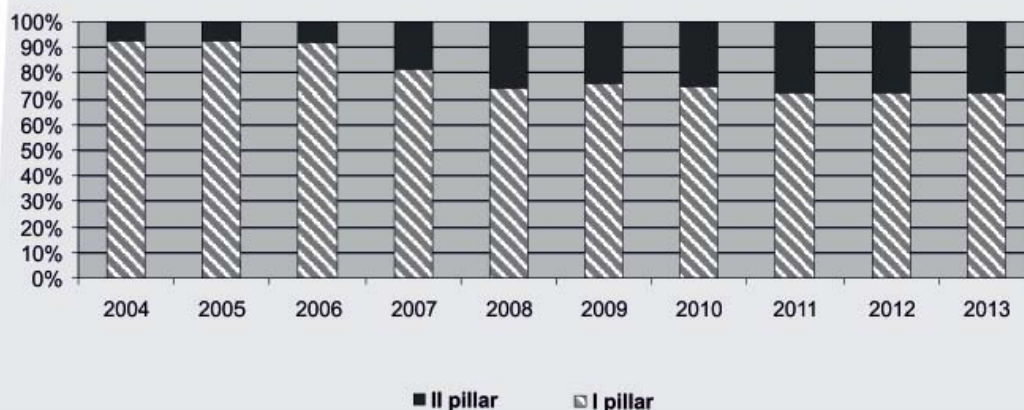
Looking at the agricultural budget from the perspective of the CAP, one can assume, that the actions and instruments relating to agriculture and agricultural markets, and the budgets of voivodes, correspond to Pillar I of the CAP, while those related to the development of rural areas are closer to Pillar I. At this point, it is necessary to note that government spending on rural development already includes additional direct payments supported by ARMA from domestic budget, which will be allocated to Pillar I (along with an adequate share of spending on the current activities of the Agency), while other expenditures, including especially the RDP 2007-2013 will be treated as consistent with the actions of Pillar II of the CAP. Aggregation of relevant financial headings from the national budget, complementary with the above Pillars, indicates that 4/5 of the national funds supports activities related to agriculture - Pillar I, and the rest - 20% - are funds related to the implementation of Pillar II, mainly the financing of the RDP 2007-2013. Detailed observation of the last three years, which is possible thanks to the separation of the budget of the European funds (established in Poland in 2010), shows a slight increase in the share of expenditure on Pillar II from 19% to 22%. It should be noted here that the structure of the distribution of funds received by the Polish agricultural sector from the EU suggests that Pillar II received nearly half of the total funds, i.e. twice as much (see figure 1). Thus, the financing structure of individual Pillars is not consistent.



**Figure 1. Structure of spending on Pillar I and II of CAP from the EU budget for Poland in 2004 - 2013**

Source: European Commission, Agricultural and Rural Development DG

However, the structure of the national expenditure on individual Pillars is proportionally (directionally) similar to their overall structure in the EU-27 (see figure 2), where the support is significantly higher for Pillar I, although the share of spending in Pillar II is increasing.



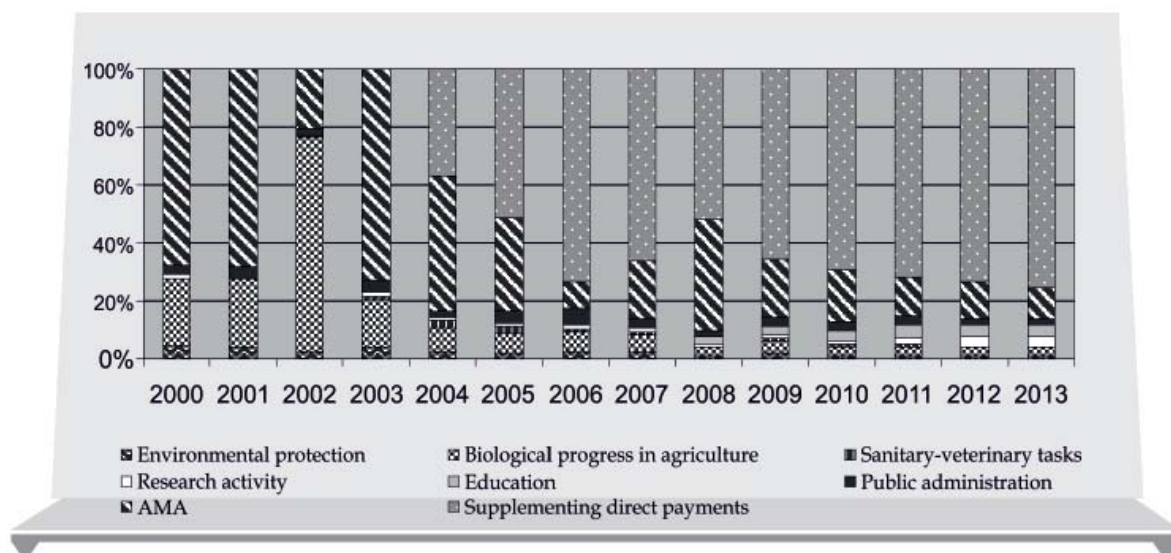
**Figure 2. Structure of spending on Pillar I and II of CAP from the EU budget in total for 27 countries in 2004-2013**

Source: as in figure 1



### 3. Pillar I of CAP in national budget in the long term

The main expenditures in Agriculture are funds flowing to the agriculture and hunting section, among which we can aggregate expenditure on: environment protection<sup>4</sup>, progress in agriculture<sup>5</sup>, sanitary and veterinary tasks<sup>6</sup> and scientific and research activities<sup>7</sup>. Another significant item is the expenditure on education (especially on agricultural vocational schools) and public administration operating in these areas. In the part of Agricultural markets, 95% of funds is earmarked for the tasks carried out by the Agricultural Market Agency (AMA). One should also add the national expenditure on supplementing direct payments written in the part Rural Development and applicable to Agency for Restructuring and Modernisation of Agriculture (ARMA).



**Figure 3. Structure of expenditure on different headings related to agriculture and agricultural markets in the national budgets in 2000-2013**

Source: as in table 1

4 Expenditure on environmental protection means aggregated funds from the central budget to: the National Chemical-Agricultural Station, protection of plants and organic farming..

5 Expenditure on progress in agriculture means aggregated funds from the central budget to: biological progress in plant production and biological progress in livestock production.

6 Expenditure on veterinary and sanitary tasks means aggregated funds from the central budget to: Chief Veterinary Inspectorate and border veterinary inspectorates.

7 Expenditure on research activities means aggregate funds from the central budget to: the Research Centre for Cultivar Testing, the State Animal Breeding Centre and R&D activity and science (from part 730).

In the total envelope of national resources allocated for the purposes complementary with the activities in Pillar I of the CAP, most funds are allocated for supplementing direct payments (see figure 3), which is particularly evident in the last few years, when Poland fully exploits the possibility of complementing the EU payments with national budgeting, in the maximum amount permitted under the Treaty of Accession. One should be aware that despite the growing share of this support in the national budget, in 2012, 90% of the funds allocated for direct payments in Poland will come from the EU budget, and the remainder (10%) will be financed from national funds.

Another important item is the financing of AMA activities. It is worth noting that this share is decreasing in the long-term perspective, which coincides with the nominal decrease in the amount of funds provided for the implementation of the CAP by the AMA. Spending on public administration shows a relatively stable share, with almost tripled amount since the integration with the EU. A characteristic feature of the developed market economies is the growing number of institutions correcting imperfections of the market mechanism. This leads naturally to the growth of the public administration that supports these entities. This trend is observed especially in the overgrown bureaucracy of the EU. It is also the case of national entities. One should note a clear increase in expenditure on public administration in all parts of the agri-food sector, especially in 2000-2006. The dynamics of this budget heading was one of the relatively highest. It is interesting that in the agricultural budgets there were years, where funds for the implementation of the key objectives of agricultural policy were restricted, and expenditure on public administration increased. Another thing is that a closer examination of budget acts and budgets of voivodes and reports of the Supreme Audit Office on budget performance, shows that the increased administrative expenditures were often necessary to efficiently obtain the EU funds.

Expenditures on education pertain to the financing of agricultural schools, vocational schools and training for teachers in these schools, as well as the operation of boarding houses and dormitories. In the post-accession period expenditures associated with these budgetary headings significantly increased, which is an important pro-development activity fitting with the idea of economic growth based on improving the quality of human capital. After the Polish accession to the European Union and the availability of the EU funds, agricultural education has become more attractive. The transfer of the farm in exchange for early retirement, purchase of land, payments for young farmers, and even investment loans, require agricultural education. Many schools are not prepared to carry out basic tasks resulting from the integration with the EU.

The essential criteria of their verification are the learning facilities (farm, school workshops, agricultural equipment, etc.), staff, boarding and catering facilities. Unfortunately, the need for allocation of financial resources to many institutions creates a situation under which none of them is financed in full. The situation is a bit different in case of schools and institutions of regional and supra-regional importance, which after the reform in 1999 remain the responsibility of the Minister of Agriculture. In the Act of 27 June 2003 amending the Act on education and certain other acts, it was proposed to introduce new solutions for schools of regional and supra-regional importance. The powers to establish and operate public schools and institutions of regional or supra-regional importance have been transferred to voivodeship governments. At the same time the said act introduced a transitional provision, under which by 31 December 2005, the Minister responsible for agriculture could take over from the poviats (by agreement) the management of agricultural schools and institutions of regional and supra-regional importance, along with poviat property in the hands of schools and institutions.<sup>8</sup> The Minister of Agriculture and Rural Development, having financial resources, can support schools and the agriculture institutions in improving learning facilities for vocational training. This legislative change is reflected in the level of real spending on education, which since 2006 initiated an upward trend that should be noted as a positive development. Unfortunately, the impression remains that it has been done at the expense of biological progress. The continuing trend of many years to reduce budget spending especially on budget headings associated with biological progress is worrying (there was almost 3.5-fold average decrease when comparing the period before and after integration). Analysis of expenditures for activities related to biological progress in agriculture is not optimistic. There are indications to argue that an increase in funds for co-financing and pre-financing of the EU programmes and payments often took place under conditions of decreasing or non-increasing financial support from the national budget for these expenditures. It was observed that parallel descending "in exchange", during most of the analysed period, social spending on KRUS increased, just like revenues from abroad for funds to

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8 There is a paradoxical situation: old schools of the Ministry of Agriculture, which - fighting for survival - introduced other „non-agricultural” programmes of study or formed secondary schools, could not be taken over by the Minister of Agriculture, because there were already typically agricultural schools (associated schools).



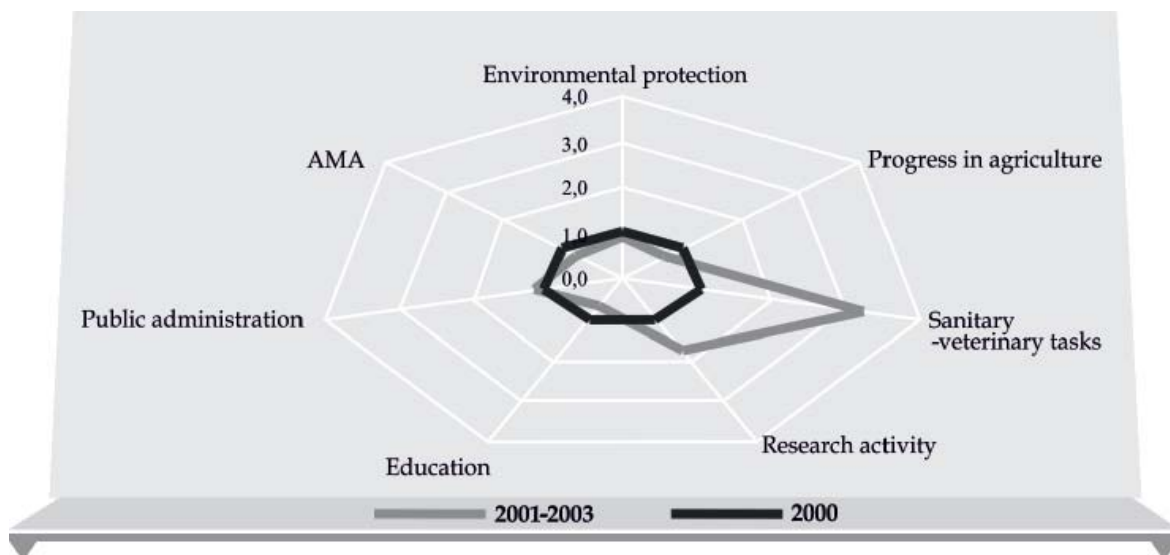
support biological progress indirectly<sup>9</sup>. The former did not have an impact on this progress, because they mainly secured everyday social and consumption needs of beneficiaries, the second influenced, and often but not explicitly forced biological progress. The common denominator for many of the listed headings is the relation to the progress in quality and novelty and the type and quality of performance. It seems, however, that it was too early to recognize that EU support will be sufficient to compensate for the reduction in domestic spending. It was not appreciated that today a widely understood biological progress and investments in quality and knowledge largely determine the competitive markets, including agriculture markets. It is expected that with the assimilation of the principles and objectives of the EU Common Agricultural Policy and EU structural funds, this will become popular enough that short-term savings trends will disappear in the coming years in favour of quality and progress in agriculture, supported by the national budget. This conclusion seems to be justified, especially when it comes to competitiveness, innovation and “knowledge-based agriculture” in the reformed CAP.

One should also mention funds spent on environmental protection, which are declining, but their level remains relatively stable. Protecting the environment is an extremely topical issue in current discussions at the national and EU level, in particular in the framework of the reformed Common Agricultural Policy. As a result of environmental pressure, in which the farmer is the key link, the range of agri-environmental programmes and instruments to encourage “greening” of the EU actions keeps expanding. In addition, this issue is positively reflected in budget expenditure, so one must maintain this trend. The relatively high growth in the central budgets can be seen in the case of expenditure on organic farming and the State Chemical-Agricultural Station. It is related to the extension of the powers and duties of the above-mentioned bodies, even if related to the implementation and observance of increasingly stringent environmental protection instruments. Considering the changes that have occurred in the analysed budgets, and that may suggest further shifts in the state budget, one should point to the dynamics of separate headings. Three approaches have been adopted. The first concerns the relation of pre-accession dynamics (2001-2003) and the first year of analysis

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9 Examples include funds from the EU funds aimed at restructuring the agricultural sector (e.g. SAPARD), which forced biological progress through the need to purchase a better quality seed and livestock (e.g. when upgrading or building a new barn one purchased the most productive dairy cows).

- 2000, to show changes in the financing of specific objectives in light of the upcoming integration Poland with the EU (see figure 4).

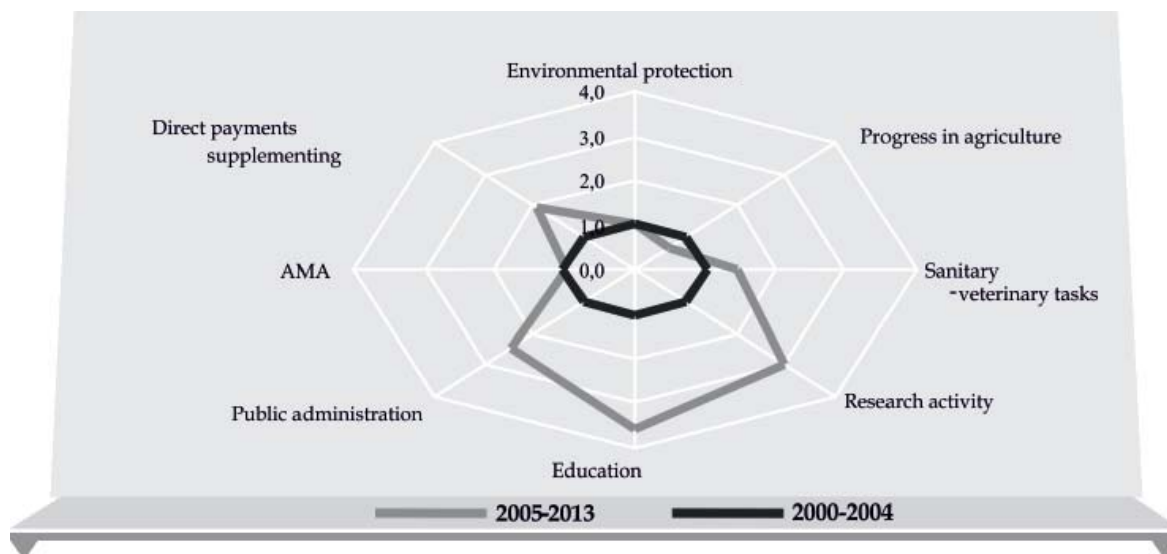


**Figure 4. Growth in domestic spending on budgetary headings identified with Pillar I of the CAP - 2001-2003/2000**

Source: as in table 1

It was observed that the strongest growth occurred in the case of two headings - namely the sanitary-veterinary tasks that needed to be supported mostly because of the creation of border veterinary inspectorates and the need to seal the borders of the expanding EU, and research activities in which there was a marked increase in spending on the following institutions in the pre-accession period: the Research Centre for Cultivar Testing and the State Animal Breeding Centre. A slight increase occurred in case of expenditures on administration, and a decrease was recorded in expenditure on education and progress in crop and livestock production.

Another approach consist in comparing dynamic indices in the post-accession years (2005-2013) with the pre-accession period (2000-2004), to indicate how integration "accelerated" or "slowed down" the national spending on selected objectives (see figure 5). The most dramatic increase was observed in the case of expenditure on education - in the figure the scale of this phenomenon is reduced by tenfold, so as not to "blur" the other changes, however, it was a very significant increase, the reasons for which were mentioned above. After the integration the trends observed in the period immediately before accession became established,



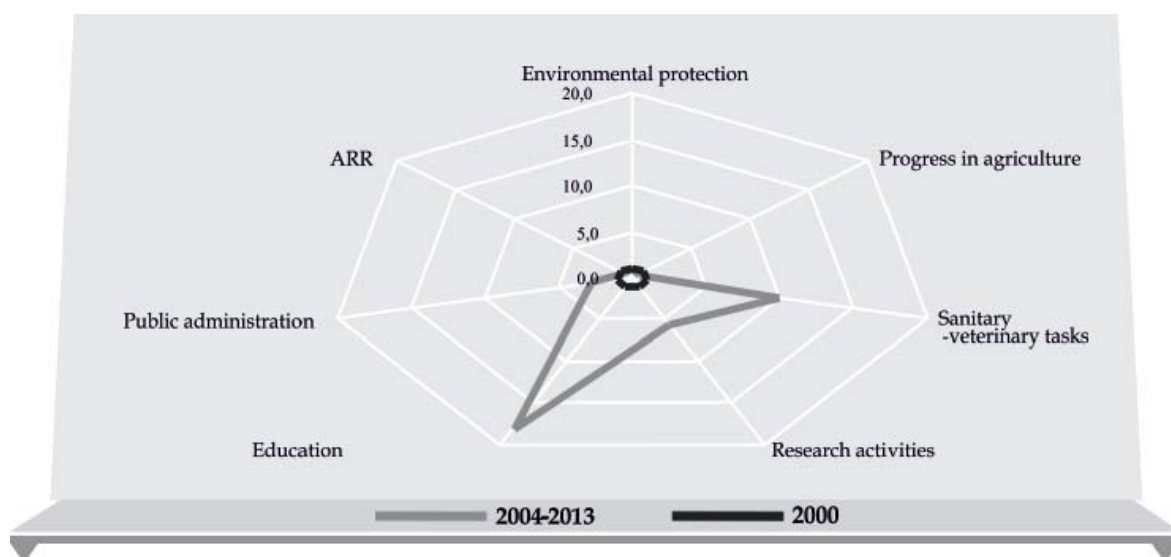
**Figure 5. Growth in domestic spending on budgetary headings identified with Pillar I of the CAP - 2005-2013/2000-2004**

Source: as in table 1

i.e. the increase in spending on research activities (mainly through the emergence of the new budget item - Science), a clear increase in spending on administration, and systematically increasing funds for complementing direct payments. Once again, cutting down funds related to biological progress in plant and animal production should be assessed negatively.

The last approach to comparisons concerns the changes that have taken place during the analysed period in relation to the year 2000, which was treated as the reference year (see Figure 6). The largest absolute gains related to four types of expenditures on: education, sanitary and veterinary tasks, scientific and research activities and public administration. However, the mentioned biological progress in agricultural production had been expressly depreciated. It can be considered that expenditure on market interventions (by AMA) and environment protection showed peculiar stability.

It is also worth to show the selected correlations that took place in the analysed budgets between expenditure converging with those of Pillar I, where substitution and complementarity are clearly visible phenomena. The first strong correlation is for expenditure on administration in agricultural budgets, which is a response variable is strongly and negatively dependent on spending for biological progress in agriculture and market intervention, and positively on the amount of the state supplementary payment.



**Figure 6. Growth in domestic spending on budgetary headings identified with Pillar I of the CAP - 2005-2013/2000**

Source: as in table 1

*expenditures on administration = PLN 63960 thousand +0.03\* supplement to direct payments - 0.04\* expenditures on AMA - 0.02\* expenditures on biological progress in agriculture*<sup>10</sup>

It is reasonable to argue that rising costs associated with national supplementing of direct payments (which, moreover, are positively correlated with the amount of subsidies from the EU funds, as well as funding for other national objectives financed from the EU budget) entails expansion of administration to be able to acquire and manage the substantial flow of funds. However, there is an irresistible impression that increase in administration occurs at the expense of other headings financed from the national budget, such as the above-mentioned progress in agriculture and expenditures on AMA tasks. While in the case of the latter expenditure there is a kind of substitution of national expenditure with the EU expenditure, in the case of progress it is difficult to talk about any compensation.

Another interesting correlation is shown by a positive relationship between expenditure on state supplement to direct payments and on education (within

<sup>10</sup> Multiple progressive regression method was used;  $R^2 = 97.6\%$ , distribution of residuals normality was verified by Shapiro-Wilk test.

the remit of the Ministry of Agriculture). A possible interpretation is that the effect of significantly increasing spending on education, mainly in secondary and vocational schools related to agriculture, is acquiring practical knowledge and skills on European funds and how to get them, which entails the need for greater participation of national funds in the process.

*supplementing direct payments = PLN 450011 thousand +16.1\* expenditures on education<sup>11</sup>*

Justification from the other side is also reasonable, namely that the growing stream of national subsidies (along with the EU subsidies) encourages or even forces the need for a reliable and extensive education, particularly of young people who see their future in agriculture, which has been recognised and reflected in the increasing expenditure, as mentioned above.

#### **4. Pillar II of the CAP in ARMA spending**

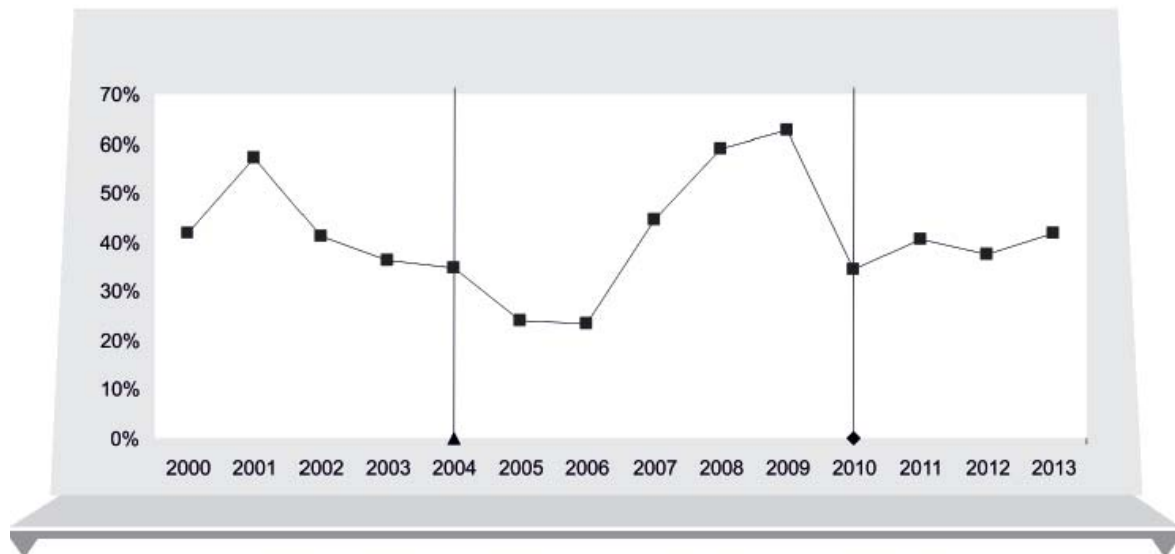
Pillar II of CAP is consistent with the activities in the budget task Rural Development (part 33), i.e. mainly funds for the operation of ARMA, and within it especially for the RDP. Agency for Restructuring and Modernisation of Agriculture is central to the structural transformation of the countryside and agriculture. Its support fosters, *inter alia*, development of agricultural policy focused on income, and consequently the multifunctional rural development. Considering the total amount of funds allocated to the activities carried out by ARMA, one can say that before the accession to the EU, they were too low to cause noticeable modernisation and development changes. Budgetary resources allocated to the paying agency in absolute terms increased steadily, but their share in both the overall budgetary expenditure and spending on the agricultural sector varied considerably (see Figure 10). The average share of spending on ARMA in total budgetary expenditure during the same period increased 2.7 times. Before the integration with the EU, ARMA faced considerable problems - budget spending for statutory objectives of the Agency was limited and most of the expenditures involved substantial liabilities from previous years, which resulted in insufficient resources to conduct current and new activities. It was hard to understand because ARMA soon converted into a paying agency supporting e.g.

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11 Same as above, multiple progressive regression method was used; R2= 82%, distribution of residuals normality was verified by Shapiro-Wilk test.



the Integrated Administration and Control System of the Common Agricultural Policy in the EU, and awarded funds limited opportunities to prepare for this role. In the light of the growing income disparities of farms in the pre-accession period, consistent reduction in aid for farmers was incomprehensible. It also contradicted the official declarations of the government on measures to improve the financial situation of farmers (*Pakt dla rolnictwa.., 2000*).



**Picture 7. Share of expenditure on ARMA in spending on the agricultural sector in total in 2000-2013 (%)**

Source: as in table 1

The largest programme implemented by ARMA is the Rural Development Programme. Its main goal is to “implement multifunctionality of agriculture and rural areas”. It assumes economic empowerment of farms and increase in economic competitiveness of the agri-food industry, while ensuring mechanisms that differentiate economic activity in rural areas. Important objectives of the programme also include protection of the environment and improvement of the quality of life in rural areas (Szalczyk, Matuszczak 2010). Financial support mechanisms (measures) in the programme implement four priorities for rural development, which reflect the four groups of support mechanisms (thematic axes) (see table 2). The measures under Axis 1 are focused on human and physical capital in the agri-food and forestry sectors (promoting transfer of knowledge and innovation) and on quality production. Axis 2 supports the protection

of natural resources and traditional forms of management in agriculture. Axis 3 supports development of local infrastructure and diversification of economic activities in rural areas. Axis 4 implements the Leader programme and supports the bottom-up, local approach to rural development.

It should be emphasized that RDP 2007-2013 is the main source of financial support for the transformation of Polish agriculture, processing and marketing of agricultural products. The beneficiaries of the programme are mainly business entities operating in the field of agriculture, agri-food processing or non-agricultural economic activities (only microenterprises) in rural areas. Beneficiaries also include organisations of local governments responsible for the development of technical infrastructure in rural areas.

**Table 2. RDP 2007-2013 financial plan broken down into thematic axes (in mln EUR)**

Description	Total public contribution	EAFRD amount	share of EAFRD contribution
Axis 1 Improving the competitiveness of the agricultural and forestry sector	7 486,2	5 486,65	75%
Axis 2 Improvement of the environment and the countryside	5 377,1	4 446,8	80%
Axis 3 Quality of life in rural areas and diversification of rural economy	3 500,06	2 635,5	75%
Axis 4 Leader.	787,5	630,0	80%
Technical assistance	266,6	199,9	75%
<b>Total</b>	<b>17 417,5</b>	<b>13 398,9</b>	<b>76%</b>

**Source:** Rural Development Programme 2007-2013

The programme covers 21 measures and technical assistance (see Table 3). Most of the measures are a continuation of support mechanisms available in 2004-2006 under the "Plan for rural development" and the "Sectoral Operational Programme Restructuring and Modernisation of the Food Sector and Rural Development." As mentioned above, the share of spending related to the development of rural areas from the national budget is estimated at about 20%, and differently, in the EU funds, support for Poland for Pillar II reaches 45%.

So in conclusion it can be seen that in the face of competition of budgetary purposes (due to funding) it is legitimate to say that the Polish government used the opportunity of the maximum complement of direct payments, targeting the stream of funds at providing support to Pillar I, which is not consistent with the trends noticeable in the EU, where more and more emphasis is placed on the development of rural areas. It seems that the latter measure will be strengthened under the reformed CAP, as the greening of direct payments will allow continuation of 30% of national funds to be allocated for supplementing a single payment per hectare subjected to convergence, which is expected to be mandatory, but not subject to limitation.

**Table 3. List of measures under the RDP 2007-2013**

Measure	Implementing Entity	Expenditure (in mln euro)
<b>Axis 1 - economic</b>		<b>EUR 7,486.2 million - 43%</b>
Setting up of young farmers	ARMA - RO	40.0
Vocational training for persons employed in agriculture and forestry	FAPA	420.0
Early retirement	ARMA - PO	2,549.6
Modernisation of agricultural holdings	ARMA - RO	1,849.07
Increasing the added value to basic agricultural and forestry production	ARMA - Headquarters	932.0
Improvement and development of infrastructure related to the development and adjustment of agriculture and forestry	VG	637.5
Participation of farmers in food quality schemes	ARMA - RO	80.0
Information and publicity	AMA	30.0
Agricultural producer groups	ARMA - RO	140.0
Use of advisory services by farmers and forest owners	ARMA - PO	218.0
Commitments for 2004-2006 from Supporting semi-subsistence farms	ARMA - PO	590.0

<b>Axis 2 - nature</b>		<b>EUR 5,377.1 million - 31%</b>
Support of management in less-favoured areas (LFA)	ARMA - PO	2,448.8
Agri-environmental programme and non-production investments	ARMA - PO	2,314.8
Afforestation of agricultural and non-agricultural land	ARMA - PO	513.5
Restoring forestry production potential damaged by natural disasters and introducing appropriate prevention instruments	ARMA - RO	100.0
<b>Axis 3 - social</b>		<b>EUR 3,500 million - 20%</b>
Diversification into non-agricultural activities	ARMA - RO	345.6
Basic services for the economy and rural population	VG	1,541.3
Village renewal and development	VG	589.6
Establishment and development of micro-enterprises	ARMA - RO	1,023.6
<b>Axis 4 - Leader</b>		<b>EUR 787.5 million - 4.5%</b>
Implementation of Local Development Strategies	VG	620.5
Implementation of cooperation projects	VG	15.0
Running the Local Action Group	VG	152.0
<b>Programme handling</b>		<b>EUR 266.6 million - 1.5%</b>
Technical assistance	ARMA - Headquarters	266.6

ARMA - RO - regional offices of ARMA, ARMA - PO - ARMA poviat offices, FAPA - Foundation of Assistance Programmes for Agriculture, VG - voivodeship governments (offices of the marshal)

**Source:** own elaboration based on the RDP 2007–2013 document

Such action in some sense is explained by the fact that a relatively large volume of the EU funds for Pillar II in financial perspective 2007-2013, flowing to the newly admitted EU-10, compensates for national deficiencies in this field. Although the reform of the CAP provides for the transfer of funds between the pillars, but it seems that under Polish conditions the direction of flow from the Pillar I to Pillar II will dominate (to 25%). There will also be a limit in the amount of support (capping) that a farm can get. The funds “saved” in this way will remain in the Member State, transferred to rural development (Pillar II), to be used by individual farmers for innovation and investment as indicated in the “Europe 2020” strategy, as well as for operational groups of the European Innovation Partnership.

## 5. Conclusions

These considerations give rise to the following statements:

1. Comparison of the structures of the EU and national support for Pillar I and II in 2007-2013 shows that 4/5 of national funds supports activities related to agriculture - Pillar I, and the rest - 20% - are funds related to the implementation of Pillar II, mainly the financing of the RDP 2007-2013. Detailed observation of the last three years, which is possible thanks to the separation of the budget of the European funds, shows a slight increase in the share of state expenditure on Pillar II from 19% to 22%.
2. It should be noted here that the structure of the distribution of funds received by the Polish agricultural sector from the EU suggests that Pillar II received nearly half of the total funds, i.e. twice as much. Therefore, the share of spending related to the development of rural areas from the national budget is estimated at about 1/5, and differently, in EU funds, support for Poland for Pillar II reaches 45%.
3. Maximum supplementing of direct payments by the Polish government resulting in directing funds to support Pillar I was forced by the income situation of Polish farmers. This, however, was not consistent with the noticeable trends in the EU, where more and more emphasis is put on rural development, which will also continue after 2013.

## Summary

**Agriculture and rural areas in Poland in the light of budgetary expenditures I and II pillar of the CAP in the long period. The attempt to compare**



The purpose of this article is to assess budgetary spending targeted agriculture (first pillar) and rural areas (the second pillar) of the CAP in Poland in the long period. there was compared the structures of the EU budget spending and the national for the first and second pillar of the CAP in passing the 2007-2013 financial perspective and was assessed whether there is a convergence pattern of the aid. It shows the differences between the proportions of European and domestic spending for the objectives of the CAP implemented in Poland. Also was identified the existence of convergence between the level of spending for certain titles financed from the national budget and EU.

**Key words:** *agriculture, rural areas, budgetary expenditures, the first pillar, the second pillar, CAP.*

#### **Streszczenie**

##### **Rolnictwo i obszary wiejskie w Polsce w świetle wydatków budżetowych I i II filaru WPR w długim okresie. Próba porównania**

Celem artykułu było ocena wydatków budżetowych kierowanych na rolnictwo (I filar) oraz obszary wiejskie (II filar) WPR w Polsce w długim okresie. Dokonano porównania struktur wydatków budżetowych unijnych i krajowych na rzecz filaru I i II wspólnej polityki rolnej w mijającej perspektywie finansowej 2007-2013 oraz oceniono, czy występuje zbieżność kierunkowa tej pomocy. Ukazano także różnice między proporcjami wydatków unijnych i krajowych przeznaczonych na cele WPR realizowane w Polsce. Zidentyfikowano również istnienie zbieżności między poziomem wydatków na określone tytuły finansowane z budżetu krajowego i unijnego.

#### **Słowa**

**kluczowe:** *rolnictwo, obszary wiejskie, wydatki budżetowe, pierwszy filar, drugi filar, WPR.*

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