

**THE DEGREE OF UTILIZATION OF THE EUROPEAN UNION FUNDS  
DIRECTED TO THE FRUITS AND VEGETABLES PROCESSING  
SECTOR IN THE YEARS 2002 – 2013. PART I**

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ABSTRACT

The present article and the research undertaken in it attempt to assess the degree of implementation of support programmes being the basis for the use of the European Union funds in the area of fruits and vegetables processing in Poland in the years 2002 – 2013.

The study addresses a wide range of issues, therefore it has been divided into two parts. The present article is introductory and contains the description of all the financial instruments directed to Poland in the years 2002 – 2013. Each of them has been discussed under a uniform scheme. The scope of entities who were able to apply for support has been indicated. Then the object of the grant, i.e. the types of investments co-financed from EU funds. The third issue was the amount of support, the amount of claims paid and the amount of all payments.

The second part, which will be published in the next issue, will focus on the degree of utilization of the instruments mentioned in one of the areas – support for fruits and vegetables processing sector.

**Key words:** European Union, structural funds, agricultural policy, Special Pre-Accession Programme for Agriculture and Rural Development, the Sectoral Operational Programme “Restructuring and Modernization of Food Sector and Rural Development for the Years 2004 – 2006”, the Operational Programme for Rural Development in the Years 2007-2013.

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## GENERAL REMARKS

The present article and the research undertaken in it attempt to assess the degree of implementation of support programmes being the basis for the use of the European Union funds in the area of fruits and vegetables processing in Poland in the years 2002 – 2013.

The choice of the research scope has been dictated by two factors.

Firstly, the time bracket is directly defined by the duration of the financial instruments that were at Poland's disposal. Within the period indicated three separate programs were in operation: Special Pre-Accession Programme for Agriculture and Rural Development, Programme for Poland – SAPARD (hereinafter SAPARD)<sup>1</sup>, Sectoral Operational Programme “Restructuring and Modernization of Food Sector and Rural Development” (hereinafter SOP)<sup>2</sup> and Rural Development Programme for the years 2007 – 2013 (the RDP 2007 – 2013)<sup>3</sup>. Each of them was conducted in a given period of time (using 2000 – 2004, 2004 – 2006, 2007 – 2013), fulfilled certain tasks that were defined in relation to different factors and each had its own budget.

Secondly, the objective scope refers to three programmes, as indicated above, which, with the exception of the RDP 2007 – 2013, have already been completed and presented in the final report. It should be emphasized that implementation of the next RDP 2014 – 2020 programme has been started, however it will not be analysed in this study. The author will only refer to its provisions in the last part in order to compare it with the conclusions drawn from the analysis of the effects of the implementation of the SAPARD, SOP and RDP 2007 – 2013.

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<sup>1</sup> SAPARD – operational programme for Poland, version of 5 November 2004.

<sup>2</sup> Sectoral Operational Programme “Restructuring and Modernization of Food Sector and Rural Development”, Annex to the Regulation of the Minister of Agriculture and Rural Development of 3 September 2004 r. (item 2032).

<sup>3</sup> Rural Programme for years 2007 – 2013 (RDP 2007 – 2013), Ministry of Agriculture and Rural Development, May 2015, M. P. item 409.

description of all the financial instruments directed to Poland in the years 2002 – 2013. The second part will focus on the degree of utilization of the mentioned instruments in one of the areas – support for fruits and vegetables processing sector.

SPECIAL PRE-ACCESSION PROGRAMME FOR AGRICULTURE  
AND RURAL DEVELOPMENT

The first financial instrument of the European Union directed to Poland was SAPARD (Special Accession Programme for Agriculture and Rural Development). It was established under Regulation 1268/1999<sup>4</sup>. It was one of the three pre-accession funds<sup>5</sup> with the overall common goal to support the candidate countries in the process of adjustment to the European Union's standards. The beneficiaries of the funds were ten candidate countries for accession to the European Union (Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia). Each of the funds was directed to a different area that required numerous structural changes. The available reports on the use of the SAPARD in Poland present a prevailing view that it has contributed greatly to the development of the farm and food industry in Poland. Enterprises using funds adjusted their production plants to the EU requirements in terms of quality, hygiene and safety of production<sup>6</sup>. Next to measurable results, it is also worth emphasizing that this was a pro-

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<sup>4</sup> Council Regulation (EC) 1268/1999 of 21 June 1999 *on Community support for pre-accession measures for agriculture and rural development in the applicant countries of central and eastern Europe in the pre-accession period*, Official Journal L 161, 26/06/1999 P. 0087 – 0093.

<sup>5</sup> Council Regulation 1267/1999 of 21 June 1999 *establishing an Instrument for Structural Policies for Pre-accession* (Official Journal 161 of 26 June 1999; ISPA); Council Regulation 3906/89 of 18 December 1989 *on economic aid to the Republic of Hungary and the Polish People's Republic* (since 1990 on economic aid and for certain countries of Central and Eastern Europe) (Official Journal of the European Communities L 375 z 23 XII 1989 P. 11; PHARE).

<sup>6</sup> Cf.: P. Bryła, *Analiza celów i regionalnego zróżnicowania absorpcji działań programu SAPARD adresowanych do polskich rolników i przedsiębiorców*, Studia Europejskie

gramme that acquainted, so to speak, Polish companies with the methodology and practice of using EU funds already granted to Member States<sup>7</sup>.

The discussed fund supported actions of the states in the area of agricultural policy and rural development. It had two main objectives: to support the candidate countries in the implementation of the *acquis communautaire* in the field of the Common Agricultural Policy (CAP) and to solve priority and specific problems in order to ensure sustainable adaptation of the agricultural sector and rural areas. Apart from that, the Regulation indicated fourteen specific objectives.

The beneficiary countries, taking into account the individual level of adjustment and the needs of agriculture, selected one or more of the identified areas.

In Poland the discussed fund was implemented under the SAPARD Programme. The indicated document was prepared by the Ministry of Agriculture and Rural Development. The European Commission approved it on 18 October 2000. Consequently, on 25 January 2001 a Multi-Annual Financing Agreement between the Polish government and the European Commission was signed. The first annual SAPARD financing agreement was signed on 29 March 2001. It should be emphasized that the initiation of the programme itself did not occur immediately after its approval. It was dictated by a series of organizational and legal measures that needed to be taken both at the EU and Member States level<sup>8</sup>. Consequently, the Council of Ministers adopted a regulation on the detailed scope and direction of activities and the ways of implementing the tasks of the Agency for Restructuring and Modernisation of Agriculture concerning the manage-

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(The Analysis of Objectives and Regional Diversity of Absorption of SAPARD Measures Addressed to Polish Farmers and Entrepreneurs, European Studies) 3/2002, pp. 2-6.

<sup>7</sup> Raport „Analiza wyników realizacji poszczególnych działań Programu SAPARD w świetle celów Programu oraz wpływ zmian społeczno-ekonomicznych na realizację Programu w latach 2002-2006” (The report “Analysis of the Results of the Implementation of Individual Measures of the SAPARD Programme in Light of the Objectives of the Programme and the Impact of Socio-Economic Changes on the Implementation of the Programme in the years 2002-2006”), Warsaw 2007, p. 3.

<sup>8</sup> For more see: J. Rowiński, SAPARD – programowanie i realizacja (Programming and Implementation), Warsaw 2005, pp. 25 – 40.

ment of resources from the EU funds<sup>9</sup>. The real implementation of the programme began in the area of the objective operation on 17 July 2002 and lasted until 5 February 2004.

As indicated above, the programme focused on three basic objectives<sup>10</sup> and two priority axes that were specified by seven measures. In the context of the subject matter of this report, one should refer to measure 1 *Improving the processing and marketing of agricultural and fishery products*. It was included in operational programmes of all the candidate countries. A total of 26 per cent of the SAPARD budget was allocated to measures in the area of *processing and marketing of agricultural and fishery products*. The share of funds allocated to the discussed measure in the beneficiary countries was as follows: the greatest amount was planned in Operational Programmes for Slovenia – 40 per cent and Poland – 38 per cent, followed by Latvia and Slovakia – 26 per cent, Bulgaria 24 per cent, Lithuania and Hungary 21 per cent, Estonia – 18 per cent and the smallest amount in Czech Republic and Romania – 17 per cent<sup>11</sup>. Seven countries from this group specified separate sub-measures for fruit and vegetable industry<sup>12</sup>.

According to the Polish SAPARD Operational Programme and taking into account regulations of the Minister of Finance on the distribution of resources of the Special Accession Programme for Agriculture and Rural Development in the framework of the Annual Financing Agreement

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<sup>9</sup> Regulation of the Council of Ministers of 14 May 2002 on the detailed scope and direction of activities and ways to implement tasks of the Agency for Restructuring and Modernisation of Agriculture regarding the management of resources from the European Union funds, Journal of Laws 2002, No. 102, item. 928.

<sup>10</sup> The first was to improve the competitiveness of Polish agriculture and farm and food processing sector in both the domestic and international market; the second concerned the adaptation of farm and food sector to the requirements of the Single Market in terms of health requirements, hygiene and quality; while the third was to support the multifunctional development of rural areas by developing technical infrastructure and creating conditions for non-agricultural economic activities in rural areas.

<sup>11</sup> Report from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions – SAPARD Annual Report – Year 2001. Brussels, 30.07.2002; COM(2002) 434 final.

<sup>12</sup> J. Rowiński, op.cit., p. 32.

for the year 2000<sup>13</sup>, measure 1 *Improving the processing and marketing of agricultural and fishery products* included two frameworks comprising: 1) support for restructuring of processing and improving the marketing of food of animal origin, and 2) support for restructuring of processing and improving the marketing of fruits and vegetables.

From the perspective of the thematic scope of the study, the measure of key importance was measure 1.2 addressed directly to the sector of fruits and vegetables processing. It is worth emphasizing that the SAPARD introduced a separate measure aimed at supporting the processing. Such a solution was not followed in subsequent programmes. In addition, it distinguished sub-measures according to the processing branches. It pointed to the processing sector of agricultural and fishery products and the processing sector of fruits and vegetables. This solution indicated a great interest in these areas of the agricultural market.

Consistently pursuing the primary objectives of the SAPARD, within measure 1.2 particular emphasis was put on the increase in: production in facilities using a system that ensured food production safety (HAC-CP); the number of processing plants with wastewater treatment facilities, improvement of handling of by-products and waste in plants processing fruits and vegetables; the percentage of raw material purchased under long-term contracts between processing plants and agricultural producers, agricultural producer groups in particular, introduction of new solutions and technologies in order to adjust production to market requirements;

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<sup>13</sup> Regulation of the Minister of Agriculture and Rural Development dated 26 September 2002 on the allocation of the Special Accession Programme for Agriculture and Rural Development in the framework of the Annual Financing Agreement for 2000. Journal of Laws No. 165, item 1355; Regulation of the Minister of Agriculture and Rural Development dated 26 September 2002 on the allocation of the Special Accession Programme for Agriculture and Rural Development in the framework of the Annual Financing Agreement for 2001. Journal of Laws No. 165, item 1356; Regulation of the Minister of Agriculture and Rural Development dated 15 November 2002 amending the regulation on the allocation of funds the Special Accession Programme for Agriculture and Rural Development in the framework of the Annual Financing Agreement for 2000. Journal of Laws No. 192, item 1612; Regulation of the Minister of Agriculture and Rural Development of 26 June 2003 amending the regulation on the allocation of funds the Special Accession Programme for Agriculture and Rural Development in the framework of the Annual Financing Agreement for 2001. Journal of Laws No 122, item 1148.

extension or improvement of facilities for storing, sorting, packaging, confectioning products and other marketing processing procedures conducted by groups of producers<sup>14</sup>.

The personal scope of support has been partially modified on the basis of the resolutions of the SAPARD Monitoring Committee<sup>15</sup>. In the end it covered three groups of entities.

The first were the entrepreneurs running businesses in the area of fruits and vegetables processing. The second were entrepreneurs providing storage services for frozen or refrigerated goods from the fruits and vegetables processing plants. The third were groups of fruit and vegetable producers and their associations as defined by the regulations of the Act on agricultural producer groups and their associations<sup>16</sup>.

The SAPARD precisely defined the objective scope of support. The indicated elements were the amount of support and the types of investments and payments, which were treated as eligible costs subject to reimbursement. Then it specified the conditions for financial assistance. The last element important from the perspective of the objective scope was the criteria for application selection.

The maximum amount of support for investments under measure 1.2 was 50 per cent of eligible costs, however the amount of support addressed to a single entity could not exceed PLN 10 000 000 (until October 2003 this amount was PLN 11 000 000 for the 1.2 framework) and could not be less than PLN 125 000. In addition, the measure assumed special arrangements for entities implementing investment to the benefit of the groups of fruit and vegetable producers in the form of additional support of PLN 2 200 000. In contrast, groups of fruit and vegetable producers and their associations could independently apply for assistance for a total amount of up to PLN 2 200 000 for each group or each association. It is worth not-

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<sup>14</sup> SAPARD..., p. 76.

<sup>15</sup> Resolution No. 20, 21, 22, Team-Committee for the SAPARD Monitoring of 4 June 2003. and Resolutions No. 23 and 24 of 30 June 2003; Resolution No. 4, 5, 6, 8, 9 and 10 Team-Committee for the SAPARD Monitoring of 7 February 2002 and Resolution No. 13 of 15 March 2002; Resolution No. 7 and 15 Team-Committee for the SAPARD Monitoring of 21 June 2002 and Resolution No. 17 of 18 December 2002. SAPARD ..., p. 77.

<sup>16</sup> SAPARD..., p. 77.

ing that the programme did not exclude the possibility of a repeated use of the support<sup>17</sup>.

Applications for financial support with regard to measure 1 were submitted in seven rounds announced in advance by the Agency for Restructuring and Modernisation of Agriculture (ARMA). They took place in the following periods: 17 July – 16 October 2002, 6 January – 7 February 2003, 26 May – 27 June 2003, 30 July – 29 September 2003, 29 October – 1 December 2003, 2 December 2003 – 2 January 2004 and 5 January – 5 February 2004. A total of 1,778 applications were submitted, including 1429 in framework 1 and 349 in framework 2.

The total budget for the SAPARD Programme amounted to EUR 1 084 million (approx. PLN 4 795 320 616), which consisted of the European Union funds in the amount of EUR 708.2 million (including 1 954 065 711<sup>18</sup> within this area of operation) and national resources amounting to EUR 235.8 million, including 3140 million transferred with the approval of the European Commission from the budget of the Rural Development Plan (RDP).

During the *period of the SAPARD* Programme implementation 27 761 applications were submitted under all SAPARD measures<sup>19</sup>. At the same time it should be noted that 24 431 agreements were signed, so 3 300 were rejected during individual stages of verification of the applications. There were various reasons for rejection: incompleteness of the application for financial assistance and the beneficiary listed as one of ARMA's debtors, negative economic evaluation of an application for financial aid, incompatibility of an application for financial assistance with the Operational Programme SAPARD, beneficiary's failure to fulfil the requirements of the programme, calculation errors, invalid attachments<sup>20</sup>. A total payment of PLN 4 470 347 225,13 was made.

As indicated in the programme description for the sector of fruits and vegetables processing, the most important was measure 1 *Improving the*

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<sup>17</sup> SAPARD..., p. 77.

<sup>18</sup> Report from the Commission....,

<sup>19</sup> Data provided by ARMA decision of 2 April 2015 issued in the course of public data sharing.

<sup>20</sup> Report..., p. 44.



*processing and marketing of agricultural and fishery products* that implemented two sub-measures directed to the sector of products of animal origin (measure 1.1) and fruits and vegetables sector (measure 1.2). A total of 1 516 applications had been submitted under this measure. Sub-measure 1.1 received 1 233 applications (1.1.a - 354, 1.1.b - 781, 1.1. C - 98), and sub-measure 1.2 had 283. In the measure under discussion 174 applications were rejected, i.e. in sub-measure 1.1 - 132 (1.1. and - 29, 1.1.b - 92, 1.1.c - 11), and in sub-measure 1.2 - 42. Payments made under this measure amounted to PLN 1 525 052 861.63 000, and in relation to individual operations they were as follows: sub-measure 1.1 - PLN 1 281 853 715.62 000 (1.1.a - PLN 387 711 098.57 000, 1.1.b - PLN 781 718 393.67 000, 1.1.c - PLN 81 491 487.66 000), and sub-measure 1.2 - PLN 243 199 146.01 000.

The above data show a disparity between sub-measure 1.1. and 1.2. It was dictated by the system adopted in the SAPARD. Measure 1 was divided into two sub-measures. The first, that is 1.1., included the following sectors: dairy (1.1.a), meat (1.1.b) and fish (1.1.c). In contrast, sub-measure 1.2 referred only to processing and marketing of fruits and vegetables. The actual distribution of funds is visible when viewed from the perspective of percentage share of individual sectors. According to the available data, most applications were submitted in the meat sector. They accounted for 51.52 per cent of all submitted applications. Then the dairy sector - 23.35 per cent, fruits and vegetables 18.67 per cent, and fish 6.46 per cent.

THE SECTORAL OPERATIONAL PROGRAMME "RESTRUCTURING  
AND MODERNIZATION OF FOOD SECTOR AND RURAL DEVELOPMENT  
FOR THE YEARS 2004 - 2006"

The second of the discussed funds supporting Polish agriculture and being the subject of the present analysis was the Sectoral Operational Programme "Restructuring and Modernization of Food Sector and Rural Development for the Years 2004 - 2006". This programme, as indicated by the time-frame included in its name, provided support for two years,

that is from the time of Polish accession to the European Union to end of the seven-year funding period. It was prepared in accordance with the provisions of art. 18 of the Council Regulation 1260/1999<sup>21</sup> that regulated the procedure for the adoption of programming documents being the basis for the use of the structural funds and the European Agriculture Guidance and Guarantee Funds. Consequently, on 7 July 2004 the European Commission approved the SOP and on 3 September 2004 the Ministry of Agriculture and Rural Development adopted a regulation on the adoption of the programme, and on 8 September it adopted a regulation on Addendum to the SOP<sup>22</sup>.

This programme, unlike the SAPARD, was financed from the EAGGF resources, the Guidance Section of the EAGGF to be exact. It assumed achievement of three basic goals. The first – “improve competitiveness and sustainable development of the agricultural sector”, the second – “support the processing industry in order to improve its competitive position” and the third – “strengthen multifunctional rural development”. They were implemented through the concentration of resources on three priorities<sup>23</sup>.

In line with the SOP assumptions, the resources allotted to the implementation of priorities were as follows: priority 1 – EUR 839.2 million from the EAGGF Guidance Section, priority 2 – the amount of EUR 335.50 million from the EAGGF Guidance Section and Priority 3 – EUR 18.00 million from the EAGGF Guidance Section.

In the context of the present study, the measure of major importance was 1.5 “*Improvement of processing and marketing of agricultural products*”.

Under the terms of the Addendum to the SOP, as part of that measure at least one of the following goals was fulfilled: restructuring and modernization of fruits and vegetables processing plants leading to their adaptation to the conditions of functioning in the EU market by improving their

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<sup>21</sup> Council Regulation (EC) No 1260/1999 of 21 June 1999 giving general provisions on the Structural Funds, *Official Journal L 161, 06/26/1999 P. 0001 – 0042*.

<sup>22</sup> After K. Chmurzyńska, The State of Implementation of the Sectoral Operational Programme “Restructuring and Modernization of Food Sector and Rural Development 2004 – 2006”, M. Bułkowska, K. Chmurzyńska, Results of Implementation of the RDP and SOP “Agriculture” in the years 2004 – 2006, Warsaw 2007, p . 43.

<sup>23</sup> “*Supporting Changes and Adjustments in the Farm and Food Sector*”, “*Sustainable Rural Development*”, “*Technical Support*”.

competitiveness, conditioned by an increase in production quality, its scale and profile, cost reduction and meeting the requirements of health standards and environmental protection. The fulfilment of these objectives was intended to achieve the following results: production in accordance with quality standards of the HACCP system; production in accordance with environmental standards; increase in participation of plants employing modern production technologies; extension of the range of highly-processed products; use of material and energy saving production technologies; improvement of distribution of products; concentration of production of fruits and vegetables, connecting processing plants with suppliers of fruits and vegetables by signing cultivation contracts, strengthening fruit and vegetable producer groups<sup>24</sup>.

The beneficiaries of support were entrepreneurs registered in the Register of Entrepreneurs in the National Court Register, or the business register, whose line of business was processing agricultural products (the indicated aspect was clarified in the criteria of access that referred to the production of juice from fruits and vegetables in item 15.32.Z), packaging eggs, providing services relating to freezing and storage of fruits and vegetables or wholesale trade in farm and food products. It should also be noted that the support was directed to the entities mentioned above on condition that the base of raw materials, i.e. fishery, forestry or agricultural products, did not come from a third country.

The objective scope was defined in a less precise way than in the SAPARD programme. It specified the types of eligible costs, criteria for access to support and the amount of support.

Summing up the implementation of the SOP, it should be noted that the total of 80 710 applications were submitted. 72 466 were verified positively, and 50 319 funding agreements were signed. The total number of projects completed was 49 999<sup>25</sup>. The total value of projects completed under the SOP was PLN 4 540 412 887,18. The greatest amount of

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<sup>24</sup> Specific objectives and effects of the impact of support in individual sectors, Annex 3 to the SOP.

<sup>25</sup> Resolution No. 45 of the Monitoring Committee for the Sectoral Operational Programme “Restructuring and Modernization of Food Sector and Rural Development” of 5 July 2010.

resources was allocated to measures: 1.1 – PLN 1 307 504 129,56; 1.5 – PLN 1 178 261 034,67; 1, 2 – PLN 530,7 million.

Referring directly to the thematic scope of the study, one should emphasize the implementation of priority 1 *Supporting changes and adjustments in the farm and food sector*, and especially sub-priority 1.5. *Improvement of processing and marketing of agricultural products*. The limit of funds allocated to priority 1 projects amounted to EUR 1 329.4 million, including measure 1.1. – EUR 642 million, 1.2 – EUR 178.9 million, 1.3 – EUR 19.4 million, 1.4 – EUR 42.8 million, and measure 1.5 EUR 446.3 million (in that amount EUR 312.4 million were the EU funds and EUR 133.9 million were national resources). In the case of the last of the indicated measures, the amount accounted for 24.96 per cent of the total budget of the SOP. From the perspective of the whole priority, 63 802 applications had been submitted, and 57 444 passed the verification. 39 710 contracts were signed and 39 542 contracts were executed for payment. The application procedure under measure 1.5 *Improvement of processing and marketing of agricultural products*, relating directly to the subject of the study, took place between 15 September 2004 and 14 October 2005. A total of 1646 applications were submitted, 1 501 of which passed formal verification and contracts were signed in 114 cases. In contrast, 1 097 contracts totalling EUR 1 702 298 420.83 were finalized, and the average value of a single grant was PLN 1 551 776.14.

Taking into account the object of the processing activities, it should be noted that in the fruits and vegetables processing sector 239 projects were implemented which accounted for 21.79 per cent of the total number of applications. In the dairy processing sector the number of implemented projects was bigger by one.

#### THE OPERATIONAL PROGRAMME FOR RURAL DEVELOPMENT IN THE YEARS 2007-2013.

The next programme, the RDP 2007 – 2013, was the first programme adopted for the full programming period of 7 years. It was a common

denominator resulting from the EU's objectives and Polish agricultural development strategies<sup>26</sup>.

This program consisted of four axes performing a total of 23 measures. As opposed to the rules adopted in the implementation of the Structural Funds, it was not supplemented by the so-called addendum to the programme, and the issues were regulated by the implementing regulations of the Minister of Agriculture and Rural Development<sup>27</sup>.

The first axis pursued three objectives<sup>28</sup> and ten measures, including a measure interesting for this article, i.e. measure 1.5 *Adding value to basic agricultural and forestry production*. The second axis focused on the sustainable use of agricultural land and was specified by four operations. It supported farming in mountainous areas and other less-favoured areas (LFAs). Another axis, the third, aimed at achieving two goals: 1) diversification of the rural economy, 2) improvement of the quality of rural life and it also pursued four goals.

In the context of the present study the crucial elements were the first axis and operation 6. *Adding value to basic agricultural and forestry production*. This operation focused on achieving two main goals. The first was to improve the competitiveness of enterprises in the sector of processing and marketing of agricultural products. The second was strengthening the position of producer groups.

Under the terms of the RDP, this measure was directed basically to two groups of beneficiaries. The first were natural persons, legal persons or

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<sup>26</sup> For more on the programming and implementation system of the RDP 2007 – 2013, see: J.W. Tkaczyk, R. Villa, M. Świstak, *European Union Funds, 2007 – 2013 Objectives – Actions – Measures*, Kraków 2008, pp. 173 – 189

<sup>27</sup> It seems that such a solution was not particularly favourable for the beneficiary. The refinement of the program, the general guidelines for criteria for the selection of applications, definition of the beneficiary, or of eligible costs that were valid throughout the entire period of funding and the obligation to present at the end of the calendar year a general plan for admission of applications in the next financial year would give interested parties the possibility to plan investment.

<sup>28</sup> Support for restructuring of agricultural holdings, improvement of competitiveness of the agricultural and forestry sector and improvement of production quality by means of modernization of infrastructure of farms, creation of agricultural producer associations and improvement of the processing and marketing of primary agricultural and forestry production.

organizational units without legal personality that had a registered business dealing with processing or marketing of agricultural products and acting as entrepreneurs performing their activities as small and medium-sized enterprise with less than 750 employees, or a company whose turnover did not exceed the equivalent of PLN 200 million. However, it should be emphasized that the programme itself introduced a dual limit of the personal scope of the beneficiary. Namely, in the first period of implementation of the programme the possibility to become a beneficiary was restricted for persons who had already been beneficiaries in the SOP 2004-2006. The second form of restriction was connected with preferential treatment of agricultural producer groups, preliminarily recognized groups, recognized organizations of fruits and vegetables producers and consolidated entities in the area of processing and marketing of agricultural products<sup>29</sup>. The solution to those decisions was a two-stage application procedure for aid. The first was directed to the preferred subjects and the second covered the full personal range.

In addition, it specified the criteria that the entity had to meet. First of all, the entities that were allowed to apply for the support were those who were able to implement the planned investment, and its completion should lead to improvement in the overall performance of the company manifested through the increase in gross value added. Furthermore, support was directed to entities who purchased raw materials under long-term contracts with producers or first processors of agricultural products. An exception in this regard concerned the projects connected with environmental protection. With regard to the planned investments, it had to meet all the requirements appropriate to a given type. On the other hand, plants implementing them had to comply with the current sanitary-hygienic, environmental protection and animal welfare standards. A very important criterion for selection of an application that assumed an increase in production capacity was a documented raw material base and demonstration of the capacity to sell the assumed production.

The measure in question related to investments in the sectors processing: milk, meat, fruits and vegetables (in this case the exception concerned wine products and wine derivatives), cereals (except malt), potatoes, eggs,

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<sup>29</sup> Development ... Programme, p. 210

honey, hemp, oilseeds, high-protein plants, agricultural products for energy purposes, services of freezing and storage of agricultural products. The second group included the wholesale of agricultural products: fruits and vegetables, flowers and plants, milk and dairy products, meat and meat products, cereals, rape, seeds of crops and vegetables.

The range of support comprised amounts from 20 000 000 to 50 000 000, and the amount of aid granted for the implementation of one project could not be lower than PLN 100 000. The indicated divergence depended on the type of beneficiary. The amount of support corresponded with 25 per cent, 40 per cent and 50 per cent of eligible costs. The first upper limit applied to entrepreneurs who were not small or medium-sized enterprises. The second was directed to small and medium-sized enterprises. The last one also referred to small and medium-sized enterprises, however, when they purchased raw materials under long-term contracts with a producer group or pre-recognized groups, or recognized organizations of fruit and vegetable producers, the entities applying for support were the groups of agricultural producers or pre-recognized groups, or recognized organizations of fruits and vegetables producers and the projects dealt with processing agricultural products for energy purposes. In the period 2007 – 2013 six application procedures were announced under measure 1.6 in several periods<sup>30</sup>.

The application procedures and the announcements were within the competences of the ARMA, which also acts as the paying authority. As indicated above, it announced six application periods from 2008 onwards, including two in 2009. The only exception was in 2012, when no applications were accepted. It should be emphasized that the final statement of the use of the RDP 2007 – 2013 has not yet been made public. Referring to information of 2 April 2015 obtained from the ARMA, the following details should be indicated. A total of 3 518 applications were received, 1 605 of which were rejected or withdrawn, 2007 applications for payment were filed, 2 154 payments were completed, totalling PLN 2 588 161 034.72, which accounted for 66.16 per cent of the limit used. 1 055 ben-

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<sup>30</sup> 23 April 2008 – 09 May 2008, 15 April – 21 April. 2009 and 17 November – 16 December 2009, 12 August – 10 September 2010, 20 October – 14 November 2011, 29 April – 24 May 2013.

eficiaries used the funding. It should be highlighted that a great number of applications were rejected or withdrawn, which represents close to 59 per cent. As indicated when discussing previous funds, the reasons for rejection varied and ranged from formal shortcomings to providing false data.

Based on the data provided by the ARMA, one may also indicate the share of individual sectors in the field of processing from the point of view of the number of applications for support from the EU funds<sup>31</sup>. Most applications were submitted in the meat processing sector – 28 per cent, the second place was occupied by the sector of fruit and vegetable processing – 23 per cent, followed by milk processing – 14.37 per cent and gross sales – 14.14 per cent. The rest of the sectors using support made a total of 20.59 per cent of the number of applications.

#### SUMMARY

The data mentioned above indicate that the interest in funds from the entrepreneurs engaged in food processing activity is broad. However, a series of questions occur about the ability to use the discussed instruments and the attractiveness of engaging in the application procedures. The things worth noting are changes in the interest in branches, fragmentation of the subjective scope and increase in the number of beneficiaries with simultaneous limitation of access for large entities. Another problem is the amount of support and development of the categories of eligible costs. These issues will be discussed in the second part of the article under the same title.

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<sup>31</sup> Of course, it should be emphasized that such data until the end of the implementation are final. It should rather be assumed that they only indicate a tendency to use the RDP 2007 – 2013 in different sectors.



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