

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

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ABSTRACT

The present article is the second part of the studies on the degree to which the European Union funds directed to the fruits and vegetables processing sector were used in the years 2002 - 2013. Analysis of the utilization rate of the three EU funds SAPARD, SOP, RDP rendered results in the form of the following conclusions.

Firstly, subsequent programmes implementing the EU funds are departing from the principle of equal treatment in access to support from the EU funds. The element that should be noted is preferential treatment of groups of agricultural producers, preliminarily recognized groups, recognized organizations of fruit and vegetable producers and consolidated entities in the field of processing and marketing of agricultural products. It may have various forms: greater amount of support or priority in the application procedure.

Secondly, diversification of entities (especially in the context of the RDP 2014-2020) reduces the amount of money allocated to strengthening the efficiency and increasing the quality of the processing industry in Poland.

Thirdly, it should be indicated that the level of support for the three programmes has increased substantially. In contrast, the new program reduces the support from PLN 20 000 000 to PLN 3 000 000. It is worth noting that the amount of money granted to an applying entity depends on its type. It this con-

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text it seems reasonable that, from the perspective of enterprises engaged in the processing, support is gradually reduced in favour of producer groups or associations of producer organizations. However, from the perspective of large entities operating in the discussed sector it may be observed that the possibility of applying for support has been completely disabled for them.

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.

GENERAL REMARKS

The present article is the second part of the studies on the degree to which the European Union funds directed to the fruits and vegetables processing sector were used in the years 2002 - 2013. The considerations have been divided into two groups. The first concerns the utilization discussed in the previous article.¹ The second part will focus on conclusions concerning the possibility of using European Union support in the sector of fruits and vegetables processing and will show two aspects: subjective and objective.

THE DEGREE OF UTILIZATION OF THE EU FUNDS IN THE SECTOR OF FRUITS AND VEGETABLES PROCESSING IN THE YEARS 2002-2013 IN DIFFERENT VOIVODESHIPS

The analysis of the degree of utilization of these funds in different regions indicates that the process of obtaining funds proceeded differently

¹ E. Krzysztofik, The Degree of Utilization of the European Union Funds Directed to the Fruits and Vegetables Processing Sector in the Years 2002 - 2013. Part I, Review of Comparative Law 2/2015.

in individual voivodeships.² Two main criteria influenced the diversity: firstly, the size of the region, secondly the volume of the processing activities in the fruits and vegetables sector. Not without significance is also the ratio of entrepreneurs to applying and the degree of preparation of Polish legislation to implement the EU funds.

The first of these funds initially did not garner much attention from the beneficiaries. This resulted from the above-mentioned lack of Polish provisions that would facilitate the application procedure and a small degree of knowledge about the SAPARD^{3,4}. This situation changed significantly in the last period of the fund's implementation. Referring only to the extent of support obtained in individual provinces, it should be noted that the applications that received support were most numerous in the regions of Greater Poland and Mazovia - 41 projects, which accounted for nearly 14.5 per cent of all applications submitted. 29 applications received support in the Lublin voivodeship (10.2 per cent), 26 in the Kuyavian-Pomeranian region (9.1 per cent) and 21 in the Lesser Poland (7.4 per cent). The smallest interest in the SAPARD was in the Lubusz voivodeship, where only 2 applications were submitted (0.7 per cent).

The second fund was the Sectoral Operational Programme "Restructuring and Modernization of Food Sector and Rural Development (SOP)"⁵ and it met with greater interest from the potential beneficiaries. Just as in the previous programme, the level of implementation of the SOP varied depending on the region. The greatest number of entities received support in the Greater Poland, as with SAPARD - 211, which was 19.2 per cent in the country, then in Mazovia 141 (12.8 per cent), Lublin 105 (9.6 per cent), the Kuyavian-Pomeranian region - 83 (7.6 per cent) and Łódź 79

² The full analysis is contained in the Report - The Use of the EU Funds in the Processing Area in the Years 2000-2013 prepared for The Polish Association of Juice Producers (KUPS), 2015 r.

³ SAPARD – operational programme for Poland, version of 5 November 2004.

⁴ ARMA, SAPARD – Selected Results of the Implementation of the Pre-Accession Support in Poland, Warsaw 2006, pp. 21

⁵ 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).

(7.2 per cent). The smallest interest in the program occurred in the Western Pomerania, where only 24 applications were submitted (2.2 per cent).

The last of the discussed funds is the Rural Programme for years 2007 - 2013 (RDP 2007 - 2013),⁶. As mentioned above, there is no definitive data regarding its implementation. Referring to information received on 2 April 2015, it should be noted that most payment contracts were executed, as in the case of the SOP, in the Greater Poland region - 366 (20 per cent nationwide), Mazovia - 196 (10,6 per cent), the Kuyavian-Pomeranian region - 190 (10,3 per cent), Lublin - 185 (10 per cent) and Łódź - 148 (8 per cent). The number of executed contracts was the smallest in the Opole province - 36 (2 per cent).

The data above indicate that the greatest interest in the EU funds, and thereby the highest absorption, occurs in five provinces. Assuming the criterion of the number of completed contracts in the area of fruits and vegetables processing, the province that ranks highest is the Greater Poland (in each of the funds it had the largest number of payments), then Mazovia (SAPARD - majority of applications like in the Greater Poland, and for the SOP and the RDP 2007-2013 - the second position), the Lublin voivodeship (the SAPARD and the SOP - the third place, the RDP 2007-2013 - the fourth).

Attention should also be paid to the relationship between the size of the voivodeship and the degree of absorption of the EU funds. Just as it has been indicated above, the three largest voivodeships also had the highest degree of the EU funds absorption. In contrast, it is worth noting that in other cases the size of the voivodeship did not affect the result, for instance the Lubusz voivodeship, which is the thirteenth largest region, but gained the least of the EU funds. The Kuyavian-Pomeranian voivodeship, on the other hand, is the tenth largest province, but it is the fourth in the use of the EU funds. It must therefore be assumed that the size of the region certainly affects the absorption capacity, but is not decisive.

⁶ Rural Programme for years 2007 - 2013 Ministry of Agriculture and Rural Development, May 2015, M. P. item 409.

UTILIZATION OF THE EU FUNDS IN THE PERIOD 2002 - 2013
- RESEARCH SUMMARY

Guided by the methodology adopted in the research, the conclusions refer to three main aspects: subjective scope, objective scope and the amount of support.

SUBJECTIVE SCOPE

Generally, as highlighted in the descriptions of the three programs implementing the EU funds, there are two groups of beneficiaries. The first of them are natural persons, legal persons or entities without legal personality whose registered activities include processing, as well as enterprises performing processing activities in the sector of fruits and vegetables processing. The second group consists of producer groups, preliminarily recognized groups, recognized organizations of fruit and vegetable producers and the entities consolidated in the area of fruits and vegetables processing.

The programmes discussed in the present study defined the subjective scope in different ways. The first of them, the SAPARD, introduced the principle of equality in terms of applying for the funds. This means that each application was assessed with the use of the same criteria. Each of the beneficiaries had to submit an application that was subjected to formal and material verification. The evaluation criteria were the same for all applications. There was no specific preference at the level of the applicant. The differentiation of the applying entities was related to the amount of support for which they could apply. Thus, in terms of access to the resources, the principle of equality in the eyes of the law was binding. However, as far as the amount of support was concerned, special criteria were introduced in the form of an increase in the amount of support for entities investing in producer groups and for the very groups if they operated as processors.

The second program, the SOP, identified one group of beneficiaries, namely *entrepreneurs running a business in the sphere of agricultural products' processing or services of freezing and storage of meat or packaging eggs or*

wholesale trade in agricultural products. The personal scope defined in this way complied with the principle of equality in access to the EU funds for entities involved in fruits and vegetables processing. The only limitation that was made, and which had an impact on the ability of applying, was the restriction that the base raw materials for agricultural, forestry and fishery production could not come from a third country. With the exception concerning the processing of fruits and vegetables (and in the sector of production of feed for livestock and fish), entities declaring that the amount of raw materials from third countries did not exceed 30 per cent of the total, could apply for support in the amount proportionately reduced.

The third programme, the RDP 2007 - 2013, seems to deviate from the principle of equality in terms of access to the EU funds for entities operating in the fruits and vegetables processing sector. This conclusion is dictated by many factors.

Firstly, two groups of entities could apply for support from the programme: 1) individuals, legal persons or entities without legal personality that had a registered business in the area of processing or marketing of agricultural products and acted as an entrepreneur performing the activity as small and medium-sized enterprise employing less than 750 employees or a company whose turnover did not exceed the equivalent of PLN 200 million, and 2) groups of agricultural producers, preliminarily recognized groups, recognized organizations of fruit and vegetable producers and consolidated entities in the area of processing and marketing of agricultural products. One should also refer to the concept of an undertaking within the meaning provided by the programme. As indicated above, the potential beneficiaries were, among others, small companies, medium undertakings with less than 750 employees, or those whose turnover did not exceed the equivalent of PLN 200 million. Under the EU rules there may be micro, small, medium and large enterprises. The decisive factors in terms of assigning the entity to a category were: the number of employees, the balance sheet total and independence.⁷ The size of an undertaking is defined according to definitions included in the EU regulations. A micro-enterprise is an undertaking that employs less than 10 employees and its annu-

⁷ Recommendations of the European Commission of 1 January 2005, the definition of micro, small and medium enterprises (O.J., L 124, 20/05/2003).

al turnover does not exceed EUR 2 000 000 or its annual balance sheet total does not exceed EUR 2 000 000. The next is a small enterprise, i.e. a company that employs less than 50 people and its annual turnover does not exceed EUR 10 000 000 or its annual balance sheet total does not exceed EUR 10 000 000. A medium enterprise is the one that employs less than 250 people and its annual turnover is less than EUR 50 000 000 or its annual balance sheet total does not exceed EUR 43 000 000. A large enterprise is a company with 250 or more employees and its annual turnover exceeds EUR 50 000 000 or its annual balance sheet exceeds EUR 43 000 000. Taking into account the above criteria, micro-enterprises were excluded, while the eligible entities are small and medium-sized enterprises and large that employ not more than 750 employees and their turnover does not exceed PLN 200 million. It seems that this imprecise approach eliminates the micro enterprises and competitive large enterprises.

Secondly, the programme introduced preferential treatment of the second of the above-mentioned groups. The application procedure was a two-step process. The first round was directed only to the preferential group, and the other was addressed to all the other entities.

Thirdly, in the first period of implementation of the programme the entities that had earlier benefited from the SOP did not have the possibility of applying for assistance.

The very fact that the two groups of entities eligible for applying were distinguished does not prove a different treatment. However, the application of those restrictions, especially two different dates of application and unequal distribution of resources, seem to over-privilege the second category of entities.

For the full summary it seems a good idea to exceed the limits established in the study and refer also to the provisions of the new program, the Rural Programme for years 2014-2020 (RDP 2014 – 2020)⁸.

The scope of entities that can apply for support from the programme in the area of fruits and vegetables processing has been defined in a manner similar to the programme of the RDP 2007 - 2013. It includes two groups of entities.

⁸ Rural Programme for years 2014 - 2020 Ministry of Agriculture and Rural Development, 12.12.2014 r.

The first consists of natural persons, legal persons and entities without legal personality that have a registered business in the area of agricultural products processing or marketing and act as an entrepreneur performing the activity as a micro, small or medium-sized enterprise. Just like in the RDP 2007 - 2013, the eligible entities are small and medium-sized enterprises. Micro-enterprises have been included (which seems reasonable from the perspective of the objectives of the RDP 2014-2020), but large companies have been eliminated completely. Such action may be unreasonable in the context of strengthening the competitiveness of Polish entities in the EU market.

The second group, which did not exist previously in programmes implementing the EU funds, are: farmers, family members, spouses of the farmer insured to the full extent under the social insurance of farmers under the Act - it applies to entities submitting applications for the thematic recruitment for support in starting a business in the processing of agricultural products.

In the context of the identified solutions, one should ask what is the fundamental objective of measure 3.2 of the RDP 2014-2020. Is it strengthening the processing sector or is it fragmentation of that sector and thus weakening the competitiveness of Polish companies in the EU market?

OBJECTIVE SCOPE

The objective scope of each of the measures under these three programs was determined by the goals of the programmes. The first of them - the SAPARD, as it has been repeatedly emphasized in the first part of the study, aimed at: 1) preparing Polish entities to enter the EU and 2) adaptation of production systems to the EU standards. Investments supported by the programme related to construction and modernization and equipping of facilities in accordance with the EU standards, increasing production safety both in terms of internal safety and protection of the environment, reducing pollution and reducing energy and water consumption in the production processes. Furthermore, in relation to the producer groups, the programme projected investments in the construction and improvement

of storage and packaging, including the sorting, washing, weighing, packing, confectioning and other production and marketing processes.

The second of the programmes, the SOP, already was a programme pursuing the objectives of the Polish and EU development strategy. Its main priority was not to prepare for the accession to the EU, but to strengthen the processing industry and to increase the competitiveness of entities in this sector. Investments still included construction, modernization and reconstruction of buildings intended for processing activities, freezing and storage of agricultural products, packing eggs and wholesale trade in agricultural products. However, also new areas of investment were introduced and they included purchase or installation of machinery or equipment for the processing, storage or preparation of products for sale that ensured food quality and safety; measurement equipment, control and process control equipment for the manufacture or storage, including software; specialized means of transport; equipment for improving environmental protection. What is more, the scope of the eligible costs was expanded by fees for architectural and engineering services, consultancy services, feasibility studies, acquisition of patents and licenses up to 12 per cent of the remaining eligible costs. Therefore, in comparison with the SAPARD, the second programme expands the area of investments by those that strengthen entities, their processing capacity and improve production quality.

The last of the programmes generally refers to investments similar to those that were covered by support under the SOP and details the investments in intangible assets.

As with the scope of investment, pointing to the investments preferred under the RDP 2014 - 2020 seems necessary. In this case, they are also similar to those proposed under the RDP 2007 - 2013. However, in the sector of processing and marketing of: milk and dairy products, meat, fruits, vegetables and cereals, support for the construction of new plants has been excluded. It is worth emphasizing that this condition does not apply to farmers applying for the thematic recruitment concerning support in starting a business in the processing of agricultural products.⁹

⁹ Rural Development Programme for the years 2014 – 2020 ..., p. 114

Summing up the above considerations, it seems appropriate to say that programmes implementing the EAFRD include similar investments that are subject to the EU support. However, it should also be noted that it is possible to restrict specific types of investments to a specific sector, as indicated in the provisions of the RDP 2014 - 2020 that restrict the reimbursement of costs connected with the construction of buildings for processing fruits and vegetables.

AMOUNT OF SUPPORT

Each of the discussed programs had a different budget that it used in different periods of time. As a reminder: 1, 084 billion was allocated to the SAPARD programme over four years, EUR 1.78 billion to the SOP over two years and EUR 17.4 billion to the RDP 2007 - 2013 over seven years. The amount of support also depended on the size of the budget, the importance of the objective pursued in light of the goals of Poland and the EU.

The first programme assumed a reimbursement of 50 per cent of the total eligible costs of investments, and the amount of support for one entity could not exceed PLN 10 000 000 and be less than PLN 125 000.

The second, the SOP, also assumed 50 per cent reimbursement of the total eligible costs, however no more than PLN 20 000 000 for a given investment and no less than PLN 100 000.

The third, the RDP 2007 - 2013, introduced a different way of determining the amount of support. It indicated three different levels: 25, 40 and 50 per cent, depending on the applying entity, and the amount of investment support was no more than from PLN 20 000 000 to PLN 50 000 000. This support was directed to large entities applying for support for investment. The next level was meant for small and medium enterprises. The highest level was for small and medium enterprises that purchased the raw materials on the basis of long-term contracts with producer groups or pre-recognized groups, or recognized organizations of fruit and vegetable producers, was registered as a group of agricultural producers or their association, or pre-recognized group, or recognized organization of fruits and vegetables producers, or realized a project in the field of processing of agricultural products for energy purposes.

The current RDP 2014 - 2020 programme introduces a lower level of support and, additionally, like the previous version, it differentiates the level because of the type of the applying entity. The maximum support covers 50 per cent of eligible costs but support for one investment of one entity may not exceed PLN 3 000 000, and in cases of associations of agricultural producer groups or associations of producer organizations it is PLN 15 000 000. The minimum amount of aid granted to one activity is PLN 100 000. The group that is treated differently is a new category of actors introduced to the programme - farmers participating in the thematic recruitment for support in starting a business in the area of processing of agricultural products. In this case the maximum aid is PLN 300 000. On the other hand, the amount of aid granted for the implementation of one activity in this case may not be less than PLN 10 000.¹⁰

To sum up, it should be noted that the level of support for the three programmes has increased substantially. The new programme, on the other hand, drastically reduces the level from PLN 20 000 000 to PLN 3 000 000. It should be emphasized, however, that the amount of support is primarily determined by the type of applying entity. In this context, it seems reasonable that, from the perspective of enterprises engaged in the processing, support is gradually reduced in favour of producer groups or associations of producer organizations. From the perspective of large entities operating in the discussed sector it has been completely disabled.

SUMMARY

Summing up the above considerations, two statements seem to be correct.

Firstly, subsequent programmes implementing the EU funds are departing from the principle of equal treatment in access to support from the EU funds. The element that should be noted is preferential treatment of groups of agricultural producers, preliminarily recognized groups, recognized organizations of fruit and vegetable producers and consolidated

¹⁰ Rural Development Programme for the years 2014 – 2020..., p. 114

entities in the field of processing and marketing of agricultural products. It may have various forms: greater amount of support or priority in the application procedure.

Secondly, diversification of entities (especially in the context of the RDP 2014-2020) reduces the amount of money allocated to strengthening the efficiency and increasing the quality of the processing industry in Poland.

Thirdly, it should be indicated that the level of support for the three programmes has increased substantially. In contrast, the new program reduces the support from PLN 20 000 000 to PLN 3 000 000. It is worth noting that the amount of money granted to an applying entity depends on its type. In this context it seems reasonable that, from the perspective of enterprises engaged in the processing, support is gradually reduced in favour of producer groups or associations of producer organizations. However, from the perspective of large entities operating in the discussed sector it may be observed that the possibility of applying for support has been completely disabled for them.

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