

Chapter 2.

Towards an integrated rural policy for Poland

This chapter examines the structure and focus of Poland's national rural policies along with the development priorities and policy interventions of regions and local governments in rural areas and the role of the European Union in structuring supports. The chapter begins with an overview of national policies for rural development in Poland and how they have changed over time – from a sole focus on agriculture towards a greater focus on rural development more broadly. Following this, key areas of rural policy are discussed: agriculture; rural economic diversification; spatial, land-use and environmental policies; infrastructure; and public services. The chapter ends with a discussion of how the aforementioned set of policies could be better integrated for more effective rural development.

Rural Poland has undergone a considerable transformation in recent decades. Some rural regions in Poland have seen a doubling of their productivity, massive investment in infrastructure and improvement in socio-economic outcomes in a relatively short amount of time. And yet, collectively, rural regions have not been catching up over the past years in terms of average gross domestic product (GDP) per capita (see Chapter 1). GDP per capita in rural regions stood at 80% of the national average in 2014, below the OECD average of 90%. There remain considerable disparities between urban and rural areas and between rural areas within different parts of the country in terms of employment, economic growth and access to services (see Chapter 1). Further, despite support for agricultural modernisation and economic diversification, the transformation of rural areas has proceeded slowly in many cases.

Rural policies are important for Poland for a number of reasons. Rural residents account for a large share of the population (approximately 40%) and the well-being of rural residents is critical to the growth and prosperity of the country. Poverty is the highest in rural areas and the highest among agricultural households and as such, there is a clear need for rural policies to support economic diversification and employment in order to help raise rural dwellers' quality of life. Further, Poland has a polycentric settlement pattern with small and medium-sized cities dispersed throughout its territory. Stronger rural-urban linkages can result in better economic and social development outcomes and benefits for all participants. These serve as just a few examples that highlight the importance of rural policies for the country's development.

One of the most impactful events for rural development was integration with the European Union in 2004 and the role of Cohesion Policy and the Common Agricultural Policy in particular. While once focused almost entirely on agriculture, there is an increasingly multidimensional view of rural development that encompasses support for economic diversification. In equal measure, there has been a shift from a highly centralised top-down approach to policy making towards one where a broader array of actors are involved in elaborating and implementing policy, including community-based groups. Successive decentralisation reforms have been formative in promoting local community development; however, this process of decentralisation is by no means complete and moreover, silos between agricultural and rural development policies persist.

Rural policy in Poland today is shaped by a web of EU, national and regional policies across the agricultural, economic, environmental, social and cultural realms that create various incentives and disincentives for rural development. As will be discussed, more could be done to align these incentives and improve the effectiveness of rural policies based on local conditions and needs. At times, contradictory policies detract from overarching aims. Positively, the national development framework adopted in 2009 enhances co-ordination of policies across ministries, including the many sectoral policies which impact rural development. However, the nature of territorially based investments is not always evident under the new approach and silos remain between how rural development is conceived across agricultural and regional development portfolios. While much has been achieved, more needs to be done to use EU funds in a strategic way that is complemented by domestic policies and interventions.

This chapter examines the set of rural policy measures that are important for rural Poland across a number of policy areas. It begins with an overview of rural policies in Poland, including how they have evolved in recent decades and the types of actors at the national, regional and local/community scales. Following this, policies to support the ongoing structural change of agriculture are discussed, with an emphasis on the dual

nature of farming in Poland (i.e. big commercial farms coexisting with a large number of small, family farms) and its implications for public policy. Next, the programmes that support economic diversification are examined, followed by land use and environmental policies and programmes for rural infrastructure development. Finally, programmes for service delivery in rural areas are discussed. The chapter ends with a reflection on how the various policies examined can be better integrated across sectors and levels of government and be geared to the needs of rural residents and their communities.

Overview of policies for rural development in Poland

Rural policy in Poland has evolved over the past three decades, from an initial focus of rural areas as predominantly sites of agricultural production towards recognition of them as places with a diversity of economic, cultural and environmental functions. This multidimensional view of rural economies and hence, rural policy, is increasingly recognised across OECD countries (OECD, 2016f). There remain, however, markedly different approaches to rural policy across the OECD in terms of how these ideas are instrumentalised by national and regional governments. A general delineation can be made between narrow or broad rural policies (i.e. those that are targeted versus those that are overarching in nature).

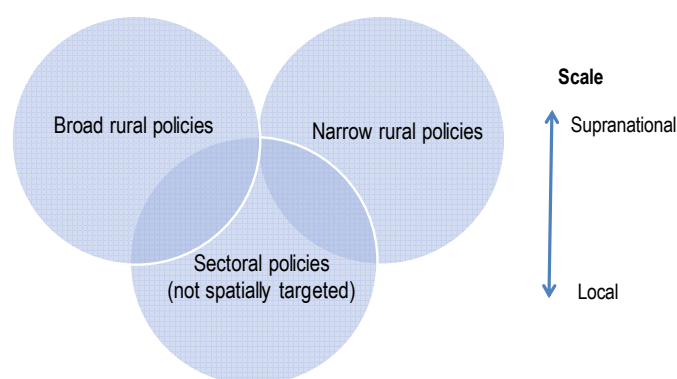
- Broad rural policy refers to efforts to influence all actions that impact rural areas within and by the different administrative sectors as part of the development of rural society. This approach has been adopted in Britain since the 2000s, for example through the idea of “rural mainstreaming” (Shortall and Alston, 2016; OECD, 2011).¹ It is also evident in Finland, in its cross-sectoral Rural Policy Committee.
- Narrow rural policies include all measures and instruments that are specifically targeted at rural development. As discussed in Chapter 1, the ways in which rural areas are defined is therefore particularly important for the design of such interventions.

There are merits and drawbacks to each approach – broad versus narrow. In aiming to integrate different sectoral policy interventions, broad rural policies may address geographies beyond just rural. Overarching approaches that combine, for example, agriculture, transport and energy policies can lose territorial focus and/or may have unintended impacts on rural dwellers. In contrast, the narrow rural policy approach can suffer from being less cross-sectoral or integrated in its interventions. The appropriateness of either approach depends in large part on the nature of rural territories (e.g. the socio-demographic characteristics of the population and the structure of local economies) and their access to goods, services and infrastructure. In places where a significant share of the rural population lives far from services and faces social and economic marginalisation, narrower rural policies are needed. Where rural populations live close to urban territories (and hence services) and have lower levels of social and economic marginalisation, broader rural policies may be more appropriate.

Poland, like most OECD countries, has a greater focus on narrow rural policies, such as the national rural development programme. However, these are complemented with broader policies such as the national and regional development strategies and in operational programmes, such as the programme targeting Poland’s eastern regions which have lower economic growth, dispersed settlement patterns and higher rates of poverty. Policies and institutions for rural development in Poland are heavily influenced by the

common policies and community method of the European Union. It is important to recognise that there are also a host of policies that are often sectoral in nature that impact rural areas and that are not targeted to place, but that can have territorial consequences nonetheless. These include policies and funding for education, healthcare and social services which may have unique (and sometimes unintended) territorial consequences. A benefit of the broad rural policy approach is that it aims to create a mechanism to overcome this lack of a territorial lens within sectoral policies. The relationship between broad, narrow and sectoral policy types are depicted in Figure 2.1. While this review focuses on national rural policies (including regional policies with a rural dimension), sectoral policies are also discussed. The following section outlines the rural policy environment, including the institutions at various scales and the main policy actors.

Figure 2.1. **The rural policy mix**



The evolution of rural policy in Poland – From agriculture towards agriculture/rural development

Historical legacies have shaped Poland's territory, leaving distinct geographic patterns of regional and rural development to this day. Between 1795 and 1918, Polish territory was divided among three European powers – Russia, Prussia and Austro-Hungary – and each territory was subject to different legal, economic and political systems. For example, the enfranchisement of peasants took place decades apart in these territories and the provision of schooling differed significantly and was adopted at different times. These types of historical differences have had lasting impacts on everything from the settlement patterns in these territories to the structure of agriculture and the socio-economic characteristics of the population. There were attempts for inter-regional integration during the interwar period (1918-39); however, these were short-lived (Hathaway and Hathaway, 1997). Post-World War II, the Polish border shifted west and efforts were made to integrate these new areas. In general, one can characterise the first half of the 20th century as one of shifting empires, borders and, in general, tumult.

During the communist period (1945-89) there was stability in state institutions and borders. Rural policies at this time focused on agricultural development. In some cases, formerly privately held farms were collectivised (i.e. state farms were established); in others, land was parcelled out into small farms. While efforts were made to reduce the gap in standards of living between rural and urban dwellers, by the mid-1950s it became clear that state farms were not producing the desired results and in response, mechanisms were introduced to influence private farms (e.g. regulating their size).² In the 1970s, agricultural price support policies were introduced in an effort to increase farm incomes

and public programmes for health services and pensions were expanded to individuals working on private farms. Therefore, while Poland did not have the same scale of farm collectivisation as seen in other communist states (e.g. the Czech Republic, the Slovak Republic and Ukraine), the agricultural sector was embedded within the socialist economy, which provided low but stable sources of income for farmers. Policies during this time restricted the opportunity for farmers to expand the size of their farms and farm inputs were under state control.

In 1989, the period of one party rule under the communist regime came to an end, and with it, the policies of state socialism that had structured the agricultural sector for so long. Alongside Poland's transition to a democratic political system came market deregulation and the privatisation of former state industries.³ This represented a major change in the market conditions for farming and for rural development more generally. Subsidies for agriculture were abandoned, credit policies for farms were tightened and farmers entered a market with competitive prices (including imports); however, the supply of farm inputs remained monopolised (Kowalski, 1993: 35). Unemployment in both rural and urban areas increased significantly during this initial period of transition, though less so than that experienced in most other Central and Eastern European countries during this time (Swinnen, Dries and Macours, 2005). The early 1990s was a transformative period and led to, among other things, a shift away from the extraction of raw materials and towards the production of processed goods for export (Gomułka, 2016). These structural changes significantly impacted rural dwellers and economic migration increased as people sought opportunities further afield.

The process of integration with the European Union in the 2000s brought major changes to rural policy, including new economic programmes, institutions and policy approaches. EU pre-accession financial support for Poland's agricultural sectors and rural areas began in 2002 (the Special Accession Programme for Agricultural and Rural Development, SAPARD).⁴ Upon accession to the EU, Polish agricultural producers gained access to a large European market and to European Commission funds for rural areas and agriculture. The EU's Common Agricultural Policy (CAP), structural funds and other instruments have supported a multidimensional view of rural development. The focus of rural policy thus shifted towards a wide range of policies that are important to rural life – education policy, infrastructure, entrepreneurship, environmental protection, etc. – alongside the traditional focus on agricultural modernisation (Tarkowska, 2008: 317).⁵ Since 2004 (Poland's first year as an EU member state), there has been a multi-year plan for both agriculture and rural development.⁶ In the early years of the programme, funding was focused on the competitiveness of agriculture; over time, initiatives focused on rural development more broadly have increased. This is a positive development; however, as this chapter will discuss, more could be done to further integrate the two policy areas.

Accompanying this policy shift, the transition to a democratic parliamentary democracy in the late 1980s led to a series of decentralisation reforms. After 40 years of highly centralised government throughout the communist period, “the reconstruction of local government became one of the first and most important pillars of the 1989 political transformation in Poland” (Kulesza and Szescilo, 2012: 485). The first municipal local (*gmina*) elections took place in the 1990s. Further decentralisation occurred in 1998 when two additional levels of subnational government were created at the regional (*voivodeship*) and county/district (*powiat*) levels. In whole, the reforms consolidated the number of provinces or regions and created an intermediate tier of government between the national and local levels (Box 2.1). Decentralisation has increased the importance of *voivodeships* in the delivery of rural policy and *gminas* have become important actors in the delivery of

services to rural citizens and in basic infrastructure provision. Local empowerment and decentralisation continue to be articulated as an important policy objective of the national government through its new Strategy for Responsible Development (this is discussed further in Chapter 3). While this is an articulated objective, its implementation is another matter and comes down to the regulatory role of the state and that of central state institutions.

Box 2.1. Subnational government in Poland

Poland has three tiers of subnational government: *voivodeships* (regions), *powiats* (counties) and *gminas* (communes or municipalities) (Table 2.1). The *voivodeships* are based on historical regions for the most part, of which there are 16 in total. All told there are 314 *powiats* (including 65 cities with *powiat* status) and 2 479 *gminas*. Major cities can hold the status of both *gmina* and *powiat*. Prior to this configuration (1975-98), the administrative structure included over three times the number of *voivodeships* and the *powiat* level did not exist.

Table 2.1. Polish subnational political and administrative structure

Governmental tier	Count	Political structure	Political executive
Regions (<i>voivodeships</i>)	16	Regional directly elected assembly (<i>voivodeship sejmik</i>) Regional representative of central government (<i>voivode</i>)	Marshal (<i>marszałek</i>), deputy marshals and board members elected among assembly's ranks or outside the assembly from the executive office (<i>zarząd województwa</i>)
County (<i>powiats</i>)	314 (including 66 cities with <i>powiat</i> status)	Directly elected council	County chairman (<i>starosta</i>), deputy county chairman and board members elected by county council from the county executive (<i>zarząd powiatu</i>)
Commune/municipalities (<i>gminas</i>)	2 478	Directly elected council	Directly elected mayor

Note: In large cities, the tiers of *powiat* and *gmina* are one in the same. There are three legal types of municipalities: 1) urban communes; 2) rural communes; 3) urban-rural communes.

Sources: OECD (2015b), *OECD Environmental Performance Reviews: Poland 2015*, <http://dx.doi.org/10.1787/9789264227385-en>, p.52; OECD (2016b), *Governance of Land Use in Poland: The Case of Lodz*, <http://dx.doi.org/10.1787/9789264260597-en>; OECD (2017e), "Subnational governments in OECD countries: Key data", <https://www.oecd.org/cfe/regional-policy/Subnational-governments-in-OECD-Countries-Key-Data-2016.pdf>; Miķuła, Ł. and M. Walaszek (2016), "The evolution of local public service provision in Poland".

The European Union: Funding frameworks, policies and priorities

Funding frameworks, policies and priorities set by the European Commission have a major influence on the structure of national policies in member states.⁷ Strategic priorities at the European level, such as the Europe 2020 Strategy for Smart, Sustainable and Inclusive Growth, set overarching policy agendas and allocate funding. These are translated into country-specific recommendations and target objectives.⁸ Within the EU policy framework there is scope for country members to determine their own complementary priority areas and as such, Poland's rural policies are a mix of both EU and national priorities (involving the co-financing and co-management of funds). The national government also pursues territorial and sectoral policies of its own for rural development.

There are six priorities for rural development policy that have been set by the EU under the current funding perspective (2014-20), and Poland has decided to work across all six areas. These are:

1. facilitating knowledge transfer and innovation in agriculture, forestry and rural areas
2. improving the competitiveness of all types of farming and increasing the viability of farms
3. improving food chain organisation and promoting risk management in agriculture
4. preserving and enhancing ecosystems dependent on agriculture and forestry
5. supporting resource efficiency and the transition to a low-carbon and climate-resilient economy in the sectors of agriculture, food and forestry
6. promoting social inclusion, poverty reduction and economic development in rural areas.

This last priority is also identified as LEADER (from the French *Liaison entre actions de développement de l'économie rurale*, or Links between actions for the development of the rural economy) and community-led local development (CLLD). Member states can choose from a menu of 20 measures to serve the priorities they have identified in their rural development programmes (implemented through the European Agricultural Fund for Rural Development [EAFRD] and national funds).

European Union and policies and funding for agricultural and rural development

The EU's rural policy is formatively shaped by both the CAP and by Cohesion Policies, which aim to improve the economic well-being of regions in the EU and avoid regional disparities.⁹ Poland is one the greatest beneficiaries of the CAP and Cohesion Policy funds in the EU. The key objectives of the CAP are to increase agricultural productivity, provide a fair standard of living for farmers, stabilise markets and ensure food accessibility; these have heavily shaped markets, policies and interventions in member states.¹⁰ Measures within the CAP include direct payments to support farmer's income, which in turn oblige them to respect a number of standards regarding food safety, environmental protection, animal welfare, and the maintenance of land in good environmental and agricultural condition in carrying out agricultural activities.¹¹

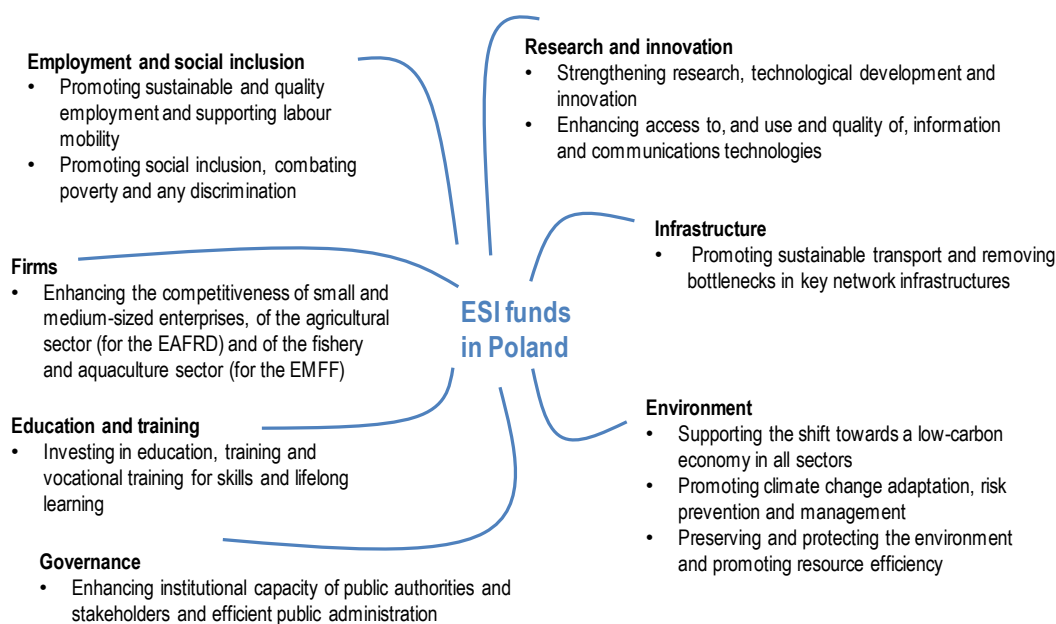
Since the mid-1990s the European Union has gradually been reducing its support to agriculture. New instruments, in particular payments that do not require production, have gained weight and price distortions have been significantly reduced (OECD, 2017b: 1). At the same time, more payments are submitted for environmental compliance. An overwhelming share of the CAP support to the agricultural sector goes to producers (more than 85%) (OECD, 2017b: 1).¹² Poland's average direct payment support per hectare is below the European average (EUR 212.46 versus EUR 241.87) and its percentage of direct payments per standard agricultural output is above the European average (14.06% versus 12.76%), which is indicative of decoupled nature of the CAP direct support since the 2003 reform (Tropea, 2016: 31).¹³ However, direct payments per labour force are much lower than the European average (at EUR 860 versus EUR 1 901), which is indicative of Poland's large share of small farms (Tropea, 2016: 32).

The CAP's sectoral focus is complemented by a territorial perspective through the EAFRD – sometimes referred to as the “second pillar” of the CAP. The EAFRD provides supports for rural development more broadly. It was introduced during what is known as

the “Agenda 2000” reform to promote sustainable rural development through growth and employment.¹⁴ However, even within the CAP’s Pillar I, part of the payments can encompass a territorial dimension as well, e.g. through direct payments which go also to less favoured areas or through voluntary coupled support.

While both of the CAP’s funds (the European Agricultural Guarantee Fund and the EAFRD) are clearly targeted to rural areas through support for farmers and rural development, there are also other EU funds that are important for rural development as well. The EAFRD is one of five funds within the European Structural and Investment (ESI) funds, which is the European Union’s main investment policy tool. There are priority areas under each funding perspective of the ESI funds. These funding agreements take place in seven-year blocks, referred to as the multiannual financial framework. Poland is presently taking part in its second such programme.¹⁵ In the 2014-20 programming period, 11 thematic objectives were established from which national governments could choose to direct support. Poland has chosen to support all 11 thematic objectives (Figure 2.2).¹⁶ Thematic objectives are translated into priorities that are specific to each of the ESI funds and that are set out in the fund-specific rules.

Figure 2.2. **European Structural and Investment funds, thematic areas, 2014-20**



Source: Own elaboration based on European Union (2013), Regulation (EU) No. 1303/2013 of the European Parliament and of the Council of 17 December 2013, *Official Journal of the European Union*, <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32013R1303&from=EN>.

Each of the above-listed thematic objectives includes interventions in rural areas. Partnership agreements stipulate that 6.7% of non-EAFRD allocations must be rural-specific. There are five ESI funds in total: the European Regional Development Fund (ERDF); the European Social Fund (ESF); the Cohesion Fund (CF); the European Maritime and Fisheries Fund (EMFF); and the aforementioned EAFRD (Table 2.2). In the 2014-20 funding perspective, Poland is also one of 19 member state beneficiaries of the Youth Employment Initiative (YEI). The separate funds within the ESI are co-financed between the EU and the national government, with the amount of co-

financing varying by funding type.¹⁷ For Poland, EUR 104.8 billion is expected to be invested through the ESI funds in the 2014-20 period through a combination of 24 national and regional programmes (the EU funding contribution is EUR 86 billion while the national contribution from Poland is EUR 18.8 billion) (European Commission, 2016c). This represents around 7% of all public expenditures for Poland.

Table 2.2. **Components of the European Structural and Investment funds, Poland, 2014-20 programming period**

ESI fund	Description	EU and national contributions, in millions	Total funding amount, millions	Percentage out of total ESI funds for 2014-20
European Regional Development Fund (ERDF)	Promotes balanced development in the different regions of the EU	EU: EUR 120 641.61 POL: EUR 21 877.24	EUR 142 518.85	45.5%
European Social Fund (ESF)	Supports employment-related projects throughout Europe and invests in Europe's human capital – its workers, its young people and all those seeking a job	EU: EUR 38 819.18 POL: EUR 6 832.06	EUR 45 651.24	14.6%
Cohesion Fund (CF)	Funds transport and environment projects in countries where the gross national income per inhabitant is less than 90% of the EU average	EU: EUR 69 623.97 POL: EUR 12 286.58	EUR 81 910.55	26.2%
European Maritime and Fisheries Fund (EMFF)	Helps fishermen to adopt sustainable fishing practices and coastal communities to diversify their economies, improving quality of life along European coasts	EU: EUR 531.22 POL: EUR 179.29	EUR 710.51	0.2%
European Agricultural Fund for Rural Development (EAFRD)	Focuses on resolving the particular challenges facing the EU's rural areas	EU: EUR 25 894.12 POL: EUR 14 743.96	EUR 40 638.08	13.0%
Youth Employment Initiative (YEI)	Supports young people not in employment, education or training in regions experiencing youth unemployment rates above 25%	EU: EUR 1 514.63 POL: EUR 133.64	EUR 1 648.27	0.5%

Note: The YEI is not traditionally thought of as one of the five core ESI funds; it is a special fund for the 2014-20 perspective and includes joint initiatives with the ESF.

Sources: European Commission (2017a), “The Youth Employment Initiative in Poland”, <http://ec.europa.eu/social/BlobServlet?docId=13481&langId=en>; European Commission (2014a), “Summary of the Partnership Agreement for Poland, 2014-2020”, https://ec.europa.eu/info/sites/info/files/partnership-agreement-poland-summary-may2014_en.pdf; European Commission (2017b), “Total EU allocations of European Maritime and Fisheries Fund 2014-2020 (unit €, current prices)”, <https://ec.europa.eu/fisheries/sites/fisheries/files/docs/body/overall-table-2014-2020.xls>; European Commission (2017c), “European Maritime and Fisheries Fund Poland”, https://ec.europa.eu/fisheries/sites/fisheries/files/docs/body/op-poland-fact-sheet_en.pdf; European Commission (2017d), *ESIF Finance Implementation Details* (database), <https://cohesiondata.ec.europa.eu/dataset/ESIF-2014-2020-Finance-Implementation-Details/99js-gm52>.

The EAFRD (which structures and co-funds Poland's rural development programme, RDP) comprises 13% out of the total ESI funding envelope between 2014-20. Of all the measures financed from the EAFRD, investments in physical assets is the largest in budgetary terms, followed by farm and business development, and payments for areas facing natural constraints. The vast majority of payments under this programme are directed to farmers, which reflects the division of labour with other ESI funds that address other rural development issues. The EMFF – with its focus on coastal communities and fisheries – also has a territorial focus on rural areas, though not exclusively, as these activities can include funding for projects for urban locales as well; it is a much smaller funding envelope (at 0.2% out of total). For some ESI funds, the national government

manages funds, or devolves the responsibility of management to agencies to administer. Regions play a major role in the delivery of the largest ESI funds – the ERDF – which accounts for 45.5% of the total funding envelope. Each region in Poland has a regional development programme which sets its investment priorities for the 2014-20 period. These include funds that are targeted to rural areas. The ESF is a crucial fund to combat poverty, social exclusion or inequality in access to social infrastructure in rural areas. Other funds are targeted to either individuals who face some kind marginalisation – e.g. poverty or low labour market attachment – or to regions and territories that are underdeveloped in terms of access to services or infrastructure (e.g. the Operational Programme for Eastern Poland, see Box 2.2).¹⁸ In both cases, investments in rural areas are important.

Box 2.2. The Strategy for Socio-economic Development of Eastern Poland until 2020

Poland's eastern *voivodeships* (Lubelskie, Podkarpackie, Podlaskie, Świętokrzyskie and Warmińsko-Mazurskie) have the lowest levels of economic development in the country and are among the poorest regions in the European Union. Place-based policies play an important role in targeting support to these areas. The most important initiative in this regard is the Strategy for Socio-Economic Development of Eastern Poland until 2020, which co-ordinates interventions in the eastern macro-region across three strategic areas: support for innovation, labour and human capital development, and infrastructure development. Together these measures aim to increase the level of innovation, activate labour market participation and improve the quality of human capital, and increase the accessibility of the region through investments in transportation and digital infrastructure. The programme for eastern Poland is co-financed by the European Regional Development Fund (ERDF) and is managed by the Ministry of Economic Development.

The first programming period (2007-13) focused on hastening the pace of social and economic development in eastern Poland pursuant to the sustainable development principles. EUR 2.7 billion was allocated from ERDF resources and national public funds. The programme supported investments to: stimulate the development of a competitive, knowledge-based economy; establish the transregional broadband network; develop selected metropolitan functions of *voivodeship* capitals; and improve the accessibility and quality of transport connections with eastern Poland *voivodeships*. The current programming period (2014-20) is focused on increasing labour productivity in all sectors of the economy in eastern Poland. Approximately EUR 2.3 billion has been allocated from the resources of the ERDF and national public funds. The operational programme aims to support the establishment of innovative small and medium-sized enterprises and enhancing the competitiveness of enterprises. It will also support investment to improve the transport accessibility of *voivodeship* capital cities and their functional areas.

Source: Ministry of Agriculture and Rural Development.

National policies for rural development

Poland's national development strategy signals policy complementarity between EU and national funds, with national funds being used to meet objectives where EU funds do not apply. In 2009, Poland adopted a new national management system in an effort to bring a cross-cutting approach to the organisation of development policy.¹⁹ Accordingly, Poland has developed long- and medium-term national development strategies and nine accompanying sub-strategies to guide the country's development.²⁰ The medium-term strategy to the year 2020, elaborated by the Ministry of Economic Development, sets out the country's development objectives and identifies priority areas of action, including initiatives that can be funded by the 2014-20 EU perspective within the partnership

agreement. The intention is for the national development strategy to connect European objectives under the Europe 2020 Strategy with national objectives. In doing so, the strategy draws on both joint EU-national funding and stand-alone national funding for some objectives.

Poland's long-term goal for rural development – as stated in the Strategy for the Development of Rural Areas, Agriculture and Fisheries – is to improve the quality of life for rural residents and to efficiently use the resources and potential of rural areas, including that of agriculture and fisheries, for the sustainable development of the country. The five specific objectives corresponding to this long-term goal for sustainable rural development are:

1. improving the quality of human and social capital, employment and entrepreneurship in rural areas
2. improving living conditions in rural areas and their spatial accessibility
3. food security
4. increasing the productivity and competitiveness of the agri-food sector
5. environmental protection and adaptation to climate change in rural areas.

These priorities for rural development closely align to that of the EU-Poland Partnership Agreement supports for interventions in rural areas, with the exception that poverty reduction has not been until recently explicitly stated in Poland's national long term strategy.

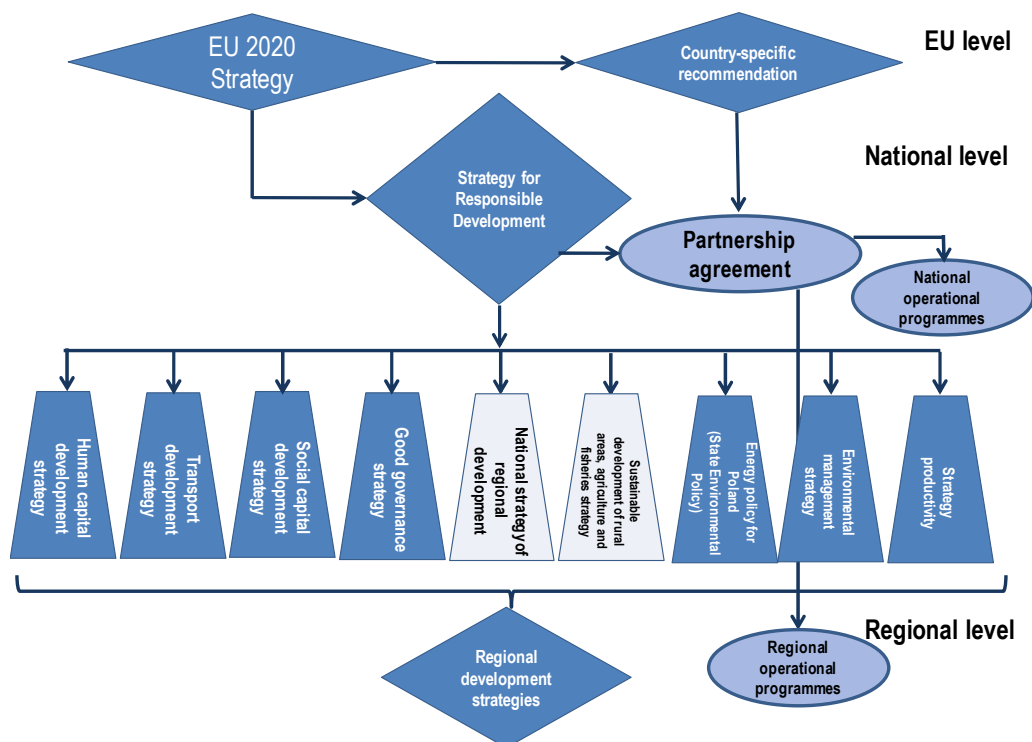
The system of strategic documents for the development of rural areas is depicted in Figure 2.3. The “Strategy for the Sustainable Development of Rural Areas, Agriculture and Fisheries” is one of the nine integrated strategies for national development. Almost half (48%) of the strategy's budget is financed from EU funds (Ministry of Agriculture and Rural Development, 2012). This strategy, together with the EU-Poland Partnership Agreement and operational programmes at the state level in turn inform the Rural Development Programme (2014-2020) which determines how the EAFRD will be used (Ministry of Agriculture and Rural Development, 2017a).²¹

Another of the nine integrated development strategies is the “National Strategy for Regional Development 2010-2020: Regions, Cities, Rural Areas (NSRD)”, which defines the main challenges, assumptions and objectives of the regional policy of the state as well as the principles and mechanisms of co-operation between the government and *voivodeship* self-governments. For example, the strategy describes the use of territorial contracts whereby *voivodeship* self-governments and the national government agree on development goals and investments. The adoption of the strategy in 2010 was formative in increasing the role and independence of regions in regional development. It sets as one of its strategic objectives eliminating inter-regional disparities, especially as pertains to rural areas with low accessibility, those that are losing their socio-economic functions (e.g. border areas with an underdeveloped road or rail network).

Poland's current rural development programme (RDP 2014-2020) is focused on instruments that support agriculture. The share of employment in agriculture was 11% in 2015 and in terms of value added, the agricultural sector contributed 2.41% in 2016, which is less than other countries in the region with smaller shares of employment such as the Czech Republic, Hungary and the Slovak Republic, reflecting higher shares of the large-scale post-collectivisation farm structure in these countries (see Chapter 1). Under the current EU funding period, there was political consensus that rural development

would be supported by Cohesion Policy. To this end, at least EUR 5.2 billion (6.7% of all Cohesion Policy funds) has been earmarked for rural areas from current implemented Cohesion Policy funds. The partnership agreement defines the links between Cohesion Policy funds and the rural development fund. However, it remains to be seen how this commitment will be translated into aid supporting granting criteria that targets rural beneficiaries. See Box 2.3 for a description of how the policy priorities of Poland’s rural development programme have evolved over time.

Figure 2.3. Strategic documents for the development of rural areas



Source: Ministry of Investment and Economic Development of Poland.

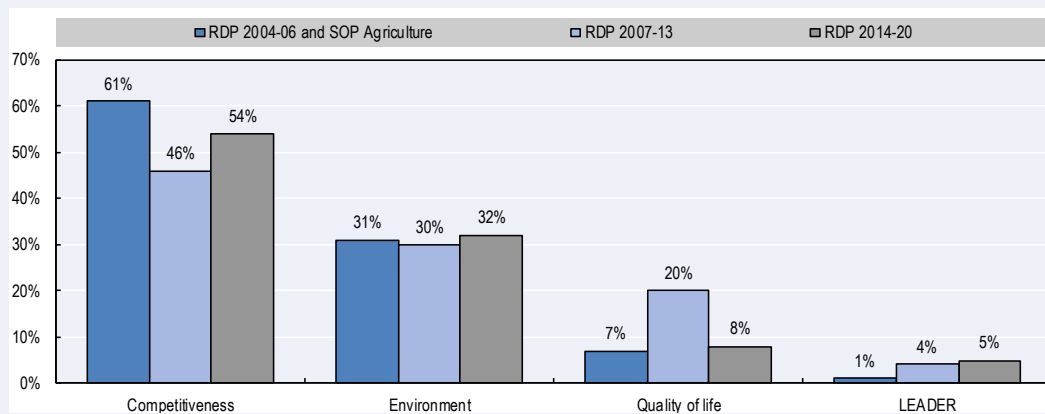
On 14 February 2017 a new medium-term national strategy was adopted: the Strategy for Responsible Development until 2020 with a Perspective to 2030. The adoption of the new strategy implies changes to Poland’s development management system (including an update of nine integrated strategies). The new Strategy for Responsible Development defines a new model of development – a sovereign strategic vision, principles, objectives and priorities for the country’s development in economic, social and spatial terms during the period up to the year 2020 and in the perspective up to the year 2030. Due to its role and assigned tasks, the strategy is an instrument to manage the main development processes in the country in a flexible way. The content and implications of the new national development strategy are discussed in Chapter 3.

Box 2.3. The evolution of Poland's rural development programme

Poland's rural policy has changed considerably since the country's accession to the EU in 2004. Following accession, Polish rural development policy was largely subordinated to the principles of the Common Agricultural Policy (CAP), and a new administrative structure built to implement it. Poland's first Rural Development Programme (2004-06) was mainly aimed at supporting farms, including measures designed to increase the competitiveness of agriculture. Between 2004 and 2006, expenditures on the competitiveness of agriculture amounted to 61% of all funds provided under EU programmes dedicated to rural areas and agriculture. The Ministry of Agriculture and Rural Development notes that this reflects the focus on supporting full compliance with EU requirements and the compensatory nature of the rural development programme (RDP) in the context of phasing-in of direct payments. In the following programming period (RDP 2007-13) this ratio decreased to 46%, and in the current period (RDP 2014-20) it is assumed to be approximately 54%. The second highest priority in the RDPs is environmental protection. The share of expenditures on this objective has remained quite stable between 2004-20 (30-32%). This stability is probably determined by the limited absorption capacity of these funds in Poland.

High volatility, on the other hand, may be observed in case of RDP measures aimed at improving the quality of life in rural areas, including investments in small-scale infrastructure. Between 2004 and 2020, their share has varied between 7% and 20%. This is in part due to changes in the philosophy of support for rural areas under the RDP with larger infrastructure investments and other measures dedicated to rural areas to be funded to a greater extent by other operational programmes under the Cohesion Policy. Traditionally, measures supporting the development of local communities under LEADER programme have not been significant. Currently they amount to 5% of the RDP budget, but their role in the subsequent budget periods is clearly increasing (Figure 2.4).

Figure 2.4. Structure of expenditures under the Polish rural development programmes in 2004-20 budget periods



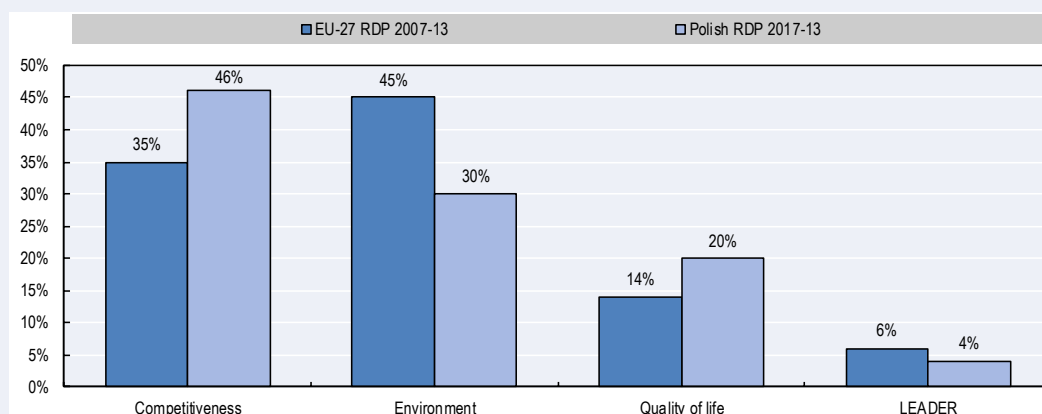
Notes: The breakdown is based on axis classification for the 2004-13 programmes and on similar allocation of individual measures for the 2014-20 programme. Calculations based on the yearly reports by the Ministry of Agriculture and Rural Development.

Source: Institute for Rural and Agricultural Development of Polish Academy of Science.

Compared to other EU countries in the 2007-13 period, Poland has placed a greater emphasis on agriculture (46% of RDP expenditures in Poland vs. 35% in the EU-27) than the environment (30% in Poland vs. 45% in the EU-27). At the same time, expenditures aimed at improving quality of life in rural areas have a higher share in Poland (20% of the RDP budget in Poland vs. 14% in the EU-27). In 2007-13, the share of expenditures on the grassroots entrepreneurship programme LEADER was slightly lower in Poland (4% vs. 6% in the EU-27), but in the current perspective has increased.

Box 2.3. The evolution of Poland's rural development programme (continued)

Figure 2.5. Structure of expenditures under the Polish rural development programme and the EU-27 rural development programme



Note: Calculations based on yearly reports by the Ministry of Agriculture and Rural Development and Zawalińska (2009).

Source: Institute for Rural and Agricultural Development of Polish Academy of Science.

In terms of the types of economic instruments used to support rural development, Zawalińska (2008) concludes that support in the form of investments (i.e. pro-efficiency measures) have been conducted in a similar proportion to income transfers and weakly targeted area payments (i.e. pro-equality measures). At the national level, the ratio of funds allocation between pro-efficiency and pro-equality measures was 42:58 in 2004-06 and 54:46 in 2007-13. Therefore, it can be said that there is a growing tendency towards pro-efficiency measures. However, at the regional (*voivodeship*) level this ratio has varied widely. On the one hand, there are regions that are very effective at acquiring investment funding. For example, regions where subsidies for infrastructure investments amounted to over 50% of the RDP funds included Kujawsko-Pomorskie (56%) and Wielkopolskie (52%). On the other hand, there are also regions where around 50% of the funds were absorbed in the form of direct transfers (e.g. Świętokrzyskie – 47%) or area payments that do not stimulate pro-efficiency behaviours (e.g. Zachodniopomorskie – 50%) (Zawalińska, 2008). The capacity to absorb different kinds of funds varies by region.

Sources: Institute for Rural Areas and Agriculture Development of Polish Academy of Science; additional sources from: Zawalińska, K. (2009), “Instrumenty i efekty wsparcia Unii Europejskiej dla regionalnego rozwoju obszarów wiejskich w Polsce” (“Instruments and effects of European Union support for regional rural development in Poland”); Zawalińska, K. (2008), “Ile jest spójności a ile efektywności w polityce rozwoju obszarów wiejskich w Polsce?” (“Cohesion and efficiency as two objectives of the rural development policy in Poland”).

Other national policies impacting rural development

Beyond national policies that directly target rural areas or sectors, there are a myriad of policies that may not specifically target rural locales but that impact them nevertheless. For example:

- Social policies such as the “Family 500+” programme, which provides financial support for families with two or more children, can have a greater impact in rural areas where incomes are lower than in urban locales and the financial incentives

that that programme creates are thus greater. The programme could help limit child poverty, but it may also lower female labour force participation, which in rural areas of Poland is already low, due to a lack of well-paid jobs (OECD, 2016c: 24). More generally, the structure of social welfare policies in Poland creates various disincentives to take up work, especially for second earners (Kurowska, Myck and Wrohlich, 2015).

- Labour market policies also have important consequences for rural areas. For example, labour force participation may decrease further due to the withdrawal of older workers from the labour force as a result of the lowering the statutory retirement age in late 2017. This policy may have a disproportionate impact on rural locales where there is a higher concentration of senior residents.
- Policies regarding the delivery of education and healthcare can impact access in rural areas depending on how they are configured, e.g. regulations about school size and facilities can lead to larger schools at greater distances in rural areas.
- Environmental policies, such as the protection of watersheds and forests, can disproportionality impact rural areas since they constitute the largest share of land in the country.
- Transport policies impact rural development by providing linkages to facilitate the movement of goods and people. This includes the network of national roads, railway lines, airports and harbour ports.

The national government’s rural policies therefore in practice extend much beyond those that are labelled as “rural”. A territorial lens on such overarching policies can help ensure that they are adequately tailored to place. Poland’s National Spatial Development Concept 2030 offers guidance on how to co-ordinate and implement public policies that have a significant territorial impact; however, in practice, its co-ordinative ability is weak (OECD, 2016b). Some OECD countries have adopted “rural proofing” as a way to consider the impacts of public policies on rural residents and communities. However, there is a risk that such an approach is simply a form of “box checking” that does not meaningfully address these issues.

Regional development strategies

Regional self-governments (*voivodeships*) are responsible for regional economic development, public education including higher education, hospitals and preventative healthcare programmes (and other health programmes), and the labour market and infrastructure at the regional level.²² While regional governments have a relatively limited responsibility for providing public services (mainly higher education, transport, counteracting unemployment, family and cultural policies), their strategic role is important owing to the elaboration of regional development strategies and the management of EU funds which, *inter alia*, identify priorities and support investments and projects for rural development in their regions.

The creation of a regional tier of government and its accompanying responsibilities was spurred by the process of accession to the European Union. Initially, regional policy in Poland focused on developing the objectives and principles of EU Cohesion Policy and was nationally led. In 2010, a framework for regional development was set out in the National Strategy of Regional Development. It enhanced the role for regional policy and the importance of approaches to spatial development that are coherent across sectors and mutually reinforcing across scales.

Each *voivodeship* in Poland elaborates a development strategy, regional sectoral strategies (e.g. regional innovation strategy) and a regional operational programme (ROP) for each programming period of a seven-year duration. Regional development strategies present a diagnosis of key challenges and opportunities for the region and set medium-term development priorities. Their elaboration includes public engagement and consultation and the strategies themselves are meant to align with the regional spatial development plan, sectoral strategies and regional programmes such as the ROP. For example, the eastern *voivodeship* of Podlaskie has based its regional development strategy on its competitive strengths (Box 2.4).

**Box 2.4. Podlaskie *voivodeship*'s regional development strategy:
"Green, open, accessible and entrepreneurial"**

Podlaskie faces several development challenges. The region overall has a lower level of development, more limited accessibility to both the rest of Poland and to its neighbours to the east, an aging population and lower skills levels than the national average, and low rates of entrepreneurship and limited economic diversification in rural areas at a time when employment in agriculture is declining. And yet, the region also has many assets and opportunities for development. Podlaskie *Voivodeship*'s Development Strategy 2020 articulates a vision for the future based on the region's competitive advantages.

The region seeks to develop opportunities associated with its many nature reserves (national parks and Natura 2000 protected areas) which are important for the diversification of rural economies. It aims to boost its entrepreneurship by focusing on its comparative strengths in such areas as agricultural production, "ecological and green" products and services, renewable energy sources, environmentally friendly technologies, ecotourism and the silver economy. The region further aims to increase its accessibility, including transport, tele/digital communications, and business services.

The development strategy recognises the importance of strengthened connections along its eastern neighbours including Belarus, Lithuania, the Russian Federation, Ukraine and other Baltic states. Co-operation with border countries has generally been limited as they are not in the EU. Until recently, the Russian Federation formed an important export market for many of the *voivodeship*'s products; however, the Russian embargo has limited this trade for particular commodities (e.g. apples) and new markets have been sought in response. Notwithstanding some of the barriers, the eastern market on Podlaskie's doorstep has been an underutilised asset in some respects.

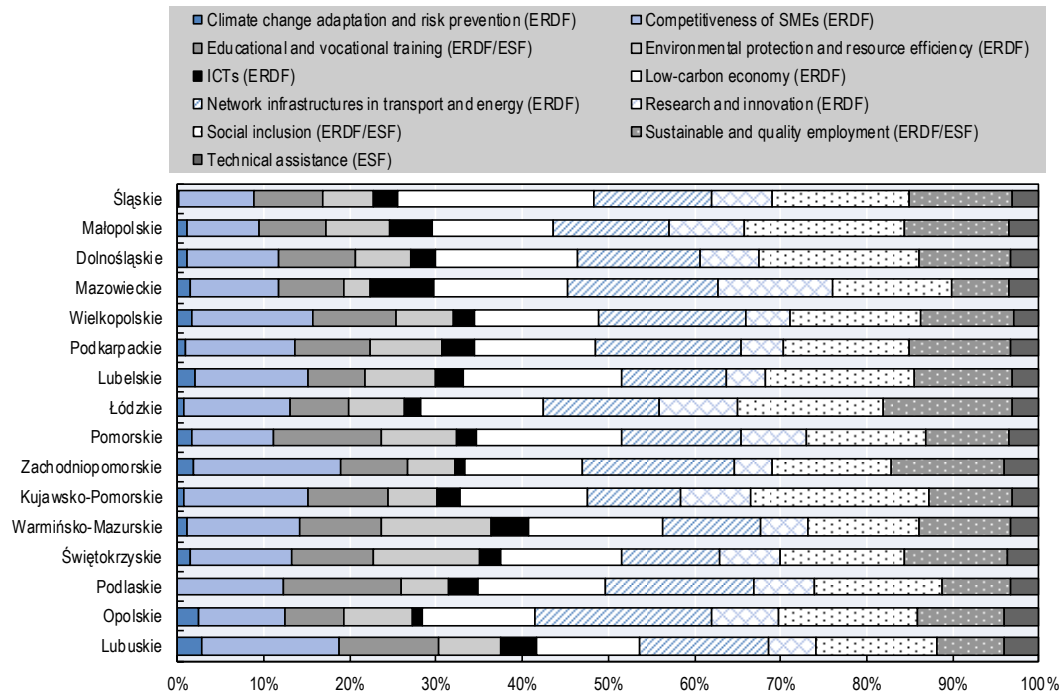
Source: Podlaskie *voivodeship* development strategy 2020, <https://strategia.wrotapodlasia.pl/resource/file/download-file/id.459>.

Regional operational programmes

The ROPs are co-financed with EU funds (the ESF and the ERDF), which determines its investment priorities for regional policy, including investments in rural areas. Since 2007, regions have been fully responsible for a large share of European funds under Cohesion Policy.²³ Under Cohesion Policy, all regions in Poland are defined as "less developed" – meaning that their GDP per capita is less than 75% of the average GDP of the EU-27 – with the exception of Mazowieckie *voivodeship*, which recently transitioned to being a "more developed" region and includes Warsaw.²⁴ Less-developed regions are allocated a larger funding envelope. In the 2014-20 programming period, the regions with the largest per capita funding allocations are Zachodniopomorskie, Świętokrzyskie, Lubelskie and Podlaskie respectively.

Each ROP is based on an assessment and diagnoses of the key challenges facing the region and a determination of the relative priorities for development. Among all ROPs, social inclusion is the largest priority in terms of funds allocated, followed by the transition to a low-carbon economy and network infrastructure in transport and energy, while climate change, technical assistance, and information and communications technologies receive the smallest funding envelopes (Figure 2.6).

Figure 2.6. Regional operational programme funding by voivodeship, 2014-20



Source: European Commission (2017d), “European Structural and Investment Funds data”, <https://cohesiondata.ec.europa.eu>.

The ROPs determine strategic investments and mobilise local actors – local governments and other public sector entities and the private and non-profit sectors – by providing them with access to funding/co-financing for a wide range of activities. These programmes are therefore a major impetus for endogenous development and in large measure rely on the engagement of public and private actors to mobilise activities and investments. For example, the ROPs offer support to firms to conduct research and development activities, funding to local governments for public infrastructure and roads, and revitalisation and programmes for job seekers. How funds are directed to rural areas is not always clear in the ROPs. Some ROP funds are targeted to rural areas – e.g. rural renewal under Małopolskie’s 2014-2020 ROP. But in other cases, territorial targets are not specified.

Poland’s Development Monitoring system (STRATEG) provides a host of indicators to monitor socio-economic development linked to the ROPs. However, the rural territorial impact of these indicators is not reported. It is difficult to disaggregate their place-based effects. Information on the estimated percentage of the allocation dedicated to rural areas is included in each of the Specific Description of Priority Axes of each ROP. These amounts show the potential source of funding dedicated to rural areas within specific themes (Table 2.3). Each managing authority tries to allocate these amounts for this aim;

however, there is no guarantee that exactly the same amounts will be spent as this is not a subject of targets or indicators required by the European Commission. The national government has no compliance mechanism by which to ensure that these amounts are met. There are plans to introduce a monitoring tool for this process at the end of 2018.

Table 2.3. **Estimated percentage of regional operational programme allocation dedicated to rural areas**

Regional operational programme	Estimated % of the allocation of ROP dedicated to rural areas	Amount (million EUR)
Dolnośląskie Voivodeship	min 15%	397
Kujawsko-Pomorskie Voivodeship	32%	637
Lubelskie Voivodeship	50%	1 115
Lubuskie Voivodeship	10%	90
Łódzkie Voivodeship	11.1%	250
Małopolskie Voivodeship	26.8%	746.7
Mazowieckie Voivodeship	11%	228.8
Opolskie Voivodeship	40%	360
Podkarpackie Voivodeship	11%	232.6
Podlaskie Voivodeship	19%	230
Pomorskie Voivodeship	30%	557.8
Śląskie Voivodeship	13%	454
Świętokrzyskie Voivodeship	23.7%	314.4
Warmińsko-Mazurskie Voivodeship	11%	189.2
Wielkopolskie Voivodeship	27%	661.5
Zachodniopomorskie Voivodeship	11%	176
Total	6 580	

Source: Elaboration by the Ministry of Investment and Economic Development of Poland.

Local development

Local government – The role of powiats and gminas in rural development

Local governments are in many ways lead actors for rural development, yet, they are largely “policy takers” – their scope for action is highly shaped by rules, regulations and fiscal frameworks determined by national and regional governments. The county (*powiats*) and municipal (*gmina*) levels of local government provide infrastructure and services to citizens that support local economic development and the quality of life in communities.²⁵

Rural counties (*powiat ziemski*) are largely funded by the central government to execute programmes and services that municipalities cannot carry out individually. Their main responsibilities are secondary schools, public health services, social welfare, culture, architecture and construction, and public safety and most multi-municipality infrastructure.²⁶ However, because of their limited finances, the role of *powiats* in social and economic development policy is limited. There are ongoing debates in Poland about the efficacy of the county level of government, particularly in areas surrounding municipalities with county status (Sakowicz, 2017).

Gminas on the other hand bear the main responsibility for local development, including spatial planning, real property management, housing, social services, early childhood and primary education, and environmental protection. Urban and urban-rural *gminas* also manage infrastructure, including roads, water supply, wastewater and, since 2013, municipal waste collection and treatment.²⁷ Fiscally, *gminas* are less reliant on central government grants and subsidies than *powiats* and as such, have somewhat more scope to levy and use own-

source resources for their development initiatives. In terms of subventions from other levels of government, small rural *gminas* benefit from grants that take into account more limited tax capacity and needs related to the community's socio-economic characteristics. Local governments are represented at the national level by the following associations: the Association of Polish Cities, the Union of Polish Metropolis, the Association of Polish Counties, the Union of Rural Municipalities and the Union of Small Towns.

Community-led local development

Community-led local development is a broad term encompassing a wide range of community actors that are critical to the success and resilience of rural areas. This includes local governments, residents, businesses, faith groups, non-profit organisations, industry/business associations and so on – that work together, take collaborative decisions and develop a common vision for their community's future. It is often remarked that community-led local development in Poland, like in many Central and Eastern European countries, is underdeveloped. In particular, civil society organisations are less prevalent in Poland compared to other European and OECD countries; involvement in civic social groups by residents is lower; and democratic self-government at the local level is relatively recent. And yet, there has been a great amount of progress in a short amount of time. Hundreds of national and international non-governmental organisations (NGOs) have flourished in Poland since 1989 covering a wide span of activities related to rural development.

Many NGOs work under donor-funded projects on rural and agricultural development and in doing so engage directly or indirectly with government departments or agencies. There are groups with a specific advocacy focus, such as the International Coalition to Protect the Polish Countryside (ICPPC), which works to protect small, traditional farms in Poland, and the Rural Development Foundation, which focuses on non-agricultural initiatives in villages such as improving IT infrastructure. There is also a large network of farmers' associations, co-operatives and societies that represent their members' interests.²⁸ The National Union of Farmers, Agricultural Circles and Farm Organisations is among the largest of these groups, with around 1.1 million members. Poland has a long history of agricultural production co-operatives which help farmers pool their resources and collectively negotiate prices – functions which are particularly useful for smaller scale agricultural producers. There were approximately 1 000 farmers' co-operatives operating in 2014; however, this number is declining and it bears noting that the market share of such co-operatives in Poland is lower than that of many EU countries (Matyja, 2016). Beyond these types of partnerships, Poland has a wide range of NGOs and foundations that support rural development through their activities and that produce analytical studies on the conditions of rural development.

The EU LEADER programme and community-led local development: The role of local action groups

The EU has spearheaded a community-led approach to rural development. The EU LEADER programme, which was first adopted in the 1990s, has played a critical role in reorienting rural development beyond agricultural policies only (Kisiel and Gierwatowska, 2013). The approach has been so successful in rural areas that it was subsequently expanded to three additional EU funds under community-led local development (CLLD) (these are the ESF, the EMFF and the ERDF).²⁹ In rural areas, local action groups (LAGs) have been established at the initiative of local governments, entrepreneurs and civil associations within a certain territory or community in order to implement objectives related to the EU LEADER programme. LAGs are a form of “special association” where,

at the decision-making level, private partners and associations must make up at least 50% of the local partnership. LAGs decide the direction and the content of the rural development strategy and take decisions about the different projects that are financed under the LEADER programme – there are over 300 such groups in Poland. Umbrella organisations such as the Polish Rural Forum (est. 2002) support the LEADER approach by offering a national platform for co-operation among rural organisations.

The CLLD, using the three aforementioned funds, is a new approach in Poland for 2014-20. There are only two regions (Podlaskie and Kujawsko-Pomorskie) that have decided to implement CLLD financing from more than one fund and more than one policy. The logic to combine these elements is to promote more integrated investments that can draw on both soft and hard instruments. However, in practice, the funds have separate regulations for project implementation, which can make the process challenging for proponents to navigate. One solution to this issue would be to allow projects to have double financing for soft and hard measures as opposed to having to divide one project into two or three separate components. At present, the frameworks set in executive regulations prevent such solutions. In order to promote such integrated approaches in the new programming period, it will be important to simplify these processes. Doing so is particularly important given the wider use of the CLLD planned in the government's new Strategy for Responsible Development.

The LEADER programme in Poland has propelled the growth of third-sector organisations; where LEADER programmes operate, there is a higher share of third-sector organisations (Furmankiewicz, Janc and Macken-Walsh, 2016). However, the extent to which civil society organisations have been meaningfully engaged in the LAGs has been questioned, as has their ability to overcome sectoral interests (which is a fundamental objective of the LEADER programme) (Furmankiewicz, Janc and Macken-Walsh, 2016). The LAGs have strong public sector influence and the vast majority of these organisations in Poland have been established by public sector entities as opposed to civic or voluntary ones (Kisiel and Gierwiatowska, 2013). Given this, it is important that Polish rural policy foster meaningful community-led local development while at the same time supporting and encouraging often nascent local institutions in these efforts. The local capacity and the third sector are further discussed in Chapter 3.

Participatory budgeting – The Sołectwo fund

In order to spur the involvement of community members in local development, a *Sołectwo* (village council) fund was established in 2009 in order to promote participatory budgeting in rural areas. The funds are based on a combination of *gmina* local budget and national funding. National funding allocations are higher for lower income municipalities. The funds are used to improve quality of life in rural areas on investments such as playgrounds, sidewalk repair and landscaping. Residents and community groups submit projects for consideration and prioritise which ones should be funded. The use of this instrument within *gminas* has increased significantly in recent years. The fund is presently being used in almost 90% of rural municipalities and is the strongest instrument for public participation in the country in terms of the number of community members engaged and the size of the funds. These funds are voluntarily established by *gmina* councils.

Polices to support the ongoing structural change of agriculture

Polish agriculture has yet to transition to a fully modern form and in the last few years has faced serious short-term shocks from the loss of the Russian market, which was a long-standing major export destination. Further, among a range of potential future scenarios,

agriculture could be adversely affected by the CAP reforms (Government of Poland, 2017). However, there is every reason to believe that while farming and food processing in Poland will not remain as they currently are, there will be ample opportunity for evolution in a way that allows Poland to expand its role as a major producer within the European Union. Despite considerable agricultural modernisation in recent decades, it is a sector that continues to have a great deal of unused production potential due to the dual nature of farming in the country (Nowak, Kamińska and Krukowski, 2015). This challenge – the need for agricultural modernisation in order to increase productivity – is central to Poland’s rural development programme, and yet, many policies serve to maintain uncompetitive and small-scale agriculture.

The importance of family farms in Poland

Poland has enshrined support for family farms in its Constitution, but has a problematic concept of the “family farm”

In Poland, as in all OECD countries, the vast majority of farms are operated by individual families. While there are very large farms that are operated as a corporate entity, with ownership held by unrelated individuals, these are relatively uncommon. The majority of large farms, even if incorporated, are closely held by members of a single family and operate in the same way as other family farms. Poland, however, is fairly unique in terms of committing the agricultural system of the country to family farms in Article 23 of the Polish Constitution. Family farms in the Constitution are broadly defined as those that combine an agricultural farm and a household (Puślecki, 2016). Consequently, family farms are given preference in legislation affecting the system of agriculture in Poland.

Poland distinguishes between two types of farms: 1) those operated by a “natural person” (private person); 2) those operated by “legal persons” (firms), which are organisations such as corporations that exist as distinct entities. Polish legislation has increasingly favoured natural persons as farmers. In 2003, a family farm was defined in legislation as a farm of no more than 300 hectares that is operated by a natural person (Law on Formation of Agricultural System, 2003). This law gave the Agricultural Property Agency the right to pre-empt sales of farmland that it deemed harmful to the structure of family farms. More recently, the 2016 Land Law freezes the sale of state-owned farmland and restricts the purchase of farmland to individual farmers who are defined as persons with: agricultural skills who will operate the farm; who have lived in the municipality where the land is located for at least five years; and who will not operate a farm of more than 300 hectares after the purchase. The new law makes it harder for those who are not currently farmers to become a farmer. It also makes it more difficult for people to relocate from one part of Poland to another, which will fragment land markets. It further creates a significant impediment to expanding the size of a farm beyond 300 hectares. While 300 hectares is a relatively high threshold for a farm, this restriction could have a negative impact on land-intensive farming such as cereal production, which is driven by scale economies, and livestock pasture systems.

By defining the maximum size of a family farm in terms of land owned, the law is biased against certain types of commodity production

The result of this approach to defining a family farm creates an impediment to the modernisation process of agriculture. The law targets a specific size of farm as the maximum that qualifies as a “family farm,” irrespective of whether larger farms are more

productive or competitive in national or international markets. Moreover, it defines a family farm in terms of the amount of land operated, thereby privileging very large land-intensive farms and penalising medium-sized land-extensive farms. For example, a 300-hectare fruit or vegetable farm would produce a large value of output, but be a family farm, whereas a pasture-based cattle farm with 300 hectares on marginal land would not produce a very high income for the family that operates it. The new law also limits the scope of farmland markets by making it difficult for anyone other than a long-term resident of the municipality where the land is located to buy farmland. Reduced demand for farmland could lower prices and reduce the incentive for unproductive small farmers to sell their land, which would continue to freeze these individuals in farming activities.

Poland has two distinct types of farms that are not well described by the current Polish farm typology

In order to effectively adapt to changing conditions, two distinct policy approaches are needed: one for the large number of inefficient small farms and another for the relatively small number of commercial farms that account for the vast majority of production and exports (Box 2.5). Both types of farms are important in Poland, but for different reasons. Small farms account for the vast majority of farm households and are a powerful political and social force. Large commercial farms will never be a major source of employment, but can make a disproportionate contribution to Polish GDP and exports if they can continue to match competing farms in other EU and OECD countries in terms of technological sophistication and productivity. Current policy frameworks for small farms could be improved to better incentivise their transition to more productive farms where feasible, and to expand engagement in non-agricultural employment where it is not feasible. Further, support to commercial farms could be enhanced, particularly for those medium-sized farms that show potential for productivity gains.

To date, Poland has largely focused its policy attention on the problems of small farms

Agricultural policy in Poland has focused on the vast majority of the farm population that operates very small farms – less than 10 hectares. Policies have evolved over time from supporting farm incomes through price supports to supporting farm well-being by providing targeted social policy to households living on small farms. With accession to the EU and the transfer of agricultural policy to the CAP, Poland has had to rely more on social policy than traditional agricultural policy to achieve this objective. Nevertheless, Poland has often interpreted the CAP policies in ways that favour the smallest farms, rather than commercial agriculture. For example, a 2015 review of CAP Pillar I Implementation by the EU Directorate-General for Internal Policies found that Poland is one of the countries that has engaged in the greatest tailoring of the CAP to meet national priorities (Directorate-General for Internal Policies, 2015: 115). Poland, along with Croatia and Greece, employ six of the eight possible ways of modulating Pillar I payments. In particular, Poland has chosen to transfer 25% of funds from Pillar II to Pillar I, capped payments at EUR 150 000, employs coupled support and adopting the small farmer scheme (Directorate-General for Internal Policies, 2015: 115). Compared to other EU countries, Poland along with Bulgaria has used to a higher degree the possibility of targeting the income support to small and medium-sized farms (Directorate-General for Internal Policies, 2015: 110).³⁰ Going forward, Poland should provide a more balanced policy framework that addresses the needs of both small and commercial farms and rural development.

Beyond policies targeted to the dual nature of farming in Poland, territorial approaches are also important. Poland's agricultural productivity exhibits strong regional variation. These are only partially explained by differences in climatic and geographic conditions. For example, regions with a high level of social development also have the highest agricultural productivity (Nowak, Kamińska and Krukowski, 2015). Rates of education for farm managers are also the highest in the most developed regions and in turn, this is positively correlated with the absorption rate of the EU funds (Gwiazdzinska-Goraj and Rudnicki, 2016). Studies show that higher levels of operator education and training are associated with higher farm productivity (European Commission, 2016b; OECD, 2017a). Given this, it is evident that some parts of Poland are more able to take part in certain agricultural policies, such as support for farm modernisation, due to the framework conditions and institutions which support this work. In other regions, policies should focus on developing these framework conditions from the onset. Agricultural policies are therefore intertwined with rural development more broadly. Poland has evolved towards such an approach, but more could be done to enhance policy complementarity between agriculture and rural development policies (a theme returned to at the end of this chapter).

Setting the right policy incentives for small farms

While the number of very small farms is steadily declining in Poland, as is their share of the farm population and farm output, it has been at a rate that both internal and external observers believe is too slow (Chaplin, Davidova and Gorton, 2005; Dzun, 2016; Dries and Swinnen, 2002; OECD, 2008; Petrick and Tyran, 2003; Wigier, 2014a). Smaller farms are most prevalent in the south-eastern provinces of Poland; they also have the slowest rate of transformation to larger farms (Marks-Bielska, 2016). Most of the small farms in Poland sell less than half their output in formal markets. Therefore, a large share of their production is either utilised on the farm or sold through informal means. The main source of income for these farms is transfer payments, either from the European Union or from national farm subsidies and national social welfare programmes. This makes them particularly reliant on the continuation of both agricultural and social policy benefits. A significant share of the Polish population are small-scale farmers and this population tends to be politically active, thus forming an important lobby for protective rural policy (Halamska, 2016; Wigier, 2014a).

Box 2.5. Poland's small farm/big farm divide

Poland's agricultural policies since the transition in 1989 have been strongly oriented to slowing the rate of exit of small and very small farms, most of which cannot sustain a family by market sales (Macours and Swinnen, 2008; Rutkowski, 2006; Wilkin, 1997). For most of the intervening years, this policy reflected the huge transition that was taking place across Poland that led to major disruption in labour markets and considerable declines in earnings. Workers on large state and co-operative farms lost their jobs early in this process and had great difficulty finding alternative employment. This made it clear that the vastly larger number of workers on private farms could not be absorbed by their local rural labour markets, nor by urban labour markets. Consequently, finding ways to maintain an at least adequate lifestyle on these farms became the "best" available policy option.

Upon accession to the European Union a new agricultural policy regime was introduced that provided a large, new infusion of support for farming, but which was more focused on larger and more commercial farms (Campos, Jaklic and Juvancic, 2010; Majewski, Guba and Was, 2016; Petrick, 2001). With the Common Agricultural Policy (CAP) support, the Polish farm sector became more bifurcated, with a fairly small share of farms rapidly increasing their output and driving down their costs of production by investing in land and equipment. However, the vast majority of farms remained small and below minimum efficient scale, with only limited agricultural sales. For these farms, the introduction of the Single Farm Payment provided a new infusion of income that was decoupled from their level of production. This, along with national transfers, allowed most small farms to survive even as the cost of food in Poland fell.

The unique issues facing small farms

Agriculture remains a major sector in the Polish economy, especially in terms of its role in international trade and as a share of the workforce. However, it is well recognised that the current structure of agriculture – the size distribution of farms in terms of either land holdings, share of output or share of farm income – is not desirable (Csaki and Lerman, 2002; OECD, 2008; Petrick, 2001; Henningsen, 2009; Wigier, 2014a). Almost half of all Polish farms produce too little output to provide even a EUR 4 000 per year contribution to household income (European Commission, 2016a). Most of these farms have too little land to produce a large enough output to be viable businesses, other farms have weak management or too few assets to be efficient producers.

In 2005, farms with annual sales below EUR 4 000 accounted for 70% of all farms, while by 2013 they accounted for 48% of all farms (Eurostat, 2005; 2013). Clearly, farms with sales this low cannot by themselves provide an adequate family income. The statutory poverty line for income in Poland for a household with two adults and two children in 2013 was just over EUR 4 000 per year. The OECD estimates average household income in Poland at approximately EUR 16 000. If we assume a gross margin of 20% of standard output as the net income from farm sales, then a farm with EUR 100 000 in sales would provide EUR 20 000 as the return to family labour and capital, which is somewhat higher than the average Polish household income. Clearly, even those farms with close to EUR 50 000 in sales cannot provide an adequate income for the farm household after operating expenses and the cost of capital are removed. Eurostat data for 2013 suggest that there were about 77 000 farms in Poland with a standard output of EUR 50 000 or more, or about 5% of all farms, that could provide enough household income to support a family of four, if they were the sole source of earned income. For the vast majority of farms, agricultural production alone is not able to provide sufficient income.

Certainly farms with lower sales can be viable farm units, but the family will require other sources of income, either from off-farm employment or transfer payments to meet an acceptable standard of living. The roughly 225 000 farms with sales between EUR 15 000 and EUR 49 000 would be strong candidates for having a business orientation that would allow the farm to be a profitable business, but not big enough to be the only source of household earned income. Farms with sales of less than EUR 15 000 might better be characterised as lifestyle operations, where the income from farming can never make more than an incidental contribution to family living expenses. In summary, the current structure of Polish agriculture suggests that the majority of Polish farm families will either have to continue to rely on transfer and subsidy payments for the majority of household income, or will have to strongly engage in off-farm employment, because their farm is too small to have much output to sell. Some small farms may be able to grow to a large enough size to become profitable and a smaller number will be able to expand to reach the size to allow full-time family farming, but for this to occur a new orientation in agricultural policy will be required.

Box 2.5. Poland's small farm/big farm divide (*continued*)

Commercial, market-oriented farms

About a third of all Polish farms can now be considered to be commercial enterprises that are strongly oriented to the market and that generate a significant share of household income from farming (FADN, 2017). These might be thought of as the target group for traditional agricultural policy. Virtually all of these farms have reached this status since 1989, when the new regime liberalised land ownership land transfers and reintroduced market forces to Polish agriculture. It is this group of farms that operates the majority of land, produces the greatest amount of output and accounts for Poland's success in turning from a net food importer to a major food exporter (Stańko and Mięka, 2014).

These farms have embraced modern agriculture and account for the majority of farm investments in equipment and new technology. They are also more likely to rely on borrowed funds than small farms. Although they receive more subsidies per farm, if measured in amounts of money, these subsidies are a smaller share of farm income than is the case for small farms (see Chapter 1). Farms in this category operate widely different amounts of land, depending on their commodity specialisation, which makes measuring the size of a farm in terms of land owned a weak indicator. The number of these farms continues to increase over time, as does their share of output and income. This growth is the best indicator of the still underutilised potential of Polish agriculture because, despite a less than encouraging national agricultural policy, there are farmers who believe that investing in Polish agriculture offers a good potential return.

Commercial farms are the main target of the CAP, which provides differential rates of support to farms producing different commodities, and secondarily provides funds for farm modernisation and improving environmental quality. Support for farms is largely based on the volume of output, although the Single Farm Payment is calculated on the amount of land operated. Because the CAP is oriented to commercial farming, it has been the main engine for expanding the size of the commercial farm sector in Poland since accession to the EU. The future direction of the CAP reform will be an important factor in the future success of Poland's commercial farms. However, commercial farms in Poland have other key advantages, including reactively low-cost labour, inexpensive land and the ability to further adopt advanced agricultural production technology that can reduce costs and increase yields.

Sources: Macours, K. and J.F.M. Swinnen (2008), "Rural-urban poverty differences in transition countries", <https://doi.org/10.1016/j.worlddev.2007.11.003>; Rutkowski, J. (2006), "Labor market developments during economic transition", <https://openknowledge.worldbank.org/bitstream/handle/10986/8710/wps3894.pdf?sequence=1&isAllowed=y>; Wilkin, J. (1997), "From agricultural policy to rural policy: Central Europe in transition", www.fao.org/docrep/w7440e/w7440e09.htm; Campos, M., T. Jaklic and L. Juvancic (2010), "Factors affecting farm productivity in Bulgaria, Hungary, Poland, Romania and Slovenia after the EU accession and likely structural effects"; Majewski, E., W. Guba and A. Was (2016), "Farm income risk assessment for selected farm types in Poland: Implications of future policy reforms"; Petrick, M. (2001), "Poland's agriculture: Serious competitor or Europe's poorhouse? Survey results on farm performance in selected Polish voivodeships and a comparison with German farms"; Csaki, C. and Z. Lerman (2002), "Land and farm structure in transition: The case of Poland"; OECD (2008), *OECD Territorial Reviews: Poland 2008*, <http://dx.doi.org/10.1787/9789264049529-en>; Henningsen, A. (2009), "Why is the Polish farm sector still so underdeveloped?", <https://doi.org/10.1080/14631370802663646>; Wigier, M. (2014a), "The competitiveness of Polish agriculture after accession to the EU"; Stańko, S. and A. Mięka (2014), "Tendencje w handlu zagranicznym produktami rolno-spożywczymi w Polsce w latach 1995-2013".

Most small farms are challenged by two major land issues. First, they have too little land to be able to reach a minimum efficient scale of production. Second, they typically suffer from a high degree of fragmentation of farm holdings. Farms of less than 3 hectares may have well over ten distinct and spatially dispersed fields, none of which is big enough to cultivate efficiently, even with small machinery. Fragmentation makes it difficult for a small farm to either expand or leave agriculture, because land, the main asset in farming, is difficult to purchase and sell. Where fields are fragmented, it is hard to assemble contiguous parcels of land that are required for modern farm operations.

Further, the value of land falls because it is less profitable to operate. These factors tend to freeze landowners in their current situation, thus limiting the prospects for farm consolidation and for exits from farming. The prevalence of small farms negatively impacts agricultural productivity, but it has also locked some individuals in a cycle of poverty (Zmija, 2015). Improvement in agricultural production for these groups and/or a transition to a greater share of non-agricultural employment in order to boost incomes, is therefore an important objective for integrated rural policy.

Small-scale farmers tend to have among the highest rates of poverty in rural Poland along with residents in the areas of former collective farms (Tarkowska, 2008). Poland's transition in the 1990s led to the closure of many state-owned industries that had provided at least part-time work for small-scale farmers. In the wake of these closures, recourse to farm employment provided these individuals an important safety net during this tumultuous period; and yet, at the same time it has created a "low-income trap" for many (PARSP, 2005). Thus, the predominance of small farms in many parts of rural Poland is not just a productivity issue, it is a social issue as well. Persistent poverty and hidden unemployment on small farms needs to be addressed by either increasing the productivity of farms and/or increasing opportunities for off-farm employment.

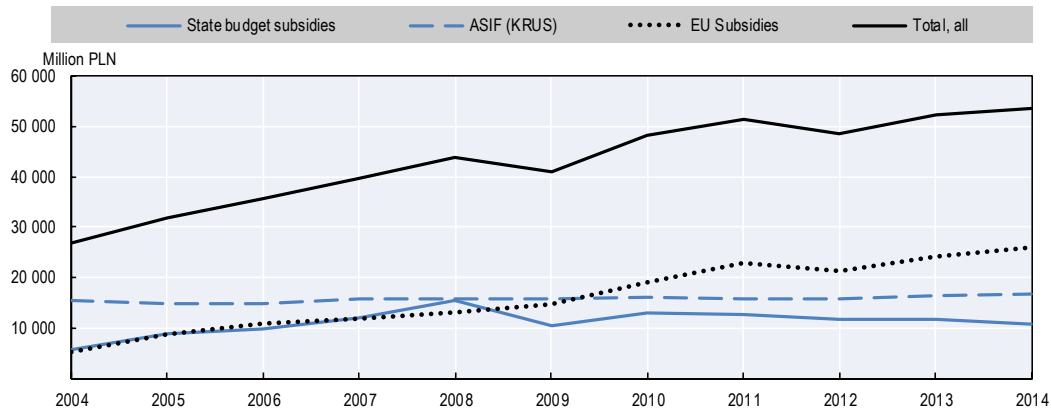
The current policy mix for small farmers

The key policies formally related to agriculture that benefit small farms are: EU direct support scheme, the national agricultural tax that is paid in lieu of income tax, the opportunity for early retirement, exemptions from having to maintain financial records for the farm business, and a dedicated medical and pension plan for farmers which is subsidised by the state (*Kasa Rolniczego Ubezpieczenia Społecznego*, KRUS).³¹ The EU Single Farm Payment provides a modest, but significant, annual cash infusion to small farm operators of 1 hectare minimum. In 2015, there were approximately 1.35 million recipients of such direct payments in Poland and 90% of these recipients received an amount less than EUR 5 000 per annum (FDPA, 2016: 97). While not a large amount of funds, this payment represents an important part of the household budget and thus generates an incentive for small farm holdings (FDPA, 2016: 98). The Single Farm Payment only requires that the land be kept in adequate condition to farm, which decouples the payment from actual production. Consequently, it is widely believed that a considerable amount of the land held by small farms is leased informally to neighbors to operate it. Because the lease is informal, the owner continues to claim the single payment, and the tenant receives a favorable lease rate.

Within the CAP, Poland has adopted specific programmes which are beneficial to small farms along with some national policies that do the same (see Box 2.6 for the role of rural development policy support for small farms). Their net effect is to provide a considerable inducement to remain a small farm operator, despite the low income associated with such farming practices (Gaziński, 2016; Ministry of Agriculture and Rural Development, 2014). The Polish government has long provided a strong degree of support to low-income households, including farm households that receive a distinct medical insurance and pension package. Government transfers were significant enough to roughly maintain historic levels of total income inequality after the transition through the 1990s, even as earned income inequality greatly increased when jobs were lost due to restructuring (Keane and Prasad, 2002). Figure 2.7, shows the steady pattern of public support for small farms overall between 2004 and 2012 (Wigier, 2014). It is important to note that the number of farms has steadily declined over this period, which results in average outlay per farm increasing more rapidly than that of aggregate support. Transfer

payments remain in place within Polish society and create disincentives to participate in market activity by creating a wedge between after-tax earned income in the formal economy and lower nominal income with supplemental benefits from farming.

Figure 2.7. Polish and EU budgetary expenditure of the agricultural sector



Note: ASIF (KRUS): Agricultural Social Insurance Fund (Farmers Social Insurance).

Source: Wigier, M. (2014a), “The competitiveness of Polish agriculture after accession to the EU.

Reforming social insurance and tax incentives facing small farmers

A major policy question is how to address the separate social insurance system for farmers, KRUS, of which there are presently approximately 1.3 million enrollees, half of which are aged 45 years or older (2017).³² KRUS establishes incentives to remain in agriculture, especially for older farmers, even if transfers provided by the insurance system are very low. KRUS covers those who own agricultural holdings exceeding 1 hectare and for whom agricultural activity remains their only or major source of income. Participation in formal employment generally leads to conversion to the regular pension system and transfer to the regular medical insurance plan with its requirement to pay higher premiums; it also requires that the individual pay income tax.³³ Where wages are low, the resulting after-tax income may be less than is available with low farm earnings and transfers. Similarly, after a threshold level of output sales, the farm household loses access to these subsidies.³⁴ These policies create a disincentive to earn more money by expanding farm sales and/or by entering formal off-farm employment.

The OECD has long recommended that the subsidies to KRUS be substantially reduced, that special rules regarding KRUS eligibility based on land ownership and the nature of the farming activity should be abolished, and that treatment under KRUS and the regular social security system (*Zakład Ubezpieczeń Społecznych*, ZUS) should eventually converge (OECD, 2006; 2014a; 2016c). However, reforms to the system of agricultural social insurance are contentious and difficult to achieve, in no small measure because this group contains so many low-income households for which these measures are important.³⁵ Were Poland to either close KRUS to new enrollees, or reduce the rate of subsidy for new enrollees, this would significantly alter the incentives to continue as a small low-income farm enterprise. However, it could also further marginalise a population that is also at high risk of poverty in the process. It is therefore important that such reforms proceed in a manner that allows for individuals to gradually adjust. There are several options in this regard:

Box 2.6. Poland's support for small farms: The role of rural development policy

Small farms in Poland benefit from direct payments from the Common Agricultural Policy (CAP; Pillar I). The voluntary small farm payment system replaces all types of support under the direct payments system (except for transitional domestic support) with one payment of no more than EUR 1 250 per farm. Farmers participating in the small farm payment system are only exempted from controlling the standards and cross-compliance requirements, and from the obligation to apply greening practices because it is deemed that their structure (small area size) “automatically” contributes to greening (small plots, diversified, traditional activity structure, etc.). In Poland, the amount of support under the scheme for small farms is determined individually for each farmer as the sum of all EU direct payments to which the farmer would be entitled if s/he remained in the standard scheme. Farmers could join the system for small farms only in the first year of application of the system (i.e. in 2015). Farmers receiving direct payments of no more than EUR 1 250 per farm were included in the scheme automatically, unless they did not agree.

Rural development policies also direct support to these groups in order to further farm modernisation and enhance the competitiveness of farms. These supports are outlined in the Ministry of Agriculture and Rural Development's Rural Development Programme for 2014-2020 which governs all of the funds from the CAP outside of direct payments (i.e. Pillar II).

The instrument “Restructuring of the small farms” aims to increase the income and profitability of smallholders. This sub-measure is directed towards farms whose value is below EUR 10 000. In return for a one-off payment of EUR 15 000, owners of such farms promise to increase their value both by at least 20% and to a level above EUR 10 000. Those who take part in this sub-measure are required to maintain this higher output for at least five years consecutively; also, their participation renders them ineligible to draw on other rural development programme measures throughout this time. This instrument is an important step towards establishing incentives for more productive farms; however, it remains to be seen if it provides enough of an inducement to shift behavior. The evaluation thereof will be important in order to establish if this is the case.

Further, in order to help overcome the challenges associated with production on small-scale farms, support has been made available for farmers' producers groups and for participation in quality schemes, which can help to create economies of scale. Beyond these measures, the Ministry of Agriculture and Rural Development is also working to develop legislation that would allow farmers to sell their products directly to consumers more easily, while maintaining food safety requirements.

Sources: Ministry of Agriculture and Rural Development (2017c), “System płatności dla małych gospodarstw” [in Polish], www.minrol.gov.pl/Wsparcie-rolnictwa/Platnosci-bezposrednie/Archiwum/Platnosci-bezposrednie-w-2015-r/System-platnosci-dla-malych-gospodarstw; Ministry of Agriculture and Rural Development (2017b), “Restrukturyzacja małych gospodarstw” [in Polish], www.minrol.gov.pl/Wsparcie-rolnictwa/Program-Rozwoju-Obszarow-Wiejskich-2014-2020/Instrumenty-wsparcia-PROW-2014-2020/Restrukturyzacja-malych-gospodarstw?%2FWsparcie-rolnictwa%2FProgram-Rozwoju-Obszarow-Wiejskich-2014-2020%2FInstrumenty-wsparcia-PROW-2014-2020%2FRestrukturyzacja-malych-gospodarstw2.

- **Phasing out KRUS through eligibility requirements and rate premiums.** KRUS polices could be maintained for individuals above a certain age bracket (e.g. allowing people older than 45 to remain in the KRUS system with no changes to the rules). At the same time, the programme could be closed to new entrants. This reform would need to work in tandem with a mechanism for people now enrolled in KRUS who are younger than 45 with a transition process that will move them into the ZUS. This transition could involve premium assistance that phases out over time and as income increases. Rate premiums could be marginally increased year by year to bring the KRUS system closer to the regular insurance system payments.

- **Create incentives to join the regular social security system.** Such incentives could be structured in a variety of ways. For example, new forms of support to the current social insurance system for farmers to develop agricultural activity or to undertake other professional activities could help stimulate a shift to the ZUS. Another option would be to provide assistance to low-income farm households to cover premiums for enrolling in the ZUS in order to support the transition away from KRUS. This would require that farm households file income tax so that benefit eligibility can be evaluated.
- **Training and employment support for KRUS beneficiaries.** The agricultural social insurance system could also be restructured in such a way as to create incentives for the vocational training and skills upgrading of farmers in order to either increase the profitability of their farms or to transition to a greater share of non-agricultural employment. Presently, registrants of KRUS are generally not able to obtain the benefits associated with unemployment status, including access to training opportunities and/or employment support through local and regional employment offices.³⁶ Opening up these benefits to them would assist their transition and need not necessarily require that the status of unemployment be conferred on them.
- **Increase incentives for non-agricultural employment and entrepreneurship.** Eligibility penalties could be relaxed and an increased threshold for non-farm economic activity could be adopted over a period of time in order to allow adjustments to higher rate premiums.
- **Supporting job creation in rural areas.** In addition to the above-mentioned actions, the successful transition out of the current KRUS setting is contingent on real progress in the diversification of the rural economy in order to increase employment in non-agricultural sectors.

The government of Poland has recently introduced a special tax for small business that is linked to the reduced payment for the ZUS which in turn creates an incentive for small farmers to both establish a business and switch to the regular insurance system. Individuals who establish a business will be eligible for a lower business taxation rate and lower ZUS contributions for a period of 2.5 years. Another incentive for farmers to undertake non-agricultural activities is the provision adopted January 2015 permitting individuals holding KRUS insurance who work on commission contracts (*umowa zlecenie*) to be simultaneously insured by the ZUS if earning income is no higher than the minimum wage (PLN 2 000 in 2017). These are promising initiatives, but need to be combined with other incentives, as noted above.

A related critical policy issue concerns the exemption of small farms from reporting income tax (Kobielski, 2015). Requiring all farm enterprises to report income could increase the incentives to take on off-farm employment because the tax on earned income would be offset by reported losses from the farm enterprise. This would require defining farms as agricultural holdings; however, presently under Polish law it is the farmer who is the legal entity (Pawłowska-Tyszko et al., 2013: 93). After calculating annual profits and losses, farm households would be more aware of the financial implications of their current status.

Poland is not alone in needing to reform its farmers' social insurance system. Other European countries that have faced this task are Austria, Germany and Italy. In Germany, the need to reform the farmers' social insurance system took place in part because of its growing share of the national agricultural budget (72% in 2007) (Mehl, 2009). Initial

legislative change took place in 1994 with successive reforms thereafter. Germany's experience in reforming its farmers' social insurance system highlights the importance of strong upfront negotiations and a piecemeal process that is enacted in successive waves to allow for adjustment.

Future challenges and risks for small farms

Absent a change in policy, the number of very small farms in Poland will continue to steadily decline. Although the current level of government support is sufficient to keep most existing farm households in place, these are mainly composed of older people and there is little evidence that the next generation will be willing to take over all of the farms that will require new operators. However, relying on slow attrition is an expensive way to achieve a considerably lower number of small farms. It implies ongoing high levels of subsidy for these farms. It hinders the process of assembling small parcels of fragmented land into large enough blocks so that they can be farmed efficiently. It also reduces Poland's agricultural output and export revenue below its potential. Finally, in an upcoming era where workers will become scarce because of a combination of population aging and falling fertility rates, it locks a significant share of the rural labour force into a form of employment that offers individuals a low level of income and exacerbates future worker shortages. In addressing these challenges, it is important that policies for small farms distinguish between those who potentially have a competitive future in the sector and those who do not. To this end, different types of agriculture-dependent households should have access to alternative pathways to improve their incomes over the long term.

Given the scope of the European Union in shaping agricultural policies, Poland has, like any member, a limited ability to influence how farm policy will evolve in the future. There are several potential evolutions of the CAP. It is possible that direct support could increase in the future – e.g. due to gaps in climate and environment requirements/ambitions related to farming (between the EU and its trade partners) in the context of ongoing trade liberalisation negotiation agreements (Transatlantic Trade and Investment Partnership, Comprehensive Economic and Trade Agreement, Mercosur, New Zealand, Australia, others); or that it could remain at present levels. Alternatively, it is possible that the CAP budget will be lower in the next programme period than in the current one and that direct payments will be seen as less desirable than before (Buckwell et al., 2017). Lower levels of support and a shift away from direct payments would be particularly difficult to bear for small farm households in Poland, but would likely encourage a faster outflow from farming. Some reforms, such as structuring incentives for farmers to partake in an increasing share of non-agricultural employment and/or partaking in skills upgrading or retraining schemes, will help mediate the risks associated with a decline in direct supports. It will be increasingly important for other EU policies and national policies to support the transition to off-farm employment for small farms (Nurzyńska, 2016). For those small farms that remain in operation, extension services to facilitate farmers' access to technology and knowledge that can contribute to their effective participation in innovation networks will continue to be important as will support for land consolidation and farm enlargement.

Development pathways for more inclusive agricultural development

Policies to support the adjustment of smallholders require a framework that acknowledges two important elements. First, the long-term, i.e. inter-generational, future for the majority of smallholders cannot exclusively lie in farming; hence there is a need for policies that enhance households' opportunities outside the sector as well as within it. Second, in order to improve both agricultural competitiveness and the prospects for earning more outside

the sector, the most important policies may not in fact be agricultural policies. It is therefore important that smallholder policies are framed in an economy-wide context, with agricultural policies one component of the overall policy mix.

A strategic framework for smallholder development policies needs to make a distinction between those who potentially have a competitive future in the sector and those who do not (Table 2.4). If the policy objective is simply to keep as many smallholders as possible in farming, then that needs to be stated explicitly, as it is not possible to have coherent policies that simultaneously seek to improve productivity and competitiveness, and yet provide enough protection that smallholders do not face competitive pressures (Cervantes-Godoy and Brooks, 2008). On the other hand, if the policy objective is to encourage a productive and competitive agricultural sector, then there is a need to embrace structural adjustment and identify policies that can facilitate that process. One option in this regard could be to promoting broader diversification of incomes for small farms that would include specialised production (herbal, horticultural, regional products, products for the pharmaceutical and cosmetics sectors) and moving up the value-added farm production.

Table 2.4. A strategic framework for more inclusive agricultural development

Policy instrument		Development pathway			
		Within agriculture	Outside of agriculture	Leave the sector for off-farm employment	Safety nets for those unable to adjust
Invest in human capital	Minor effects of formal education for this generation; technical training more appropriate for productivity	Can help farm family members and rural workers move into skilled jobs	Important for farm family members and rural workers	Important for managing intergeneration change	
Invest in infrastructure	Helps with market integration	Helps improve local job opportunities		Can ease migration decisions for offspring	
R&D extension	Public and private sector important; gains from adoption and adaptive research	Can expand agricultural employment			
Credit	Should focus on correcting market failures	Indirect impacts			
Labour market reforms		Important for raising employment opportunities and wage incomes			
Cash transfers (possibly conditional)				Conditional school attendance may complement investments in schools	The most important policy for those unable to adjust
Regional policies	Important for improving market integration	Expanded non-farm activity would raise farm wages	Important for building a diversified rural economy with wider job opportunities		
Develop producer associations	Reduce transaction costs and help exploit economies of scale	Indirect impacts			
Land policies and property rights	Need to encourage rental markets and facilitate land purchases by small farmers				

Sources: Adapted from Cervantes-Godoy, D. and J. Brooks (2008), “Smallholder adjustment in middle-income countries: Issues and policy responses”, <http://dx.doi.org/10.1787/228583166164>, p. 9.

The premise of the following framework is that different types of agriculture-dependent households will have different potential pathways to improved incomes over the long term, and correspondingly different policy requirements. The development pathways are described in the columns, and the policy instruments in the rows. The first

column (improving competitiveness within agriculture) applies to farm households only, but the other columns apply to both farm households and salaried worker households. Note that the development pathways (columns) are not mutually exclusive: for example, one household member can enhance the farm's competitiveness while another provides off-farm income. Also, the instruments (rows) do not exhaust all possible policies, but focus on those with persuasive arguments.

Increasing the potential of commercial farms

Commercial farms in Poland are steadily increasing their share of production, land operated and share of farm numbers (Chmieliński and Karwat-Woźniak, 2015; Drost, 2013; Wigier, 2014a). This has occurred despite mixed support for larger farms from the Polish government. Commercial farms are the main beneficiaries from the CAP because it is strongly oriented to supporting professional farms. However, domestically, commercial farmers in Poland operate in a national policy environment that is more oriented towards supporting small-scale traditional agriculture. These policies include: decisions by the national government to modulate the CAP programme payments in ways that provide more money for smaller farms and limit the amounts going to larger farms; restrictions on farmland purchase; and phased-out access to national programmes that benefit small farms, such as exclusion from income taxes and access to the farmer social insurance system (KRUS).³⁷

In 2015, Poland had approximately 731 000 business-oriented farms which accounted for around 94% of Poland's total agricultural output (FADN, 2015).³⁸ Large farms with more than 100 European size units accounted for just over 35% of commercial farm output, and 33% of total farm output (FADN, 2015).³⁹ These roughly 18 000 farms were 2.5% of all commercial farms and somewhat more than 1% of all Polish farms (FADN, 2015). These large farms tend to be more productive than smaller farms and are the only farms that rely to a significant degree on hired farm labour (see Chapter 1). The largest farms are found in the northern and western parts of Poland, where most state-owned farms used to be situated. While they are clearly less politically influential in Poland than are the vast number of small farms, they play an outsize role in providing both food for domestic purposes and for export markets. It is their growth in number and share of production that explains how Poland has gone from being a net food importer to a significant food exporter since 2003 (Wigier, 2014b).

Larger farms benefit from the CAP Pillar II farm modernisation support because it allows them access to funds to buy new equipment and improve buildings. This was especially important in the early years after EU accession, when agricultural credit in Poland was limited. More recently, Poland has seen an influx of banks from western Europe that have expertise in agricultural finance and these lenders are providing a variety of debt instruments to larger Polish farms on a commercial credit basis. The shift from a grant-financed form of agricultural investment to one based on debt and equity finance will be important for the sustained growth of Polish farming. Farmers who borrow money place their assets at risk, and this leads them to make more careful analysis of the value of the investments they are making than is often the case when they are given a grant or subsidy.

While commercial farms are less reliant on subsidies, they are sensitive to regulatory changes and legislation that limits their production choices. In particular, recent restrictions on the purchase and sale of land that are intended to protect small farms from competition may adversely affect the steady evolution of Polish agriculture to a more commercial

orientation, without doing much to help small farms. The larger parcels of contiguous land that are most valuable to bigger farms are too expensive for small farms to purchase as a single parcel. Breaking this land up into smaller parcels might allow new small farms to be created, but this would provide little benefit to existing small farms, and would harm the long-term future of Polish agriculture.

Poland has targeted food and food processing as growth opportunities for the national economy, and there is a clear recognition that success in this regard will require more commercial farms (Grzelak and Roszko-Wójtowicz, 2015).⁴⁰ A considerable number of domestic and international firms now produce in Poland for internal and export markets. These firms source their raw materials from medium and larger commercial farms because they are able to provide sufficient volume and consistent quality. Unlike farming, which now employs relatively few non-family workers, food processing relies on large numbers of relatively unskilled workers, which can have a significant impact on local labour markets. Poland has targeted food processing as one of its growth opportunities, but without an increasing supply of high-quality, low-priced agricultural production that can only be provided by commercial farms, the possibility of expanding this sector and capturing a larger share of international trade will be difficult.

Policy initiatives to strengthen Polish agriculture

There are a number of policy areas that fall outside the purview of the CAP and are applicable to farms of all sizes that Poland could more fully engage in. These initiatives do not directly support farm income but they put in place an environment that can strengthen the potential for farms to become more efficient and productive. Policies that ensure adequate access to credit, support intergenerational renewal, provide a strong farm advisory service, invest in innovation in agriculture, and support market development activity for farm and food products all help to create an environment that supports farmers' activity and increases their contribution to national income.

Improving access to credit

Continued growth of Polish agriculture will hinge on the ability of farm families to make investments in their business. These investments will largely have to be financed by loans, making an adequate supply of credit important. Small farms in Poland typically lack access to credit, either from agricultural lenders or in the form of common household finance and have a medium level of financial knowledge (Horska, Szafrńska and Matysik-Pejas, 2013). Without a demonstrated ability to generate adequate income to repay a loan, they are bad credit risks for all lenders. However, without access to external funds they have little hope of improving their business. Various grants and subsidies are a partial solution to this problem, but are only available in limited amounts and for specific uses, which restricts their impact. Larger commercial farms now have many more options in terms of sources of credit than in the recent past, but these are still more limited than the array of lenders in western Europe.

Many OECD countries have created a specialised mezzanine lender in order to address agricultural development problems when faced with similar situations – examples include the *Crédit Agricole* in France, *Rabobank* in the Netherlands and the *Farm Credit System* in the United States. These institutions were all established as co-operative lenders that focus on providing a stable supply of credit to farmers at prevailing interest rates. Importantly, national governments provide guarantees on the borrowing costs of these lenders to permit them to raise funds at a preferential rate.

Over time, Poland has developed a number of programmes that provide access to credit through the Bank Gospodarstwa Krajowego (BGK), but these are not specifically oriented to farming. In particular, in rural areas where there are few financial intermediaries and there has been little reliance on borrowing, it can be important to combine lending with agricultural support services that work with potential borrowers in order to demonstrate how credit can be used to improve farm operations. Microcredit financing has been established in Poland in order to support those with limited access to conventional credit such as farmers. The uptake of these types of loans has spurred their expansion; in 2015 a new microcredit enterprise scheme was funded in Poland by the European Commission.⁴¹

Supporting intergenerational renewal

Poland has the largest share of young farmers (those under 40 years of age) in Europe. This demographic structure can be an asset for the sustainability of the agricultural sector. In all OECD countries, farming has a high rate of intergenerational succession, where children take over the family farm. With low farm incomes not only can it be unattractive for the next generation to become a farmer, but it is financially difficult to manage the transition where two generations have to live off the earnings of a single farm. But it is also important to allow others who do not come from a farm background to enter farming. Under recent policies this infusion of new talent is becoming increasingly difficult in Poland.

Installation costs, access to land and credit, and economic sustainability are recognised as some of the greatest challenges facing young people who wish to enter farming. The 2014-2020 CAP Pillar I introduced a compulsory measure for income support to young farmers commencing agricultural activities with additional payments based on direct payment entitlements. Member states can use up to 2% of their national ceilings for direct payments, to grant to young farmers an annual payment for a maximum period of five years (on top of the basic payment).⁴² The second pillar of the CAP also includes support for young farmers; however, it adopts a more flexible approach. In Poland's case, the young farmer scheme is focused entirely on farm and business development, as opposed to the other options of knowledge, advisory services, investments in physical infrastructure and co-operation.⁴³

A crucial part of the farm renewal process is providing a sound agricultural education for those interested in farming as a career. This is important because Poland requires that incoming farmers have formal technical qualifications before they are allowed to operate a farm. The current system of technical training in agriculture is fragmented, lacking in resources and not oriented to providing modern training in farming methods. Agricultural schools should play a stronger role in helping to transform Polish agriculture. Farmers in Poland are required by law to demonstrate formal qualifications in farming in order to be eligible to operate a farm and to obtain subsidies. The Minister of Agriculture and Rural Development runs and supervises a system of schools to train farmers (45 in total). These schools provide training in 25 agricultural professions and there has been a recent emphasis to increase the agri-food sector, where growth opportunities have been identified. In addition to these schools, there are also agricultural schools that are run mostly by *powiats* self-governments. This capacity offers a potentially powerful mechanism to provide technical education to young members of farm households and others interested in becoming farmers. Rather than just providing technical education in farming practice, there should be a concerted effort to introduce farm financial management concepts and budgeting methods. Further, students should be encouraged to explore career opportunities that include the benefits of off-farm employment as a way to increase and stabilise income. It

may even be possible to encourage examination of alternative career paths in farm-related fields, which may broaden horizons beyond full-time farming.

Strengthening farm advisory services

A strong farm advisory service is the main mechanism for providing new farming approaches to farms. Advisory services take the new ideas from agricultural research and innovative practices and create sets of farming practices tailored to the needs and abilities of farms in a particular region. Farm advisory services are provided by a number of different entities – public and private. There is an agricultural advisory centre in each of the 16 *voivodeships*. Other entities also provide advisory services for agriculture, such as farmer agricultural chambers and private advisors. While there is no single reason why private advisory services cannot be effective in principle, the current Polish situation with a large share of very small low-income farms makes paying for advisory services challenging. Farmers cannot easily afford to pay for services. Currently private advisors largely focus on developing grant applications for EU subsidies since they can be paid from the proceeds. While EU financial support can be a source of improved farm productivity, it is more likely to occur if a farm is provided with comprehensive advice, including innovative solutions.

A 2014 evaluation of the agricultural and knowledge system in Poland remarked that there is a lack of mutual interaction among the many institutions and actors that provide advisory services and that the creation of agricultural knowledge is too often done in isolation (Kania, Vinogradnik and Tworzyk, 2014). In particular, it was noted that extension services are under-supported and that the dissemination of knowledge generated by universities is proceeding too slowly, in contrast to research institutes under the Ministry of Agriculture and Rural Development (MARD), which are obliged to prepare reports for practice. The evaluation further remarked that the system of *voivodeship* advisory services was poorly co-ordinated with that of the national advisory service. In 2016, the supervision of *voivodeship* advisory services was transferred to the MARD, thus increasing national control and co-ordination over these services.

A particular challenge in all OECD countries is linking advice in agronomic practices into farm financial management. In Poland this is an even bigger issue, because so many Polish farms do not have financial records. Without records, farm planning is extremely challenging. A clear challenge for farm advisory services is to help Polish farmers embrace sound financial planning.

Support for agricultural innovation

Innovation is the main means by which farms increase their productivity over time. New crop varieties, new inputs and new production technologies have allowed a reduced number of farmers to produce an increased amount of food. But these innovations have to be generated by investments in research and development. Poland has benefited from adopting innovations first introduced in other countries, but could further increase its capacity to provide quality food at competitive prices by increasing internal agricultural research investment. This would allow research to focus on particular Polish conditions and new market opportunities. For example, when agricultural exports to the Russian Federation were terminated, it was important to adjust products to make them acceptable to new markets. Having the capacity to be able to carry out these changes in a timely manner reduced the cost of the embargo.

Polish agriculture has demonstrated strong capacity for modernisation and innovation since EU accession; however, these gains have not been evenly spread. Large-scale commercial farms exhibit the highest rates of technological adoption and innovation, while medium-sized farms lag and the engagement of small farms in these activities is very limited (Józwiak, Kagan and Mirkowska, 2016). Fostering knowledge transfer and innovation is one of the priority areas under the CAP Pillar II. Poland complements these objectives with its own funding and support for scientific research for agricultural development (e.g. through research and scientific institutions such as the Institute of Agricultural and Food Economics) and also supports knowledge sharing through its agricultural advisory centres. However, the connections between these two groups – scientific research institutions and agricultural advisory services – could be strengthened in order to better translate knowledge into practices that can benefit farmers on the ground (Kania, Vinohradnik and Tworzyk, 2014). Moreover, spending on research and development within the agricultural sciences in Poland has declined in recent years (Baer-Nawrocka and Poczta, 2016).

The Network for Innovation in Agriculture and in Rural Areas (*Sieć Innowacji w Rolnictwie i na Obszarach Wiejskich*) was established in 2015 to help facilitate the implementation of agricultural innovations.⁴⁴ The establishment of this network is very promising and in coming years a special platform for knowledge dissemination will be developed, along with connections to the European Innovation Partnership. There are also a wide array of private advisory services and firms that support agricultural modernisation. Extension services, co-operation between stakeholders, and other means of disseminating innovation and sharing best practices should be enhanced. Particular strategies could be developed to engage medium-sized farms in agricultural innovation.

The current EU financial perspective (2014-20) places a special emphasis on programmes to support agricultural innovation. However, what constitutes innovation can be difficult to define and can differ from one farm to the next. This impacts how EU funds are implemented under the 2014-20 perspective. Many activities of this programme are scored based on the implementation of innovative activities – but there is a diversity of practices in terms of what is considered innovative and hence, parameters and inconsistently applied.

Helping to expand new market opportunities

Poland has become a major agricultural exporter, which increases the importance of expanding its efforts to identify new markets. Polish firms have already demonstrated a great deal of success in expanding to new markets, most notably in the wake of the Russian embargo where new markets were found. As Poland continues to expand production it will require the identification of new markets to absorb the increase in output. Even large farms face challenges in identifying market opportunities, and it is impossible for small farms to understand anything other than local market opportunities by themselves. A strong national agricultural product marketing initiative, complemented by region-specific initiatives, can help export more of its output.

A modern and efficient network of producers groups strengthens market access for Polish agricultural products. EU support for producer groups has spurred their uptake in Poland; upon accession Poland had just 20 agricultural producer groups, but by the end of 2015 this number had expanded to 1 317 (Wesołowska, 2016). Producer groups have helped Polish farmers purchase new machines, expand or establish storage facilities, and invest in efficient machinery and equipment used for washing, cleaning, grading and packaging of fruits and vegetables. These are very positive developments and in regions

such as Wielkopolskie where there is a strong co-operative tradition, producer groups have flourished. In the coming years, Poland should further focus on enhancing the vertical and horizontal consolidation of producer groups and of their associations.

Connecting small farms to markets

A central problem facing small-scale producers is the difficulty of developing a marketing channel for their products. An individual small farm has a relatively small amount of surplus production that can be sold after household consumption is met, and it is usually hard to develop a relationship with a broker, distributor or processor that allows the residual production to be sold. The typical fallback option is to rely on direct marketing either through a farm stand or through a farmers' market. Commercial food distribution channels cannot easily deal with individual small farms due to: high fixed costs of contracting for a small volume of product, potential problems with the farmer meeting required quality standards and intermittent supply from a single farm. While a large-scale farm may be able to contract directly with a processor or distributor, small-scale farms require an intermediary who can aggregate small amounts from multiple producers to obtain a large enough amount of uniform quality to be attractive to the processor or distributor. However, introducing an aggregator adds significant cost that is reflected in lower prices to the farmers. The aggregator has costs associated with identifying farmers, assembling products from diverse sources and verifying quality that can be significant. Further, unless there is a large enough quantity of output that is produced over multiple months, the marketing interval may not be long enough to justify setting up as an aggregator. As the number of farms increases and the amount of production of individual farms declines, the viability of an aggregation business also declines.

Market imbalances in bargaining power between small farmers relative to large food processing companies is a sensitive policy issue. In response to these concerns, at the beginning of 2010, the prime minister of Poland appointed a special taskforce to work on increasing the transparency of agricultural markets and improving the functioning of the agro-food chain; the taskforce was subsequently dissolved in 2013. One possible solution is for farmers to form a production and marketing co-operative that provides advice to farmers on production methods to assure uniform and high-quality products, and pools production to facilitate sales to distributors and processors. Because the farmers own the co-operative it has no incentive to extract a profit margin, which should maximise benefits to the individual farmer. However, while co-operatives are in principle attractive solutions to the marketing challenge of small-scale farms, they have been found to be difficult to operate due to low volume, large numbers of producers and challenges in maintaining consistent quality. All of these add costs that have to be spread across all producers, which can reduce a farmer's interest in participation. In Poland, an additional residual issue is the distrust many farmers have of external agencies that impose management conditions, even if they are collectively owned and not part of the state. As noted in the preceding section, some regions of Poland have a stronger tradition of co-operatives and producer groups than others. Some studies in Poland have noted that farmers can be reluctant to pay membership fees and have low awareness of the benefits of organising (Milczarek-Andrzejewska, 2014). The public sector can play an important role in both strengthening these initiatives and encouraging them where they are less prevalent by creating platforms to share knowledge between groups and determining best practices in order to better understand the risks involved in setting up and participating in such groups and the benefits they can bring to members.

Rural economic diversification – Policies to support the non-agricultural economy

Agriculture alone is not enough to sustain rural areas. As Poland's agricultural sector continues to modernise, it is becoming less labour intensive and this in turn increases the importance of strengthening the non-agricultural rural economy, including opportunities to combine farm income with non-agricultural businesses and employment. Doing so will help reduce rural un-/under-employment and poverty which persists in rural Poland. Poland's non-agricultural rural economy has grown in recent years, but the pace of this transformation has been slow. Recent research indicates that less than 3% of all active agricultural holdings obtain income from sources other than agricultural production (an increase from 2.5% in 2006). There are approximately 1.1 million economic entities in rural areas that are not associated with agricultural activity (REGON).

The slow pace of non-agricultural economic development is incongruous. On the one hand, there are many successful examples of rural businesses in Poland and, as will be discussed, a wide range of supports are available for both new and established businesses (see Box 2.7 for examples of rural entrepreneurship in eastern Poland). And yet, the pace of transformation has been slow and the business landscape is dominated by microenterprises. Entrepreneurs either struggle to think about the next level of their businesses or face a number of disincentives to its expansion – e.g. structural barriers such as the disincentives created by KRUS (as discussed in the previous section), distance to markets, regulatory barriers. Further, rural entrepreneurs report difficulties in finding employees for both low and higher skills occupations – this is despite high rates of official and hidden forms of unemployment in many rural areas. Many have remarked upon a lack of entrepreneurial attitudes among the rural population as one explanation of the slow pace of economic transformation (see, for example, Biczkowski and Biczowska [2016]). However, the findings of a recent survey of the entrepreneurial attitudes of rural and urban residents in Poland contradict such assertions and find little difference between the two (Mularska-Kucharek and Wiktorowicz, 2015). The aforementioned disincentives to employment may in part serve to explain this discrepancy.

The opportunities for non-agricultural businesses in rural areas differ considerably across Poland. Rural communities that are close to cities benefit from agglomeration dynamics and are more likely to have a larger share of businesses in the services sector, as are rural areas that are attractive for tourism. Rural communities close to cities have seen more dynamic economic growth and, as such, it is important to strengthen the linkages between rural areas and small and medium-sized cities – this is recognised in Poland's new Strategy for Responsible Development. In rural regions where tourism is less prevalent and where there are greater distances to urban agglomerations and markets, the profile of rural businesses is different – e.g. forms of manufacturing or industries related to the agricultural sector such as food processing dominate. The territorial location of rural firms impacts the size of companies, institutional frameworks and, in turn, the ways in which public policy supports entrepreneurship. This section examines a range of public interventions to support entrepreneurship – from financial lending and skills training to local economic development strategies and smart specialisation.

Box 2.7. Examples of successful rural entrepreneurship from Podlaskie, Eastern Poland

Rural Poland has many examples of successful entrepreneurship. Firms report different barriers and enablers for their development. Many of these successful rural firms report difficulties in finding employees, despite relatively high rates of rural unemployment and underemployment in the regions in which they operate, with some firms relying heavily on Ukrainian migrants. For the firms producing goods for export and heavy machinery in the east of Poland, the quality of the transport infrastructure is reported as a major bottleneck to development. All firms report a desire for a stable and business-friendly regulatory environment. Examples of successful rural entrepreneurship from Podlaskie, eastern Poland include:

- Pronar (est. 1998), with headquarters in Podlaskie, produces and sells machinery and equipment for agriculture, municipal services and the transportation industry and holds approximately 50% of the Polish market share for such equipment. The company also manufactures wheels for agricultural and municipal machinery, pneumatic and hydraulic systems, axles for trailers, as well as steel profiles and plastic components. In 2014 Pronar opened a Research and Development Centre which works on developing new designs and approaches. The firm has approximately 2 000 employees.
- PATER (est. 1976), with headquarters in Podlaskie, produces concrete products and curbs and other finishing products for gardening purposes; it has three production facilities based on German lines. The firm has approximately 100 employees.
- BielMlek Milk Cooperative (est. 1954), Podlaskie, produces milk and cheese for domestic and international markets; 80% of the production is exported. The co-operative includes 1 250 farmers who supply milk and 150 employees. With established co-operation with the local technical university, the co-operative is seeking to increase its research collaboration with other groups as well (e.g. a medical university and dairy institute).

For these firms in eastern Poland, one of the greatest barriers that they reported to the growth of their businesses is transport connectivity. As a more peripheral region, this region faces some inherent limitations and despite investments in the road network, low capacity rural roads remain a challenge.

Public support for entrepreneurs and small and medium-sized enterprises

The diversification of the rural economy has been at the forefront of EU policy objectives and is well-aligned with the OECD's approach to rural development (Rural Policy 3.0; see Chapter 3). A wide range of government actions at the central, regional and local levels support the non-agricultural rural economy. On the one hand, there are interventions that create an enabling environment to support businesses of all types, such as investments in transportation and digital infrastructure which facilitate access to markets and access to high-quality services such as healthcare and education. This section, however, focuses on those supports that provide new and existing enterprises with access to knowledge, capital, market development, and support for producer or sectoral groups to make the most of joint efforts. There are many government initiatives that could be said to provide such support – some of which are territorially specific (e.g. those included in the Operational Programme for Eastern Poland) and others that are targeted at economic sectors which are showing strong potential, such as the food-processing industry. In other cases, national or regional policies are adapted to reflect the needs of rural enterprises. Innovation and support for entrepreneurship is a prominent measure under Poland's Partnership Agreement with the EU (2014-20) and there are a number of new measures to support this objective (Table 2.5).⁴⁵ The current agreement places a particular focus on smart specialisation measures that are implemented under the

Operational Programme for Innovative Development and for Eastern Poland and regional operational programmes (through the Enterprise Development Programme). Regions may freely choose an area for smart specialisation. Nine of 16 Polish regions have chosen support for high-quality food production as smart specialisation in their strategic documents. It is important to note that the smart specialisation framework in regions and the implementation measures/resources in the mentioned programmes tend to be focused on scientific research and innovation in Poland, which can neglect rural innovation.

Table 2.5. **Key programmes to support entrepreneurship in Poland**

Programme	Main interventions
Rural Development Program 2014-2020	<ul style="list-style-type: none"> – Bonuses for starting non-agricultural activities – Entrepreneurship development, development of agricultural services for micro- or small enterprises – Processing and marketing of agricultural products – Support for entrepreneurship in rural areas under LEADER
Regional operational programmes	<ul style="list-style-type: none"> – Support for small and medium-sized enterprises (including in rural areas) – Support for economic promotion (domestic and international) and support for the development of new markets – Boosting ICT usage in the regional economy; support to services using ICT – Support for the R&D activity of enterprises – Investments in the infrastructure necessary for the technological development of enterprises – Support for the system for social economy entities – Infrastructure for science institutions at the regional level (through territorial contracts)
Operational Programme Eastern Poland 2014-2020	<ul style="list-style-type: none"> – Support for innovation in small and medium-sized enterprises (SMEs) – The creation of new business models for the internalising of SMEs – Improving the efficiency of transport systems and developing urban transport in <i>voivodeship</i> cities and increasing the availability of the macro-region in the area of transport infrastructure
Operational Programme Smart Growth	<ul style="list-style-type: none"> – Support for R&D activity of enterprises (focus on medium-sized enterprises) – Support for the environment and capacity of enterprise for R&D and innovation activities – Support for innovation in enterprises – Increasing research potential
Operational Programme Digital Poland	<ul style="list-style-type: none"> – Eliminating disparities in access to fast broadband – Improving the quality of and further expanding the digitalisation of public services – Improving the digital competences of Polish society

Source: Ministry of Economic Development (2017), European Funds Portal, www.funduszeuropejskie.gov.pl/en.

There are territorial differences in the adoption of RDP support measures for entrepreneurship in Poland. In a review of the impact of rural development programme measures for economic diversification over the 2003-17 period, it is found that such measures had the most significant impact in the Wielkopolskie *voivodeship* and in the northern part of the region of Mazowsze (at the border of the Mazowieckie, Podlaskie and Lubelskie *voivodeships*) and in the western part of the Warmińsko-Mazurskie *voivodeship* (Biczkowski and Biczowska, 2016). In contrast, the programme was demonstrated to have had less of an impact in southern Poland (with the exception of a few *powiats*). Several factors could explain these differences; it is an issue that merits further study in order to improve the impact of these funds.

The need to better align rural development programme and Cohesion Policies

In the assessment of many internal experts, Poland's support for rural entrepreneurship and economic diversification has not been adequate and more could be done to remove the barriers facing small and medium-sized enterprises (Nurzyńska, 2013; Kłodziński,

2014). Poland's rural development programme (co-funded with EU, CAP Pillar II) is one of the most important programme that supports employment opportunities outside of agriculture. However, it is noted that different rural development programmes throughout the years 2002-20 (including pre-accession support) have allocated a relatively low share of their total budgets towards policies that stimulate non-agricultural employment (Nurzyńska, 2016). Importantly, CAP Pillar II support for entrepreneurship in the rural development programme was nearly 10% of the budget in the previous programming period (2007-13) but is limited to 8% of the budget in the current period (2014-20). Within those amounts, support for non-agricultural activities was 53% in the previous period and has fallen to just 40% in the current one.

In an *ex ante* assessment of the current rural development programme (2014-20) commissioned by the MARD, it was noted that, despite this being assessed as one of the key priorities for rural development, the current structure of RDP activities provides only limited support for creating employment opportunities outside agriculture. Under the current structure, government support for rural development is shifted to other EU operational programmes and to domestic policies, which have smaller funding allocations (Ministry of Agriculture and Rural Development, 2014). Echoing these findings, a 2011 ERDF report on rural entrepreneurship in Poland notes that despite well-prepared planning documents at the EU and national levels, there is still no breakthrough in creating non-agricultural jobs in rural areas. In particular, the report notes a persistent sectoral approach and a lack of synergies between national policies for rural development within the framework of the CAP and regional development policy. Given these assessments, it is evident that more could be done to better couple interventions within the rural development programme with that of Cohesion Policy (Ferry, 2013; ERDF, 2011). Further, as mentioned in the previous section, there is a need to reduce the disincentives to remain a small business in order to more effectively foster rural entrepreneurship (e.g. the barriers to the expansion of off-farm employment created by KRUS and the tax system). The following section examines interventions to support the non-agricultural economy across a number of areas.

Access to business services, finance, training and creating a supportive business environment

Poland has undertaken a number of efforts in recent years to create a supportive environment for businesses – urban and rural alike. For example, the Ministry of Investment and Economic Development has established a Point of Single Contact platform (businessinpoland.gov.pl), which offers online services to entrepreneurs including a help centre for direct advice. E-services for business were used by 92% of enterprises in 2015 in Poland; this is a very impressive uptake given that the use of e-services by citizens is one of the lowest in the EU (European Commission, 2017e). In an effort to support small businesses, the Ministry of Investment and Economic Development has proposed legislation that will reduce social insurance contributions to the ZUS for small and micro enterprises.

Rural businesses can be disadvantaged by the distances they face in accessing business advice and support services, such as from banks, accountants and consultants, compared with urban-based enterprises. Various programmes in Poland offer business services, including SME expansion and retention programmes, business development centers, advisory services (including rural advisory centres which gather and distribute information concerning support for farmers and SMEs) and loan guarantees and tax abatements for the expansion of small businesses. One of the areas that could be

strengthened is marketing assistance at the regional level, including territorial marketing. At present, LAGs undertake such initiatives but often around a narrow activity – e.g. culinary traditions and tourism. Notably, the region of Małopolskie is excelling at such co-operation and regional marketing and has the second (after Podlaskie) greatest number of accredited regional products in Poland.

Box 2.8. Support for entrepreneurship and innovation in rural areas: The US example

Innovation in rural areas relies to a great extent on the action of local entrepreneurs. While some innovations are imported from urban places either by the local branch plants of large multinational companies or by the transfer of ideas developed for initial use elsewhere, these innovations tend not to be fully embedded in the local economy. By contrast, innovations that come from local people are more likely to be based on better uses of local resources, or on new ways to solve problems for which an existing solution is not available.

The key issue for public policy is identifying ways to stimulate latent entrepreneurs to act on their ideas and to develop better support mechanisms for them when they do choose to act. There are two distinct motives for rural entrepreneurs that must be recognised. The first is a simple profit motive where the entrepreneur perceives that there is a current gap in the market that can be filled by his or her actions. The second is known as “user innovation”, where an individual has a problem in their life or business for which no adequate solution is available, so they invent one. It is only after the invention that the idea of becoming an entrepreneur occurs.

Essentially support for innovative rural entrepreneurs takes two forms. The first is ensuring that existing support for innovation does not discriminate against rural entrepreneurs. Forms of discrimination include: a focus only on formal innovation systems where science-based research and development activity is a prerequisite for support (as is the case in Poland), focusing support only on innovations that have the potential for rapid growth (gazelles), requiring that an innovation be novel in a national or international context before it can be supported, establishing high minimum funding levels and complex application procedures that can be difficult for individuals or small firms to deal with, and concentrating efforts to promote innovation in urban areas. The second is more broad-based support for small rural business, including assistance in moving from identifying an idea – the latent entrepreneur – to then acting on that idea and developing a business plan and to actually starting a business. In rural areas the first of the three steps can be the most difficult. In many rural areas there is not a strong tradition of entrepreneurship, and in almost all rural areas there are few peers who can be looked to by someone interested in starting an innovative business.

Financing a start-up can be a particular challenge in rural areas because the financial intermediation system is weak. Incomes are lower in rural areas, leading to less ability for the entrepreneur to raise equity funds from own sources or family and friends. Banks tend to be less capable of assessing business plans and are more risk averse. Start-up costs can be higher in rural areas because facilities may have to be constructed rather than rented and equipment must be imported. Mainstream venture capital is designed to bridge this gap but is primarily designed for high-growth/high-return ventures which are also not normally evident in rural areas. Many rural areas have bridged this gap through the creation of community development finance institutions (CDFI) which provide revolving loan funds to local SMEs and start-ups. The initial capital for the institution may be raised from the local community, other financial institutions and government. CDFIs can be banks, credit unions, loan funds, microloan funds or venture capital providers. CDFIs are normally accountable to their local community and operate on a not-for-profit basis with legislative and funding support from governments. For example, the United States Treasury provides technical and financial assistance including loan guarantees to CDFIs across the country.

Source: Elaboration based on US Treasury (2016), “Community Development Financial Institutions Fund”, www.cdfifund.gov/Pages/default.aspx (accessed 9 January 2016).

One of the key issues raised by businesses in Poland – both urban and rural – is the desire for a stable regulatory environment. In some cases, new regulations have been imposed that have significant impact on businesses in a short timeframe which has made it very difficult to adjust (e.g. windfarms).

Rural businesses have a variety of options to access capital

Access to finance is indispensable for the development of new businesses and the expansion of existing ones. Rural Poland is dominated by micro- and small businesses, which can face particular challenges in accessing finance. In particular it is found that “incomplete information and even lack of information from the part of both capital providers and enterprises prevents the development of normal and efficient relations between them; lack of a credit history and insufficient guarantees for creditors, especially in the case of the small and young firms; limited and, sometimes, inadequate range of financing products are also the barriers” (Czemieli-Grzybowska and Skowronek-Mielczarek, 2017). A challenge for rural enterprises is their creditworthiness and options to provide collateral for credit.

Poland has a number of programmes that provide various forms of self-employed persons, entrepreneurs and SMEs more generally to help to overcome these obstacles. A large number of these are linked to EU funds (e.g. the 2014-2020 ROPs include funds dedicated to the SMEs in disadvantaged areas). The Operational Programme Knowledge Education Development implements the European Social Fund and the Youth Employment Initiative in Poland with specific funds for skills development targeted to rural areas and areas in eastern Poland. There are also subsidies available from district employment agencies and loans, credits and guarantees offered by the Joint European Resources for Micro-to-Medium Enterprises programme of the EU (JEREMIE). The Rural Development Programme provides financial assistance for microenterprises. Under this programme, companies located in a rural or an urban-rural area will be refunded up to 50% of eligible costs. Farmers insured by KRUS are eligible for a start-up bonus (to a maximum amount of PLN 100 000) and LAGs offer grants to rural businesses as well (up to PLN 100 000). Groups such as the Rural Development Foundation support non-agricultural business through a micro-loan programme established in 2003. There are also funds that are targeted to promote entrepreneurship in areas that have been identified as requiring strategic intervention. For example, Zachodniopomorskie has established special integration areas where entrepreneurs who invest in these areas have access to special EU funds.

Despite the aforementioned options, there seems to be a reluctance to borrow money in rural areas and SMEs report a lack of access to finance as a barrier to business development (Pellešová and Sýkorová, 2014). Taking on debt is seen as a very large risk by many individuals, even those with sound investment prospects. As a result, the demand for borrowed funds is less than it should be given the potential for sound investments. Farmers, current business owners and potential entrepreneurs could all benefit from exposure to basic business management concepts, including when and how to make use of borrowed funds to increase profitability.

There are a range of new tax incentives for research and development, but links between research institutions and rural enterprise are generally weak

Expanding employment has led to increased output in Poland, but with only weak gains in productivity. As labour becomes more scarce, future economic growth will have to be driven by increased productivity (Government of Poland, 2017: 22). This requires

both better workforce skills and increased rates of innovation in terms of products and processes. Because rural industries such as agriculture, forestry and mining, are export-oriented it is vital that they have access to the most modern technologies and have the financial means to adopt them. Foreign direct investment can provide both the knowledge and the financing, but Poland's access then becomes dependent upon the strategy of multinational firms. In rural areas where SMEs are dominant, there is only limited potential for foreign direct investment to occur, but foreign technology can be readily transferred to Polish firms. However, many rural SMEs lack the ability to identify new technologies and may also lack the financial resources to adopt them. The resulting technology gap weakens the competitive position of Polish rural businesses and can contribute to weak employment and income levels.

Poland has lower levels of spending on research and development (R&D) (see Chapter 1). In general, the take up of R&D tax incentives has been low, particularly in rural areas (OECD, 2016c). In an effort to address these issues, Poland established a new system of R&D tax incentives in 2016 which increased deduction rates (i.e. for labour costs and other R&D costs), and in 2017 further incentives were established (under the Act on Innovativeness) which further expands such tax incentives. Some R&D tax incentives are linked to investments in special economic zones, of which there are several located in rural regions of Poland. These zones also benefit from reduced taxes on profits and property with rural areas having the highest such tax deductions.

The main academic institutions for R&D in Poland are located far from rural areas for the most part and this can impact the relationship between rural enterprises and public research. The connections between private enterprises and universities in many cases could be strengthened. Poland has a network of national research institutes that support and collaborate with specific industries (e.g. agriculture); however, the relationship between regular universities in the regions and business has not traditionally been strong and the culture of such collaboration outside of the academic research communities is quite new in many universities. Regional development funds provide support to enhance these connections. For example, Białystok University of Technology has recently developed an academic business incubator and there is an Institute of Innovation and transfer of technology. These are promising developments and it is hoped that in the coming years the relationships between regional universities and rural businesses can be strengthened through such efforts. A recent World Bank report on technology transfer in the region of Podkarpackie recommends a single regional technology transfer office to overcome the challenge of unexploited R&D potential – a model that may be useful in other Polish regions as well (World Bank, 2017b).

Skills upgrading and training for businesses

Rural areas in Poland have more limited access to professional training opportunities and it has been reported that the educational system is not adequately flexible in meeting labour market needs (Sienkiewicz, 2009). Where professional training has been supported by post-secondary institutions in Poland, this support is not always in line with employers expectations and as such, the need for retraining can disproportionately fall on to business owners (Sienkiewicz, 2009). There are several options for business training in Poland, such as on-the-job training offered through the formal system of vocational education, training provided by employers and training provided by private training institutions which tend to be located in regional cities. Employers can finance or co-finance training and education, including vocational education training; 15% of Polish employers use public funds for such purposes (Turek and Worek, 2015).⁴⁶ Participation in continuing

education in Poland is low and according to 2010 Eurostat data, only 22% of Polish firms provided continuing vocational education and training compared to 66% in the EU-27 (European Commission, 2014b).

The OECD has noted that Poland tends to focus on supporting the “hard” skills of entrepreneurs, necessary to operate a business, and that more could be done to support management skills (OECD, 2016a). There are a number of new instruments to support skills development in Poland such as the National Training Fund (operated by *powiat* labour offices), which supports in-house training in companies. Rural firms have a lower rate of technology adoption and as such, targeted training to support innovation diffusion is important (Wasilewski, Floriańczyk and Wigier, 2013). Active face-to-face support in terms of mentoring, training, advisory services and counseling are critically, important – particularly for smaller firms looking to take the next step to expand their operations.

Enhancing the export capacity for small and medium-sized enterprises

Recent OECD research has demonstrated the importance of the tradeable sector for rural regions that face distance to markets (OECD, 2016f). It can be a struggle for rural firms, particularly smaller ones, to develop export markets. Poland is characterised by a large share of small rural firms, many of which are based on local markets. Increasing the scope of the non-agricultural rural economy will rely in part on enhancing the export capacity of rural firms.

Italy has adopted a unique approach to helping SMEs overcome barriers to accessing foreign markets through a programme that supports the costs of hiring a temporary export manager (as part of the 2015-17 Special Plan for the Made in Italy Promotion) (OECD, 2017f). The programme helps SMEs to hire a full-time or part-time temporary employee to work in the small business in order to help them establish marketing, sales, accounting, information technology and other processes needed to export to a new market. There is an element of training involved in the programme as well. Once the individual has developed systems to support or enhance a firm’s export capacities, this knowledge is passed on to existing staff in the business and the temporary export manager goes on to support other small businesses. The programme entails two components: a training programme for temporary export managers and a voucher for SMEs to partially cover the cost of employing a temporary export manager (OECD, 2017f). This programme serves to both help firms access new markets and build their internal capacity to continue to do so through employee training.

Fostering entrepreneurial attitudes

While there are multiple models of how to support new start-ups, a bigger challenge is in finding ways to motivate individuals to consider opening a business and to take the first steps in getting ready to do so. Until a potential entrepreneur can be identified it is difficult to provide any form of support. In principle, farmers should be a natural source of entrepreneurial activity. They are already owners and operators of a small business so they do not have to make the large leap from either unemployment or wage labour to self-employment. Farmers also have a wide range of skills that can be applied in other types of work and they have some underlying net worth – mainly in the form of farmland. However, small farmers in Poland seem either reluctant or unable to expand their sources of income, other than through direct marketing of farm products. Changes in this attitude will be required to increase the number of new business starts to a level that can absorb the large number of underemployed individuals in many rural labour markets. While there

is considerable potential for in-migrants or expats to start businesses in rural regions, this tends to be more common in areas close to urban centres and in areas with high amenity values that attract new residents. Rural places lacking these geographic advantages are almost certain to have to rely on their existing population for new entrepreneurs.

Supporting entrepreneurial networks and social enterprise

Entrepreneurial networks support businesses through access to joint marketing, access to larger markets, new technology and know-how, and improved practices. A commonly recognised barrier to the development of rural entrepreneurship is the reluctance to co-operate and to create institutions on a bottom-up basis, lack of confidence and generally weakness of so-called social capital (FAPA, 2016). This is particularly relevant in rural areas, where there is a preponderance of social networks as opposed to formal networks and associations.

LAGs play an important role in this regard – they are the mainstay for the implementation of the LEADER-CLLD approach. LAGs identify and implement a local development strategy and take decisions about how to allocate and manage financial resources. LAGs are formed by a partnership of public and private and civic/voluntary sectors. They develop collective projects and multi-sectoral actions in order to enhance an area's competitiveness. Poland now has over 300 LAGs which cover around 90% of the country's territory. These associations serve several functions and can support local entrepreneurship in a variety of ways, including territorial and or sectoral marketing, product development and business incubators.

LAGs are key institutions to support endogenous, bottom-up development in rural Poland. In elaborating a local development strategy, LAGs identify an area's key strengths and help to establish both partnerships, skills and facilities to promote entrepreneurship. Common areas of activity include rural tourism, protection of culinary heritage, entrepreneurship development and local product promotion. In particular, LAGs in Poland tend to focus on supporting micro-entrepreneurs and small businesses, which are the dominant forms of entrepreneurship in rural areas. The strategies of many LAGs across Poland are similar – focused on supporting local heritage, tourism and culture often associated with local food products. These are important activities, but embrace only one aspect of the rural economy. Many LAGs focus on promoting local products entailing small-scale production of high-quality products (e.g. *Lokalna Grupa Działania* “kitchen incubator” in Małopolskie; Box 2.9). Co-operatives are very important for these incubators and often employ women with little or no labour market participation. Women have much lower rates of entrepreneurship and employment in rural areas and as such, these types of activation measures supported by LAGs are valuable (Szczygieł and Piecuch, 2014). If this is a going to be a viable economic development strategy in the longer term, there needs to be much stronger and more effective co-operatives to support this work. Most rural enterprises operate in the services sector and are based on local markets and have limited opportunities for growth. An ongoing issue is how to help small firms reach the next level, expand their products and access new markets.

Social entrepreneurship is an underdeveloped activity

The OECD identifies social enterprise as “any private activity conducted in the public interest, organised with an entrepreneurial strategy, but whose main purpose is not the maximisation of profit but the attainment of certain economic and social goals and which has the capacity for bringing innovative solutions to the problems” (OECD, 1999). Social entrepreneurship is not a well-developed activity in Poland and EU funds have been instrumental and in instigating social enterprises. Since the 2007-13 programming period,

ESF programmes have included social entrepreneurship in their funding priorities. For example, the Human Capital Operational Programme includes start-up grants for entrepreneurs setting up social co-operatives and other non-financial support specifically aimed at social economy initiatives. Currently, the Operational Programme Knowledge Education Development and regional operational programmes support social enterprises through, for example, repayable financial instruments and subsidies for job creation (both are co-financed by the ESF). The Operational Programme Fund for Civic Initiatives also specifically refers to social enterprises among its beneficiaries. All the funds for this initiative come from the national budget. The leading ministry for the social economy and social enterprises in Poland is the Ministry of Family, Labour and Social Policy. Poland's state development bank (BGK) has also supported the social economy through its EU-funded financial instruments.

Box 2.9. Local action groups: Profile of Lokalna Grupa Działania, Małopolskie

The local action group “Welcoming Limanowska Lands” (Lokalna Grupa Działania “Przyjazna Ziemia Limanowska”, est. 2006) in Małopolskie has 86 members in total, including 9 *gminas*. The group supports rural development and is presently focused on two main areas of action: 1) entrepreneurship and tourism development (tourism amenities, cultural heritage and the natural environment); and 2) social capital development (traditional folklore, supporting local identity and customs). The area in which the LAG operates has limited employment opportunities; it is a largely agricultural and tourism-based economy and has low levels of entrepreneurship. The group supports a range of soft and hard projects, including initiatives to make the area more attractive to children and youth, efforts to establish a stronger town centre, support for traditional products including cultural and culinary heritage events.

One such initiative to support rural entrepreneurship is a “Kitchen Incubator” in Zakrzów by the Foundation for Environmental Partnership in Kraków in partnership with the LAG “Gościniec 4 żywiołów” (LAG established by four *gminas*). This is the first initiative of this kind in Poland. The Kitchen Incubator was established in response to membership demands to help them move traditional produce and products from farm to table. Community members expressed an interest in increasing their knowledge of food processing in order to meet sanitary requirements. The LAG aspires to be a model region for kitchen incubators and to – together with a local sales system – promote local products and link this to the tourism economy. Beyond the kitchen and food-processing facilities, the Kitchen Incubator also provides training for gastronomy and promotion and seeks to engage students of vocational schools and unemployed individuals in its initiatives.

This approach to local development is based on the tradition of fairs and markets – involving direct contact between farmer, producer and consumer with a focus on high-quality, small-scale local products. Co-operatives are an important customer of these incubators because they employ unemployed women. Given the small size of farms in the region, the possibility of added value for these farms can be an important source of income. Farmers in Poland can process and sell food from their own farm with a tax of 2%; but it still has to be processed in official conditions and checked for health and safety standards. A key issue for LAG initiatives such as the Kitchen Incubator is to support those individuals developing local products to eventually expand their enterprises should they so wish as it is these types of activities that will generate employment in the future (as opposed to small home-based microenterprises).

The local action group “Welcoming Limanowska Land's” development strategy is similar to that of other LAGs operating in the region, such as the local action group “Beskid Gorlicki”, whose focus is on developing tourism, cultural heritage, infrastructure, respect for history and diversity of culture. Tourism is the most important target. The group supports the creation of two incubators in order to help farmers to start processing agricultural products and get them to market. This work also promotes local traditional foods and is connected to tourism strategies. Given the similarities of these and other groups operating in the region, there should be efforts to share best practices and, potentially, link up activities. LAGs are presently focused on meeting the parameters of EU funding and adjust their activities accordingly; however, there is a need to think about their longer term viability and group associations and collaboration may strengthen that possibility.

There are many local groups that promote initiatives in this area, such as the Foundation for Entrepreneurship in Suwałki (Podlaskie), which is working to create a loan fund to support continuing education to finance training and post-graduate studies for social enterprise development. They work with persons with disabilities and try to activate them in workshops to involve them in social life. An example of rural social enterprise is Siedlisko (Opolskie region) which offers vocational training and employment opportunities to youth with intellectual disabilities and to long-term unemployed people from rural areas. The social enterprise offers full-time care for seniors and people with chronic illnesses, and delivers catering and laundry services to local companies, individuals and public institutions. This successful business model is now being replicated in other rural municipalities in Poland (Przybysz, Orzechowska and Cichowicz, 2017).

Beyond such social welfare functions, social enterprises in many OECD countries have fulfilled an important role by maintaining essential private services in rural communities by, for example, taking over ownership and operation of local supermarkets. For example, social enterprises have been established in rural areas in the United Kingdom in order to provide community transport, village shops, post offices and child care, where neither the private nor public sectors find it economically viable to provide such services (OECD, 2014b).

In Poland, it has been suggested that government agencies could better promote social enterprises by relaxing some of the long-standing rigid procedures in public procurement and financial schemes which can present a barrier to them (OECD/EU, 2017). Further, it is noted that state institutions do not support the social economy sector through public works, as is common in the United States for example (Praszkier, Zabłocka-Bursa and Jozwik, 2014). Foundations in Poland have expressed that while they support social enterprise through direct financing, they have limited resources to promote their activities and services, which can lead to limited uptake of these supports. Box 2.10 offers suggestions of policies to support social enterprise development.

Tourism and the preservation and valorisation of natural and cultural assets

Tourism-related services and amenities are an increasingly important strategy for economic diversification in many rural areas. The areas of Poland with the greatest potential for the development of tourism are mountainous and coastal areas as well as with lake belt areas, e.g. Małopolskie, Pomorskie, Zachodniopomorskie and Warmińsko-Mazurskie *voivodeships*. In rural areas near cities, there is also the potential to develop services related to natural and cultural amenities. In 2015 there were 4 400 tourist accommodation establishments in rural areas with 10 or more accommodation places (45% of the total number of such facilities) offering 271 600 accommodation places (39% of the total number) (CSO, 2015b). Tourism establishments located in rural areas in 2015 provided nearly 16 million overnight stays (22.4% of night stays in the country) for 4.7 million of tourists (17.4% of the total number of tourists) (CSO, 2015b). Poland has seen particular growth in agritourism in recent years, with nearly 8 000 farms providing such services and around 120 agritourism associations across Poland.⁴⁷

The LEADER, CLLD and the regional development programme have all been important in supporting the tourism economy. These programmes have been used to support tourism-oriented LAGs, entrepreneurs and *gminas* in developing tourism services and amenities. Community-based groups together with local governments and entrepreneurs have developed tourism strategies related to the key cultural and natural assets of the region, including culinary traditions and local food production. Building on

Box 2.10. Public policies to support social enterprise development

Social enterprises play an important role in addressing social, economic and environmental challenges; in fostering inclusive growth; and in increasing social inclusion because they aim to pursue the general interest and to benefit communities. The jobs created in the social economy present important features: they usually stay in the local community, as social enterprises rarely delocalise; they support vulnerable individuals – for those social enterprises which pursue this statutory mission; and they contribute to local economic development by creating opportunities, for example, in remote rural areas. Social enterprises are important not only for their capacity to create jobs, but as central players in fighting social exclusion, enhancing local social capital and supporting democratic participation, delivering good quality welfare services and furthering more inclusive economic development. The benefits of social enterprises are increased when they are adequately supported by public policies. OECD work in several member countries to analyse the conditions and pre-conditions needed to set up social economy and social enterprise organisations has highlighted the following key areas for national and local policy action.

Promote social entrepreneurship. Promoting positive attitudes towards social entrepreneurship is a preliminary step towards social enterprise creation. One of the ways to achieve this, and to attract young talent into the sector, is through inserting social entrepreneurship within entrepreneurship education activities in schools, vocational education and training, colleges and universities. An example of the broad approach that can be taken is the Jeun’ESS initiative, launched in France in June 2011 as a public-private partnership between a number of ministries and six enterprises and foundations from the social economy sector. Jeun’ESS promotes the social economy through the education system; and helps to integrate young people in the enterprises of the social economy. Another way to promote social entrepreneurship is to embed it as a key element in local or regional economic development strategies. This strategy was adopted the Provence Alpes-Côte d’Azur region in **France**, where regional poles for innovation and socio-economic development (“PRIDES”) have been created in areas such as social tourism.

Build enabling legal, regulatory and fiscal frameworks. A priority for policy in the field of social enterprise development is to establish clear legal definitions of social enterprises in order to govern issues such as their tax treatment, access to markets and access to public business development support. Regulatory measures should be designed to allow social enterprises to meet their social and economic goals and develop medium- and long-term sustainability on the market. An enabling fiscal framework is also required. While many social economy organisations, such as charities, may enjoy fiscal relief, social enterprises frequently find themselves excluded from such benefits. Fiscal incentives can contribute to overcoming some of the difficulties confronted by social enterprises when working with disadvantaged people (such as low skills, requirement for intensive support, etc.) and also recognise their positive social benefits. Indirect fiscal measures can also be used to help support investment in social enterprise development. For example, in the **United Kingdom**, social enterprises can access Community Investment Tax Relief for those who invest in accredited community development finance institutions which focus on disadvantaged spatial areas and social groups; tax relief of 5% of the amount invested per year if given for up to five years.

Provide sustainable finance. Another key role of public policy is to stimulate the emergence of a strong financial marketplace for social enterprises. For example, the public sector may provide loan guarantees to banks for their lending to social enterprises in order to offset the perceived risk and increase the familiarity of banks with the opportunities and demands of the social enterprise sector. In parallel, more innovative institutional arrangements between governments and financial institutions may be encouraged, for example through policy measures that co-invest with the private sector and that seek social returns as well as financial ones (e.g. fiscal incentives for investors in social enterprises and direct injection of public funds into financial vehicles). Seed funding is also critical in the early phases of a social enterprise start-up through small loans or grants. For example, the federal government in **Australia** established the Social Enterprise Development and Investment Fund in 2010 to provide finance (through loans rather than grants) and support capacity development (e.g. start-up and incubator fund). In Belgium, there are government schemes that support social enterprises in each of the country’s three regions; they provide start-up assistance and grants for the employment of disadvantaged jobseekers. The Brussels Capital Region also makes grants available to social integration enterprises.

Box 2.10. Public policies to support social enterprise development (*continued*)

Offer business development services and support structures. Social enterprises require business support. However, a one-size-fits-all approach to business support that expects social enterprises to require the same services as entirely commercial enterprises is likely to be suboptimal if the offer of information, advice, consultancy and so on fails to acknowledge the social dimensions which are central to the creation of social enterprises. “Braided support”, which incorporates both general business support and support specifically tailored to meet the needs of social enterprise, can be more effective for the start-up and development of social enterprises (Daniele et al., 2009). Examples of such “braided support” include incubators such as NESST incubators which operated in several countries, including Poland, to provide start-up support or social enterprises.

Source: Adapted from OECD/EU (2013), *Policy Brief on Social Entrepreneurship*, https://www.oecd.org/cfe/leed/Social%20entrepreneurship%20policy%20brief%20EN_FINAL.pdf.

the success of these initiatives, it will be important to develop more value-added activities and to link up strategies in order to extend stays and make the most of the tourism economy. Regions such as Małopolskie have significantly expanded in agritourism in recent years. The challenge for the sector now is to develop higher quality tourism experiences. This will require skills upgrading and vocational training. As Poland further develops its tourism industry, the focus should progress from the primary use of promotional instruments to maximise visitor numbers and tourism receipts, to creating the necessary conditions for competitive tourism enterprises. Improvements on the supply side should focus on enhancing the competitiveness of the tourism industry by increasing productivity and quality, and encouraging innovation (see, for example, rural tourism in Germany, Box 1.7).

Another increasingly important strategy to support rural tourism is improving co-ordination between transport and tourism policy in order to enhance visitor mobility (OECD, 2016h). Rural areas often face obstacles to improved co-ordination due to the fact that transport services are generally administered, purchased and financed by different authorities or are very limited in scope. While there is significant potential for savings and economies of scale through improved co-ordination, a range of institutional and management systems can limit opportunities for improved efficiency. Poland could also further develop its tourism routes by further developing branding and identity; wayfinding strategies and signage; and marketing and communications strategies. Some areas are more advanced than others in undertaking such activities. The development of rest areas or points of interest, or sub-route experiences can help to invigorate villages and towns in those rural and regional areas with limited or no transport access other than by road through increased demand for tourist services such as hotels and restaurants, and the wider supply chain opportunities to support these services.

Smart specialisation in rural regions

Smart specialisation refers to national and regional strategies that combine industrial, educational, and innovation policies and investments to support a limited number of priority areas for knowledge-based investments. Concentrating on certain domains of knowledge or expertise can lead to more effective use of public resources and can help to eliminate the fragmentation and duplication of policy interventions. The smart specialisation approach has been promoted through European Structural and Investment Funds; however, its uptake in economies with less-developed research and innovation systems such as Poland has not always been smooth. For example, in an assessment of

smart specialisation strategies in Poland, Miller, Mroczkowski and Healy (2014) find that sector-based thinking in traditional industrial branches has dominated and that an emphasis on developing domestic research and innovation capacity has led to an underutilisation of external (national and international) knowledge sources. More generally, it is noted that the private sector has not been adequately engaged in priority setting.

Box 2.11. Strengthening rural tourism in Germany

A central goal of the German federal government's tourism policy is to boost the performance and competitiveness of the tourism industry. The focus is on supporting tourism small and medium-sized enterprises to develop their competitive position and fully unlock potential for growth and employment, particularly in rural areas, which account for 60% of Germany's territory and 32% of holiday accommodation capacity, but only 12% of tourism value added. They are structurally weak in terms of providing employment and income, but opportunities exist for rural enterprises to gain business from the growing tourism sector.

In response, the "Tourism Prospects in Rural Areas" initiative aims to strengthen tourism in regional areas. Outcomes have included a practical guide and 10 complementary detailed short reports presented at 20 local events in 2015, as part of a nationwide roadshow. Key players from the tourism industry, public tourism professionals, and representatives from the political and administrative arena have discussed and improved upon the project results in workshop sessions. Cultural tourism is a trademark for Germany as a travel destination but to date has predominantly benefited the larger cities. Building on the experience gained from the Tourism Prospects in Rural Areas project, the federal ministry commissioned a project in August 2015 entitled "The destination as a stage: How does cultural tourism make rural regions successful?". The project is exploring the potential to use culture to generate tourism in rural areas. It looks at how the various actors can be better networked, and what impact the marketing of natural landscapes and regional cultural assets – including cuisine and crafts – can have. For example, the 500th anniversary of the Reformation, "Luther 2017" (commemorating Martin Luther nailing his 95 theses to the door of the Castle Church in Wittenberg) is a significant cultural event, with the potential to promote rural tourism in Germany.

Source: OECD (2016h), *OECD Tourism Trends and Policies 2016*, <http://dx.doi.org/10.1787/tour-2016-en>.

Poland's current partnership agreement places a particular focus on smart specialisation measures that are implemented under the Operational Programme for Innovative Development and Eastern Poland and regional operational programmes. Regions may freely choose an area for smart specialisation and 9 of 16 Polish regions have chosen support for high-quality food production. There are ongoing debates about the utility and effectiveness of employing smart specialisation approaches in rural areas where there is a lack of critical mass (Box 2.12). As summarised in Table 2.5, low-density economies have unique characteristics that can require a different type of strategy than those employed in urban areas. Rural Poland has lower rates of R&D and business networks can be weak. Smart specialisation has the potential to help overcome these barriers by focusing networks in strategic areas. However, the manner in which such networks are approached matter and some strategies may be more appropriate than others. For example, foresight and strategic research and development programmes tend to be dominated by the research community and embody a research-oriented and top-down approach, while sectoral research programmes are more bottom-up and demand-driven and as such, entrepreneurs play a larger role in shaping the latter (Mieszkowski and Kardas, 2015). The need to strengthen innovation systems in Poland is well-acknowledged and in rural areas the latter approach may be more appropriate to meet the specific needs of local entrepreneurs.

A critical challenge for rural areas is to identify key actors and establish meaningful partnerships through which to pursue co-ordinated strategies across government, the research community and businesses. This takes time and often comes down to investments in human resources, i.e. funding for co-ordinator positions to build and support nascent networks.

Table 2.6. **Implementation of smart specialisation in low-density economies**

	Theoretical underpinnings	Key issues
Entrepreneurial discovery	<p>Prominent role of entrepreneurial actors.</p> <p>Iterative process (trial-and-error).</p> <p>Cyclic process and evolving prioritisation.</p> <p>Structural evolution of the whole regional economy.</p>	<p>Lack of middle-range innovative firms.</p> <p>The role of intermediary organisations for innovation support.</p> <p>Distributed network arrangements supporting innovation outside university-towns.</p> <p>Distance slows down the organisation of multi-actor processes but may be eased as process evolves.</p> <p>Alignment between design and implementation of the strategy.</p>
Related variety	<p>Cognitive relation between existing sectors.</p> <p>Economic transformation across sectors highlighting the spatial dimension of innovation processes.</p>	<p>Thinner and more porous sectoral boundaries in small regions facilitate readiness for domain emergence.</p> <p>Large commodity firms are key agents for the emergence of a high degree of relatedness.</p> <p>Developing novel approaches to optimise physical connectivity in smart specialisation strategies is a joint concern.</p>
Domains and lead markets	<p>The targets for activities extend over multiple sectors.</p> <p>Focus on market creation, not single projects.</p> <p>Realise economies of scope and scale in knowledge application across sectors.</p>	<p>Role of regional universities and research institutes as brokers between science-based knowledge and local know-how.</p> <p>Large firms and trade associations are the main brokers of market intelligence necessary for supporting entrepreneurial endeavours.</p> <p>Digital and physical connectivity are crucial for better positioning actors in global networks.</p> <p>The demise of local banking institutions changes how entrepreneurs connect with such institutions, less in terms of loans and more in terms of financial and market intelligence.</p>
Broadened view of innovation	<p>Technical development integrated into local know-how.</p> <p>Applying technical knowledge developed elsewhere.</p> <p>Not only technological products, but also service and social innovation.</p> <p>Increased role of market intelligence.</p>	<p>Socially innovative and collective initiatives may provide novel, sustainable responses to long-standing rural challenges.</p> <p>Digital technologies can trigger novel applications in the service sector.</p> <p>Broadened view of use of natural resources: Better harnessing of the potential for natural resources processing may lead to more diversified regional economies.</p>

Source: Adapted from Teräs, J. et al. (2015), “Implementing smart specialisation in sparsely populated areas”, <https://ec.europa.eu/jrc/sites/jrcsh/files/JRC98691.pdf>.

Box 2.12. Rural smart specialisation

A smart specialisation strategy in rural regions is conceptually different from the usual approach, which is based on expanding formal research in high-technology industries to increase the role of these fast-growth sectors in the local economy. Rural regions in general are not ideal candidates for this approach. Most lack a university or any other formal research centre. Very little of their economic base could be characterised as being high-tech, advanced manufacturing or ICT-related. A relatively small share of the local workforce has an advanced degree or even a tertiary education. Low population density, small and dispersed settlement over a large geographic area limit interaction among people and firms. Similarly, small local markets and a small labour force make diversification and the opportunity for “related variety” innovations limited.

However, in a rural context smart specialisation can become a way to facilitate a stronger exogenous growth process. In a broad sense, smart specialisation is really a process that searches for evolving comparative advantage, as such it is useful in all regions. It is fundamentally a “bottom-up” development approach where the region determines its strategy on the basis of local capabilities. If the scope of the opportunities for support is expanded beyond the usual format of export-oriented high-technology products and formal research then the concept becomes more generally applicable. As noted by Charles, Gross and Bachtler, “Smart specialization should not be seen as being about technologies as such but about knowledge and its application, and this applies to all sectors, even agriculture and craft-based industries “(2012: 6). A large share of the firms in rural regional economies are small and medium-sized enterprises with no formal R&D activity, but in some cases considerable ability to innovate, although in ways that are not easily detected, since no patent is filed. Process innovations or innovations protected by trade secrets, or innovations that remain hidden because the firm is far from competitors, can be locally significant but do not neatly fit into a smart specialisation strategy. Innovations in the delivery of services or in goods that are not export-oriented are also not captured, but can lead to increased productivity and an improved quality of life.

Strategies for rural smart specialisation

Charles, Gross and Bachtler provide five important reminders when developing regional smart specialisation strategies that are particularly relevant for rural regions (2012: 45-46). These are summarised below. The importance of their points is that they reinforce the idea that smart specialisation has to do with expanding the competitiveness of regions through investments that increase productivity in those sectors that are ongoing regional strengths.

1. It is important not to focus on the level of technology when identifying target sectors but on sectors that have future growth potential in the region. This could be in primary industries, such as forestry, fishing, mining or agriculture; in manufacturing, whether it is traditional heavy industry, boat building or specialised components; or in services including tourism, healthcare delivery or job training.
2. The selection has to reflect an existing competence, not simply an aspiration. It is also important that the projected demand for a particular good or service be large enough that providing it will have a noticeable impact on regional output and employment. There need not be an immediate increase, but there should be clear potential for significant growth over time.
3. Regions should look for synergies that build on existing capabilities. By extending the local demand for an input, or by using a byproduct from the production of a current output, the local economy can grow organically without having to establish a completely new production process.
4. Fostering innovation is a key function of smart specialisation strategy, but support for innovation should be applied where the potential benefits occur broadly and are not restricted to one or two specific firms. If an innovation is valuable to multiple firms in an important sector of the regional economy, then there will be stronger contributions to regional growth than is the case if the innovation only benefits a few firms with a narrow and small niche market.

Box 2.12. Rural smart specialisation (*continued*)

5. In choosing sectors or activities to support, regions must be aware not only of their capability, but also the potential of other regions. The underlying logic of smart specialisation is to support activities that result in tradable goods or services and while each region focuses on its opportunity to export, it must also assess the possibility that other regions may be better positioned, and are more likely to capture market opportunities.

Beyond technology-driven innovation

While national governments largely continue to emphasise technology-driven innovation as the core of smart specialisation strategies, academic research is increasingly arguing for a more nuanced approach that includes “demand-driven” innovation in the form of: applications, entrepreneurship, user-driven innovation, and innovation in services and organisations (Wintjes and Hollanders, 2010). The shift includes a recognition that while the production of inventions may continue to be concentrated in a small number of metropolitan regions, all regions can benefit from adopting these inventions in the form of regional innovations. It is the ability to adopt and adapt new knowledge that separates higher growth regions from slower growth ones (Wintjes and Hollanders, 2010: 17-19).

Wintjes and Hollanders also report the results from surveys of experts on the most important sectors for future regional economic development and the most important technologies. Of the 38 sectors mentioned, hotels and restaurants; health and social work; and agriculture, forestry and fisheries were the 5th, 6th and 7th highest ranked, ahead of computer and data services, pharmaceuticals, software, and aircraft and spacecraft (p. 29). The authors note that the high rank of traditional industries suggests that the experts believe that innovation in these sectors can have a much larger impact across regions than is the case for the more advanced industries because they are so pervasive in many countries (Wintjes and Hollanders, 2010: 28). Similarly, when the experts were asked to pick the most important technologies for the future the most mentioned was ICT, but alternative energy was second and process control and agricultural and food technologies were in the top 20 (Wintjes and Hollanders, 2010: 30). The larger point made in the study is that there is considerable opportunity in traditional industries for future economic growth and that regions where there is a strong comparative advantage in these industries should carefully assess how they can invest in increasing the competitiveness of local firms as a central element of their smart specialisation strategy. While these sectors may not benefit from the push effect of formal R&D investments, they can benefit from the demand for product or process improvement, and there are opportunities for small-scale innovations by entrepreneurs and existing SMEs based on local knowledge. Finally, the importance of regions importing inventions and knowledge developed elsewhere and using it for local innovations cannot be overemphasised as a way to increase the competitiveness of local firms.

A broader understanding of what constitutes innovation, and the extension of what causes the innovation process from only technology – push to including demand – pull forces provides a way to see how smart specialisation policy can be applied in low-density areas. Almost by definition, low-density areas lack vital parts of the usual way that smart specialisation processes are described. They are too small and open to trade effects to have an endogenous growth process. They lack formal research capability in the form of large universities, government research facilities and corporate research centres. They lack the dense networks of firms, organisations and other institutions that are thought to be central to innovation. However, when innovation is extended to include a broader range of activities, including public service provision, government organisations and administration, tourism and the creation of “third-sector” solutions to social concerns, there are obvious examples of these forms of innovation occurring in large metropolitan regions and in small remote rural regions.

Source: Charles, D., F. Gross and J. Bachtler (2012), “Smart specialisation and Cohesion Policy: A strategy for all regions?”, www.eprc-strath.eu/public/dam/jcr:ca04731c-2d7b-490f-a51e-3e368b7ecfb6/ThematicPaper30%25282%2529Final.pdf; Wintjes, R. and H. Hollanders (2010), “The regional impact of technological change in 2020”, http://ec.europa.eu/regional_policy/en/information/publications/studies/2010/the-regional-impact-of-technological-change-in-2020; Wintjes, R. and H. Hollanders (2011), “Innovation pathways and policy challenges at the regional level: Smart specialization”, United Nations University, Working paper series 2011-027.

Spatial, land-use and environmental policies

Spatial and land-use planning in rural Poland

How land is used has a wide-ranging impact on economic development and quality of life in rural communities. Spatial and land-use plans are often thought of in urban contexts where population density is higher, pressures on land use are typically strong and there are many types of uses (e.g. business, residential, manufacturing and infrastructure) in close proximity to one another. In rural areas, the concerns are different, yet no less important. The types of land-use issues faced by rural communities depends a great deal on the nature of their local economy, their natural endowments, and proximity to urban centres and major roads. Rural communities may, for instance, need to balance the demands of industry in proximity to agricultural and forestry activities; the demand for natural amenities and tourism facilities; protection of biodiversity; the often conflicting mix of these activities with residential uses; and the growing need for climate-change mitigation and adaptation (e.g. flood water management). Managing these diverse uses is not just a technical endeavor, it requires community buy-in and sensitivity to historical and culturally embedded ideas about rural landscapes and their functions by residents, and “external” stakeholders, e.g. investors, regional policy makers. Rural municipalities, being land-rich with lower population densities, also need to consider how best to provide infrastructure and services to citizens in a cost-effective way while maintaining accessibility. This includes providing connections and access to waste, sewage and water systems, which in urban locales are often more established. Good land-use planning is therefore critical – it brings spatial order to individualised decisions about where to live, work, grow food and manufacture products and helps manage environmental risks.

Land-use planning in rural Poland faces a number of challenges. The rapid peri-urban growth experienced by many rural communities (particularly around medium-sized and large cities) has increased demand for new infrastructure and services and can also create conflicts with existing land uses such as agricultural activities and industry. In other rural communities, trends of deconcentration and depopulation demand new ways to manage infrastructure and service delivery and to maintain high-quality environments despite decreasing local revenues. As noted in the preceding section on agriculture, the small and fragmented nature of farms in some areas of rural Poland is impeding agricultural modernisation. In this case too, land-use policies have an important role to play in consolidating land. Spatial planning is also important for the revitalisation of economically and socially marginalised communities, such as the areas of former collective farms. Furthermore, economic change generates new land-use and infrastructure requirements. For example, fostering the growth of the tourism industry may require new transport and communications linkages, and the protection of environmental assets and amenities. Conflicts can emerge through competing interests for land use. For example, the needs of traditional industries such as forestry and emerging ones like renewable energy differ from recreational uses associated with tourism. Spatial planning undertaken in a collaborative way at the right scale can provide an effective way of managing these issues.

Poland benefits from a balanced settlement structure with a number of small, medium-sized and large cities as opposed to the dominance of just one or a few large cities (see Chapter 1). This settlement structure raises the importance of rural-urban linkages and co-ordinated spatial planning. Finally, rural *gminas* are simply smaller than their urban and mixed counterparts and as such, have more limited internal capacity to undertake the technical aspects of planning activities. As such they can face power asymmetries in negotiations or collaboration with larger urban governments and may require additional

support to develop and implement spatial plans and land-use regulations. The new Strategy for Responsible Development (SRD) ushers in a departure from previous approaches (the Strategy for Regional Development) by placing a greater emphasis on coherence and cohesion and support for smaller places – improving the links between small and medium-sized cities and rural areas – and not just the largest urban centres. In the government’s assessment, the previous model, which concentrated investment in larger cities, has not led to the anticipated diffusion economic growth to smaller places. Under the SRD, the proposed strategy is to target support to both leading and lagging areas in order to support to all types of rural areas. Effective spatial management practice and the appropriate governance frameworks will be critical to realising these objectives. Poland does not presently have an effective policy framework to realise the benefits of spatial planning for rural areas.

The system of spatial and land-use planning

Like many OECD countries, Poland has a nested hierarchy of spatial development strategies wherein strategies of higher levels of governments are meant to inform those of the government below (Box 2.13). The national government sets the overarching legal framework that regulates land use and building law in the country and has also developed a national spatial strategy that provides an assessment of key challenges and puts forward a vision for the country’s spatial development to the year 2030. In turn, there are regional plans which describe general development conditions and demarcate the regional settlement system. However, it is at the level of local government where the most detailed decisions about how land is used are taken through spatial studies, local spatial development plans and planning (or development) decisions. The elaboration of local spatial development plans is a key function of local government and a process which ideally should be achieved with the engagement of the local community and in co-ordination with surrounding ones which are functionally connected. It is critical that spatial policies are well-aligned to both infrastructure/transportation and economic development strategies and that land-use/spatial policies effectively manage land-use conflict and anticipate and react to changing conditions.

The frameworks, rules and regulations for land use and spatial planning are relatively new, having changed significantly since 1989. There are a number of regulations that have detracted from the effectiveness of spatial policies and incentives for inter-municipal co-ordination are quite limited (though they have increased with the introduction of the EU’s integrated territorial investments). One of greatest obstacles to co-ordinated spatial planning has been the very low coverage of spatial plans across the country and recourse to planning decisions instead (one-off building permissions that are not linked to land-use plans). Further, while agricultural land consolidation is taking place, it is a slow process and recent restrictions on trading agricultural land place limits on consolidation. Poorly managed peri-urbanisation has resulted in the loss of agricultural land with high-quality soil. The national government has long recognised that additional reforms to the framework of spatial planning in the country are needed and some incremental changes have been made; however, more remains to be done (Government of Poland, 2007; 2011). Poland needs to adopt a comprehensive approach to land-use planning that can meet the challenges facing different types of rural communities. The remainder of this section discusses these issues in turn.

Box 2.13. The framework for spatial planning in Poland

National spatial planning: The overarching framework

The **2003 Spatial Planning and Development Act** (along with its secondary legislation) regulates the development of spatial policies and spatial plans (concepts, plans, studies) and divides various powers among the administrative tiers of government. The spatial plan prepared and adopted at the national level is the **National Spatial Development Concept 2030 (NSDC)**. It presents an assessment and analysis on the state of spatial planning in the country and puts forward a vision for the country's spatial development to the year 2030. The NSDC is a basic co-ordination measure of spatial policy at the national level in Poland that involves checking the compliance of a regional spatial development plan for each *voivodeship* with the NSDC. However, it is not an internally binding document. It is the purview of the Council of Ministers to decide the extent to which the NSDC will inform government programmes (and be binding upon them). At present, the planning documents of lower level governments should be compliant with higher level plans but the criteria of such compliance are ambivalent and there is no legal basis for harmonisation between thematic plans. The NSDC offers a signal to local governments of best practices that should be adopted, with no regulatory ability to shape land-use practices. Poland has adopted a number of so-called “**special infrastructural acts**” (*specustawy inwestycyjne*) pertaining to different types of infrastructure development – e.g. railroads, public roads, airports, liquefied natural gas terminals and anti-flood buildings. Investments made under special acts do not need to conform to the Spatial Planning and Development Act, thus making it possible to develop a project that is contrary to local plans. A new law is presently being drafted (named the “Strategic Public Investments Act”) that would revoke six of the special infrastructural acts, establish expropriation and administrative decision rules, and create an end date of 2023 for the acts. There are a number of other acts and regulations which also affect the local planning and regulatory environment, such as the **Building Law** (1994), the **Real Estate Management Act** (1997) and the **Environmental Protection and Management Act** (2001). The **Metropolitan Association Act in Śląskie voivodeship** (9 March 2017) was recently to address the need for public transport across functional urban areas as was the **Revitalization Act** (9 October 2015), which specifies the legal basis for the revitalisation of degraded areas.

Regional spatial planning

The regional level (*voivodeship*) has a somewhat limited role to play in spatial planning. The regional spatial development plan is, in form, much like the National Spatial Development Concept 2030. There are no legal tools at the regional level to establish land-use planning regulations. The regional plan outlines investments of national and regional importance and general development conditions. It also demarcates the regional settlement system, protected areas and functional areas important for the whole region and defines closed (e.g. military) areas, areas with the potential to flood, and grounds with mining resources, all of which require special treatment. The regional level acts mostly as an advisory body in planning; it may give opinions on local spatial development plans and reconciliation on regional self-government tasks. Regional spatial planning is developed through a formal and largely closed process and there are no advisory bodies which inform its development. This limited consultation reduces buy-in to the resulting plan. The *voivode* – the legal representative of the central government in the region – is responsible for controls and audits and for some policy functions. Taken together, the regional level offers strategic advice and analysis through the marshal and control and audit of legal procedure for land-use plans through the *voivode*.

Box 2.13. The framework for spatial planning in Poland (*continued*)

The planning system at the local level

Local governments are the main actors in Polish land-use planning. Three tools presently shape land-use planning at the local level: spatial studies, local spatial development plans and planning (or development) decisions. **Spatial studies** form a kind of master plan for development in a municipality or local government (*gmina*), but they are not an act of law. These spatial studies are referred to in the Planning Act as “Study on the conditions and directions of spatial development”. They are a legislated (obligatory) framework study used to guide local planning policy in municipalities in the preparation of local spatial development plans. Local spatial development plans should be consistent with spatial studies, but the study itself is not a legally binding document on local spatial planning. Spatial studies provide an analysis and commentary on a range of social, economic and demographic issues that affect local planning and cover the entire municipal area.

Local spatial development plans are legally binding documents; they are an essential planning document for an area. They prescribe particular permissible assignment of land uses and detail the size and volume of permitted development, rules for property division, and the protection of cultural assets and heritage buildings for a given area in a municipality. The plans also estimate infrastructure costs (e.g. roads) and detail property expropriation that would result from their development. Since 2008, plans also require a strategic environmental assessment. The ordinances outlined in local spatial development plans are the only legal mechanism that local governments have to determine development boundaries and direct permitted uses. By law, all members of the public have the right to participate in the process of developing local plans; basic participatory procedures in the preparation of the plans are legally prescribed. There is no right to develop associated with land ownership. Enforcement powers related to the local spatial development plan and compliance with building codes falls on the district or country level (*powiat*).

Planning decisions are a simplified administrative mechanism for building approvals, change of land use and for the location of a public investments used in areas for which there is no valid land area development plan. Planning decisions are not required to be consistent with a local government’s planning study, which sets out the conditions and directions for development. Planning decisions are a controversial measure. They can create an incentive for disjointed development and are a procedure that runs parallel to the planning system as a whole, and often with contrary aims. In many municipalities, planning decisions are credited with leading to poorly co-ordinated developments and sprawl (Radzimski, Beim and Modrzewski, 2010; Halleux, Marcińczak and van der Krabben, 2012).

The influence of European Union policies

While the European Union gives member states a free hand in their spatial planning systems, it does forward strategic documents about infrastructure and nature preservation that can inform local planning. For example, the EU’s **Natura 2000** has established a network of protected bird and habitat sites that are identified as special areas of conservation or special protection areas by member states. This includes both lands that are considered nature reserves and thus limit human activities and those which allow them within a sustainable management regime. Natura 2000 designated lands are identified in local spatial development plans. The EU’s classification for high nature value land also affects land use. The EU also influences land uses through environmental measures, such as land-use management practices to promote biodiversity which are part of **Common Agricultural Policy** and support for reforestation and through support for investments (e.g. community revitalisation).

Sources: OECD (2016b), *Governance of Land Use in Poland: The Case of Lodz*, <http://dx.doi.org/10.1787/9789264260597-en>; Radzimski, A., M. Beim and B. Modrzewski (2010), “Are cities in Poland ready for sustainability? Poznań case study”; Halleux, J.M., S. Marcińczak and E. van der Krabben (2012), “The adaptive efficiency of land use planning measured by the control of urban sprawl: The cases of the Netherlands, Belgium and Poland”, <http://dx.doi.org/10.1016/j.landusepol.2012.01.008>.

Policies to consolidate and preserve agricultural land

Land-use policies serve multiple functions, one of which is to consolidate and protect agricultural land. The high degree of land fragmentation in some parts of rural Poland creates economic inefficiencies as a result of farmers having to travel further in order to manage their farms or forestry activities (e.g. Małopolskie, Świętokrzyskie, Lubelskie and Podkarpackie regions). Land consolidation is one of the main methods by which to overcome this inefficiency – it entails decreasing the number of separate and non-adjacent plots and improving the spatial configuration and location of these plots relative to dwellings and service structures. The consolidation and management of land in this way can also help to establish larger plots, thus reducing the number of small-scale and inefficient farms. Land consolidation and exchange can also be used to counteract the ongoing fragmentation of the agrarian structure of Poland – thus offering the opportunity to create diverse landscapes with conditions for multifunctional development of rural areas, including recreation and tourism (Kupidura et al., 2014). Land consolidation can have considerable benefits. It has been shown to improve the living and work conditions of local inhabitants and enhance their quality of the environment (Leń and Król, 2016).

There are two acts related to agricultural land in Poland: one relating to state-owned agricultural land and the second on the trade of land in the private market. Both acts prioritise family farms and their extension. Local authorities (the marshal or *voivodeship*) are responsible for the merging of plots of land at the *voivodeship* level. However, they have very limited instruments by which to undertake such work. Until recently, in terms of state-owned land, Poland's Agricultural Property Agency (*Agencja Nieruchomości Rolnych*, ANR) was the primary state agency in charge of land consolidation; on 1 September 2017 the National Center for Support of Agriculture (*Krajowy Ośrodek Wsparcia Rolnictwa*, KOWR) was launched, and accordingly, the ANR ceased to exist (along with the Agricultural Market Agency). The ANR was established in 2003 with the main goal of acquiring agricultural land from former state farms (encompassing approximately 4.7 million hectares) and restructuring it for privatisation through sale or long-term lease.⁴⁸ Between 2003 and 2016, the agency held the right of pre-emption to buy agricultural land; over this time 17 500 hectares were acquired in this manner and 9 800 hectares were sold to farmers to enlarge their land. The ANR focused its efforts in recent years on acquiring property to improve the structure of farming in regions where agriculture is the most fragmented (southern and eastern Poland).⁴⁹ While land consolidation has been taking place in Poland, it remains slow and in many cases, the practice of land leases serves to preserve the structure of land ownership (Rowiński, 2014). For example, the region of Małopolskie has some of the smallest and most fragmented farms in Poland, and in many areas mountainous terrain. While the average size of farms in the region has doubled since the early 1990s, they remain too small and unproductive to provide a living for a family.

Creating markets for the exchange of fields among farmers in a community is a complex process. Options to address this include establishing co-operatives to amass this land and cultivate it jointly or to facilitate long-term leases between parties that have land with adjoining borders as a first step to assemble large contiguous parcels of land.

Recent reforms to the sale of agricultural properties are biased against large farms

In April 2016 a new act suspending the sale of properties from the agricultural property stock of the state treasury introduced new conditions on the sale of agricultural land. Under the new act, the agency cannot sell agricultural land for five years with the

exception of small plots of land that do not exceed 2 hectares. Under the new rules there are additional requirements that: land purchasers need to be a qualified farmer or alternately, a relation of the seller, or a public authority or church; the total land owned by the farmer cannot exceed 300 hectares; and the farmer must pledge to work the land for a decade.⁵⁰ Any exceptions to these rules require approval by the KOWR. The new rules serve to increase small to medium-sized family farms and thus enhance the productive potential of agriculture. However, they are biased against farms larger than 300 hectares. As such, this rule detracts from the goals of agricultural modernisation and increasing competitiveness and should be revisited. The European Commission has ruled that similar laws in other Central and Eastern European member states violate the free movement of capital and freedom of establishment and should be changed (European Commission, 2016b).

Stronger regulations are needed to protect high-quality agricultural soils

Like most OECD countries, Poland has a law to protect high-quality agricultural soil and forest lands. Change of use of such land is limited in order to prevent soil erosion and degradation, rehabilitating degraded soils and managing natural water reservoirs. In the case of the highest grade soils, any change of use on agricultural land requires permission from the Minister of Agriculture and Rural Development. Changing the use of forested land requires permission from the Minister of Environment, in the case of property stock of the State Treasury, and from the marshal of the *voivodeship* in other cases. However, agricultural land with high-quality soil is not subject to the protection of the Agricultural and Forestry Land Protection Act if it is within the boundary of an urban *gmina* and there are financial incentives for *gminas* to convert agricultural land to residential or businesses uses because they stand to gain more from the property tax (OECD, 2016b). Further, a lack of multiannual zoning plans in many *gminas* results in *ad hoc* decisions about land management which undermine soil quality protections.

Poland has one of the highest rates of agricultural land conversion in Europe (Ustaoglu and Williams, 2017). Since the political transition in 1989, there has been a decrease in the surface area of arable land and pastures, and concurrently, an increase in the surface area of wastelands and forests, and an expansion of residential areas (Hernik, Chen and Gawroński, 2015). Polish municipalities converted 545 000 hectares of agricultural land to non-agricultural uses between 2004 and 2012 (Kowalewski et al., 2013). Further, some areas have experienced agricultural land abandonment (Dzun and Musiał, 2013). This is not a universal trend; regions such as Podlaskie have a strong agricultural sector and the share of agricultural land has increased. The conversion of agricultural land is not in and of itself problematic, depending on the grade of the agricultural soil and the economic rationale (e.g. the need for land for new homes and businesses). It is, however, problematic when high-quality agricultural land is converted to other uses or where land uses are incompatible (e.g. animal husbandry next to residential zones) or otherwise inefficient in their allocation. The scope of these issues are difficult to gauge, in part because there is poor co-ordination between the regional and local levels in terms of monitoring land-use change. There are, for instance, no data on planning appeals and the regional government does not assess the impact of land-use planning in communities. The Ministry of Agriculture and Regional Development does not have numeric data on how much agricultural land is lost in rural areas. More effective legal regulations are required to protect high-quality soil from being used for non-agricultural purposes and monitoring should be enhanced. Further, the KOWR could be more active in purchasing and consolidating land, akin to the role of SAFER in France (Box 2.14).

Box 2.14. National institutions to manage agricultural land: The French example

The French national programme – the Society for Land Development and Rural Settlement (Société d'aménagement foncier et d'établissement rural, SAFER) – was established in 1960 to purchase farmland when it comes up for sale to help existing farmers increase the size of their farm to boost efficiency and to facilitate new entrants into farming. SAFER is a non-profit agency with a mandate to assist in farm reorganization, make farmland more productive and encourage young people into the profession. Today its mandate is a bit broader, with a focus on protecting farmland and the natural environment and supporting the development of the local economy. The organisation purchases agricultural land for resale to farmers or public authorities in order to maintain a specific pattern of land use in an area. It can also rent land for agricultural purposes, take on projects to maintain local landscapes and conduct studies on agricultural land prices. By law, SAFER is offered the right of first refusal to purchase agricultural land in order to maintain farms of a specific desired size (Articles L 143-1 and L 143-2 of the Rural Code). SAFER has regional offices throughout France. Agricultural land management is regulated by the state through regional départements of agriculture together with SAFER.

Source: OECD (2017h), *The Governance of Land Use in France: The Cases of Clermont-Ferrand and Nantes Saint-Nazaire*, <http://dx.doi.org/10.1787/9789264268791-en>.

Rural spatial and land-use planning

There is no specific separate framework for rural land-use planning in Poland; rural municipalities follow the same framework legislation as their urban counterparts. This is in contrast to some other OECD countries, such as France or the Netherlands, where there are separate land-use plans for rural areas with low levels of development.⁵¹ In Poland, municipalities conduct spatial studies which guide local planning policy, most importantly local spatial development plans which are legally binding documents that prescribe allowable land uses and the protection of certain assets (e.g. cultural assets and heritage buildings). These plans also estimate infrastructure costs and include strategic environmental assessments (as of 2008). Local spatial development plans are a critical tool to ensure that a community's spatial development is well-aligned with demographic patterns and infrastructure needs and aim to reduce the likelihood of land-use conflict and environmental degradation. Beyond this, they are an important reflection of a community's aspirations for its future development and are elaborated through a process of public engagement that is prescribed by law. However, active participation in the elaboration of spatial plans tends to be limited and more needs to be done to build a culture of civic engagement (Ociepa-Kubicka, 2015).

The low coverage of land-use plans in rural communities detracts from the ability to manage spatial processes

Local spatial development plans have very low coverage across Poland. In 2003, Poland adopted a much needed Spatial Planning and Development Act, which did not prolong the binding force of all development plans prior to 1994 since they had been established under a markedly different environment. Consequently, a wide swath of *gminas* no longer had a valid local spatial development plan and adoption of new plans has proceeded very slowly, particularly in rural areas which have the lowest plan coverage. Only 30% of the national territory falls within an applicable local spatial management plan, and in seven *voivodeships* this share of territory is below 20%. Further, some legal requirements embodied in the Spatial Planning and Development Act, such as the requirement that compensation be paid to landowners if they are negatively affected

by a local spatial development plan, inhibits the adoption of new plans. Some limits should be introduced to mitigate this effect, such as reducing the timeframe in which owners can apply for compensation, which is currently unlimited (OECD, 2016b). Further, the adoption of a land-use plan results in additional costs for *gminas* because they are obligated to purchase land for the provision of new local roads included in the plan.

Planning fees can be collected for financing the costs of roads and the provision of technical infrastructure. However, these are often appealed by landowners and *gminas* report that they are not an effective tool to gain financing to provide infrastructure. One measure which could mitigate this is to extend the timeframe for the obligation for *gminas* to pay for the land dedicated to roads. The pace by which new land-use plans have been adopted in Poland has slowed, indicating there is an urgent need for action on this front (Jaworski, 2014). In order to ensure that new developments could proceed in the absence of valid land area development plans, a planning decision mechanism was introduced which allows *gminas* to approve new development and land-use changes on a project-by-project basis. This leads to uncoordinated spatial development that is not necessarily well-aligned to overarching spatial goals of environmental management concerns. For example, it is not uncommon for new houses to be built in flood zones or other such uncoordinated actions (Maczak et al., 2016).

This lack of local plan coverage together with the widespread use of the planning decision mechanism is one of the greatest challenges to coherent spatial development in Poland. Substantively, it has facilitated rapid peri-urbanisation and uncoordinated developments. Peri-urbanisation can impose significant costs on both public and private actors – and this is an issue that is well-recognised in both Poland’s National Urban Policy 2023 and the new Strategy for Responsible Development (2017). A 2013 study by Kowalewski et al. on the economic and social costs of uncontrolled developments in Poland finds that the current regulatory, plan-based system is increasingly incapable of managing spatial processes – in the words of the authors, the present system “results in “spatial chaos and a waste of space and capital”. The aggregate result from a series of uncoordinated land-use changes lead to a pattern of development that imposes high travel costs, with people living far from where they work and shop, or where spillover effects from farming make living in the country unpleasant. Further, lower densities in such places can make infrastructure and service provision more costly, reducing a municipality’s fiscal sustainability. Areas seeing population growth and/or with high investment needs are high priorities for land-use plan coverage. The lack of land-use plan coverage in many rural *gminas* matters most urgently in those where land uses are changing and/or new developments are occurring or where there is proximity to protected areas.

Peri-urbanisation is not inherently bad, as considerable evidence shows that a large share of the population, when presented with an opportunity to live in a semi-rural environment, will choose to do so. The obvious challenge is how to best manage the process and balance the interests of individuals against that of the community as whole. A critical issue is that residents who choose to live in these locales typically do not bear the full costs associated with these locational choices, even though there are obvious costs associated with them that the broader public bears. It bears noting that, while land-use plans are an effective way of managing future developments, they are not effective in areas where there is a lack of investment coupled with population decline, in which case a different set of tools are needed (i.e. revitalisation strategies).

The need for integrated land-use planning and increased local capacity

Rural *gminas*, as inherently small administrations, have more limited capacity to undertake the elaboration of both spatial and land-use plans. A requirement for a separate type of land-use plan in low-growth rural areas may be one way to increase planning coverage in order to meet the needs of the community. Other OECD countries have adopted such a system for this reason. Beyond this, both the national and regional governments could play a stronger role in supporting rural planning efforts. There is a need for more effective tools for rural areas to monitor and analyse land-use changes for both their own communities and that of surrounding ones and to provide the relevant information in an accessible format for both rural communities and residents to make use of. There is also a need to include the management of cultural landscape within spatial planning practices. The importance of including cultural landscapes in spatial plans has been largely neglected by rural *gminas* (Hernik, 2012).

Many countries lack the structures to achieve the required co-ordination on spatial development between levels of government. Poland has recently established national and regional territorial observatories and forums to address this issue. The territorial observatories were created to evaluate and monitor regional policy and the forums convene public authorities, scientists and experts to improve spatial planning processes. For example, the Regional Territorial Observatory in Podlaske is an organisational unit within the Department for Regional Development. It works together with the Territorial Forum of Podlaskie, which includes representatives from the university, social partners, *gminas*/towns, representatives of key businesses, etc. (approximately 50 members in total). The observatory presents the research results to the forum and, based on comments received by the members, completes its conclusions and makes recommendations for regional policy.⁵²

These observatories are a repository of data and information on spatial trends as well and could be used more effectively to support rural land-use planning. The effectiveness of these networks needs to be further developed. As noted in the new Strategy for Responsible Development (2017), there is a need to: develop a system to co-ordinate actions across ministries in charge of spatial issues and sectoral ministers in charge of particular sectors of the economy; and strengthen the role and significance of regional territorial observatories operating at marshal offices, especially in the scope of spatial planning and knowledge translation. These are important policy initiatives that deserve concerted action, including reflection on the specific needs of rural communities to enhance their spatial management. See Box 2.15 for examples of vertical co-ordination on spatial planning from Austria and France.

Integrated spatial planning has arisen as a new orthodoxy. It stems from the recognition that effective spatial management is connected to a broader range of considerations such as economic and social development and well-being and that sectoral policies have spatial dimensions that need to be co-ordinated, e.g. the location of services and transportation infrastructure. Poland's NSDC encompasses this perspective in its sixth objective, which describes "introducing an integrated (coherent and hierarchical) socio-economic and spatial planning system at different governance levels, reorganisation of regulations ensuring efficiency and universality of the spatial planning system, strengthening of institutions and improving the quality of spatial planning" (Government of Poland, 2012). It advocates that local government studies should be binding, not only for the local spatial development plan, but for all administrative decisions related to development, and that local governments should be obliged to develop plans for areas undergoing intense development and adopt provisions to prevent "scattered development". It further recommends the implementation of a system of ongoing monitoring and evaluation.

Box 2.15. Mechanisms for vertical co-ordination on spatial planning: Examples from France and Austria

Currently, many countries lack the structures to achieve the required co-ordination between levels of government on spatial planning issues. Both France and Austria have established regular conferences that provide such structure, but at different scales and for different topics. France's territorial conferences for public action focus on dialogue between regions and local authorities and are open to a range of thematic areas whereas the Austrian Conference on Spatial Planning assembles representatives from all levels of government and is specifically targeted to address spatial planning issues.

France's territorial conferences for public action (*Conférences territoriales de l'action publique, CTAP*)

The CTAP are a relatively new institutional mechanism. They were established (mandated) as part of the 2014 Law on the Modernisation of Territorial Public Action and Affirmation of Metropolises (Modernisation de l'action publique territoriale et d'affirmation des métropoles) and are intended to strengthen dialogue between local authorities (including public establishments for intercommunal co-operation, EPCI) and the region and to co-ordinate responsibilities. The CTAP in each region is chaired by the president of the regional council. Its membership includes: presidents of the departmental council and EPCI with more than 30 000 inhabitants; a representative of the EPCI with less than 30 000 inhabitants for each department; an elected representative for communes with more than 30 000 inhabitants for each department; an elected representative of the communes with 3 500-30 000 inhabitants for each department; an elected representative of municipalities with fewer than 3 500 inhabitants for each department; and a representative of the local authorities in mountain areas. Each CTAP organises its work around thematic topics. The state representative in the region (prefect) is informed of meetings of the CTAP and participates, at its request, or when a community asks a state delegation of authority. The CTAP determine arrangements for co-operation actions through the adoption of draft conventions of agreements between parties and are reported yearly. The objective is to support an integrated and cross-disciplinary planning process, instead of a sector-specific one.

The Austrian Conference on Spatial Planning (*Österreichische Raumordnungskonferenz, ÖROK*)

The ÖROK was founded in 1971; it assembles representatives from all levels of government to discuss spatial policies. As it is located at the centre of government (within the Office of the Chancellor), it is also able to carry out the necessary cross-sectoral policy co-ordination between different branches of the national government. It is dedicated to co-ordinating spatial planning policies between the three levels of government in Austria (the national level, the states and the municipalities). Its decision-making body is chaired by the Federal Chancellor and its members include all federal ministers, the heads of all federated states and representatives of associations of local governments. Furthermore, business and labour organisations are represented on the body as consulting members. The work of the decision-making body is supported by a permanent secretariat with a staff of approximately 25-30. One of the central tasks of the ÖROK is the preparation of the Austrian Spatial Development Concept, which covers a planning period of approximately ten years and provides a vision and guidelines for spatial development that is shared by all levels of government. Beyond the preparation of the Spatial Development Concept, the ÖROK also monitors spatial development across Austria. It has developed an online tool that provides a mapping function of a variety of important indicators at the municipal and regional levels and releases a report on the state of spatial development every three years.

The ÖROK is also co-ordinating body for structural funds provided by the European Union. It manages the integration of structural funds into broader spatial strategies and was directly responsible for the programming work related to one of the 11 thematic objectives of the 2014-20 programme period. The ÖROK also serves as National Contact Point within the framework of European territorial co-operation.

Sources: OECD (2017h), *The Governance of Land Use in France: Case studies of Clermont-Ferrand and Nantes Saint-Nazaire*, <http://dx.doi.org/10.1787/9789264268791-en>; Österreichische Raumordnungskonferenz ÖROK, www.oerok.gv.at/fileadmin/Bilder/1_Reiter-Uber_die_Oerok/OEROK-Geschaeftsstelle/OEROK_Folder.pdf (accessed 1 June 2016); Vie Publique (2016), "Que sont les conférences territoriales de l'action publique ?", www.vie-publique.fr/decouverte-institutions/institutions/collectivites-territoriales/intercommunalite-cooperation-locale/que-sont-conferences-territoriales-action-publique.html.

Some regions have undertaken initiatives involving integrated and functional planning (Małopolskie, Śląskie, Pomorskie, Zachodniopomorskie). For example, Małopolskie has included the subregional level in its strategic planning (the Development Strategy of the Małopolska Region for 2011-2020); the region conducted research and collected public input, elaborated functional plans at the subregional level and created subregional forums involved in the preparation of regional operational programmes. Such initiatives are promising, but implementation of these concepts remains at the level of *gminas*. There is an appetite by regions to play a greater role in integrated and functional planning, but they do not have the tools to undertake such a role (e.g. the statutory authority or incentives to require *gminas* to adopt functional or integrated planning). For example, the region of Zachodniopomorskie aims to establish functional areas where smaller *gminas* co-operate with each and are supported by both the regional and national governments in a range of strategic areas (e.g. attracting investment, developing transport, enhancing vocational education). Małopolskie is interested in encouraging villages to develop a town centre in order to more efficiently deliver services to residents; however, they too have no tools with which to implement such an approach. This lack of tools to link up sectoral investments in a spatially co-ordinated manner is a missed opportunity. As a final point, the planning framework does not allow of the possibility of joint land-use plans. In countries such as France, joint land-use plans have been used to co-ordinate investments across small communes (*Plan local d'urbanisme intercommunal*).

Environmental policies

Polish environmental policy started in the early 1980s. The first act for environmental protection (adopted in 1980) introduced a “polluter pays” principle and following from this provision a variety of environmental policy instruments were adopted, such as penal provisions, fees for economic use of the environment and fines for not keeping the environmental requirements set up in environmental permits.⁵³ At that time, the National Fund for Environmental Protection and Water Management was also established. Building on these earlier efforts, in the early 1990s Poland made considerable progress in strengthening environmental policies and institutions. Membership to the EU has supported improved environmental management and has also directed funds to environmental measures in rural areas, including direct support to farmers for environmental stewardship practices and measures to increase biodiversity. Environmental policies extend across a number of sectoral areas, including the spatial planning system, energy policies, water management and sewage, waste management, transportation and infrastructure planning, forestry management, fisheries and agriculture. There are environmental provisions across all of these domains which impact rural areas. In 2009, Poland adopted an Energy Security and the Environment Strategy (one of Poland’s nine strategic policies), which serves to integrate environmental policies into the government’s overall development strategy. The strategy is overseen by Ministry of Investment and Economic Development in co-operation with the Ministry of the Environment.

Transposing EU environmental directives in Poland has not always been effective and there have been a number of infringements, with water and wastewater being the most common (OECD, 2015b). In 2017, a new law on the management and protection of water resources entered into force which aims to increase the system of national compliance through 22 water directives. The 2015 OECD *Environmental Performance Review of Poland* noted that there is a need to simplify and streamline the environmental governance system, including enforcement (OECD, 2015b). While there have been considerable efforts to strengthen environmental legislation in Poland and to improve co-ordination across government, there have been some inconsistencies in the government’s approach to

environmental policies that detract from their effectiveness. Poland has an exceptionally rich natural landscape, including the last primeval forest in Europe – the Białowieża forest in north-eastern Poland which is a UNESCO World Heritage site and a Natura 2000 protected area. Recent actions by Polish authorities to permit a three-fold increase in logging operations in the Białowieża Forest district have contravened EU directives and are being challenged by the Court of Justice of the EU. As another example, in 2016 Poland passed energy legislation that favours coal over wind farms. The law imposes onerous minimum distance requirements for new wind farms, and raises the property tax burden for all wind energy investments.⁵⁴ In effect, it makes Poland a less attractive place to invest in wind power and will damage the profitability of existing investments (IEA, 2017).

Local governments are key actors for the implementation of environmental policies in Poland. *Powiaty* and *gminas* are responsible for development and pollution permits and *gminas* are responsible for municipal waste management. *Voivodeship* self-governments are responsible for the environmental inspection of large polluters, and deal with large generators of waste through a permit system. The scope and role of local governments in implementing environmental policies and managing environmental challenges has increased greatly since the 1990s; many more functions have been devolved to them, and yet, these have not kept pace with fiscal decentralisation (OECD, 2015b). Local governments are also on the frontline of climate change. A recent survey of Polish municipalities indicates that they are increasingly experiencing the effects of climate change, including an increasing propensity of floods and droughts (Józwiakowski and Siuda, 2017). For rural *gminas*, this presents a great challenge as they have larger areas, smaller tax bases and more limited specialist expertise with which to address mitigation and adaptation efforts.

Environmental policy has generally not been informed by economic evaluation in Poland and there is a lack of capacity to conduct *ex ante* and *ex post* economic assessments at the subnational level (OECD, 2015b). Some regions of Poland, such as Podlaskie, have far more protected areas than others. Rural *gminas* sometimes express that these environmentally protected areas can hamper development efforts and lead to increases in the costs of providing infrastructure. Some *gminas* have articulated a desire for special state subsidies for *gminas* that have a larger share of protected land in order to compensate for these effects. There are also tensions between environmental objectives and farming, wherein through the biodiversity and reforestation initiatives of the CAP some agricultural lands lose production. At the same time, natural environments are viewed by rural *gminas* as an important asset that enhances the quality of life for local residents and has important potential for economic development and the diversification of the local economy (e.g. ecotourism). Enhanced economic evaluation and cost-benefit analysis can promote a better understanding of these dynamics. The design of conservation measures should consider wider economic benefits, including ecosystem services.

Policies for rural infrastructure development

Investments in physical and knowledge infrastructure – from ICT to transportation facilities – support the growth and development of rural communities.⁵⁵ They are vital to the delivery of and access to important services such as healthcare and education and play a critical role in linking farmers and rural businesses to markets, reducing food waste, boosting agriculture productivity, raising profits, and encouraging investment in innovative techniques and products. Strong infrastructure is one of the key enabling factors of growth and development. In Poland, public investment in infrastructure is particularly high, representing 4.2% of GDP in 2015 (versus 3.1% for the OECD on average), i.e. 10.1% of

public expenditure (versus 7.6% in OECD countries on average). Subnational governments, mainly the regions and municipalities, play a major role, accounting for 46.5% of public investment, which is, however, lower than the OECD average (59.3%). A great share of subnational investment is for economic affairs and transportation (44% versus 40% in the OECD) followed by environment protection (12% versus 6% in the OECD).

Rural Poland has seen major investments in various types of infrastructure over the past two decades. Infrastructure for sustainable growth is one of the main priorities of Poland's national development strategy and there have been national and EU-funded investments in all types of rural infrastructure, including transport, the energy sector, telecommunications and social infrastructure.⁵⁶ Despite these investments, rural infrastructure in much of the country remains underdeveloped. A lack of adequate roads in many rural areas presents a major barrier to businesses (e.g. as reported in Podlaskie). Further, a considerable number of rural and urban-rural *gminas* have limited or no access to the rail network or other forms of collective transport. These transportation limitations present a major constraint to economic development and quality of life in rural areas.

The ongoing investment demands for infrastructure in rural Poland are great and there is a need to prioritise those investments that will have the greatest economic and social impact. At the same time, it is important to consider the ongoing operational costs of infrastructure investments. As rural infrastructure of all types is ungraded and expanded, there are growing fiscal pressures for ongoing maintenance and operation. While municipalities are often able to access co-funding for capital investments, they typically are not able to access external funds for ongoing operational costs associated with infrastructure, instead relying on own-source revenues. This creates risks for the future, especially in places that are seeing population decline.

Infrastructure investments should be closely integrated with spatial development policies. As noted in the previous section, policies for the spatial management of Polish municipalities are inconsistently applied and encourage peri-urbanisation, which in turn increases the costs of delivering infrastructure. The two issues are thus linked, and more effective spatial management policies will help better prioritise and manage infrastructure investments in rural areas.

Investments in transport and accessibility

Transportation infrastructure investments take place across each level of government – e.g. responsibility for the road network is divided across national, regional and local (*powiat* and *gmina*) governments. At the national level, there is a transport development strategy, which is one of Poland's nine integrated strategies for national development.⁵⁷ The strategy applies to all sectors of transport – road, rail, air, sea and inland waterways, urban and intermodal transport – and takes into account EU policies for transport, regional development, innovation and environmental protection. EU Structural and Investment funds have been a major source of funding for infrastructure investments across the country.⁵⁸

There have been major investments in the system of national highways and regional roads; however, more peripheral regions remain less connected to the national network (e.g. Podlaskie in the north-east). Further, a large part of the rural local road system remains underdeveloped. This undermines the effectiveness of the overall road system. For example, there have been regional road investments in eastern Poland, but the reduced scope of investment in local roads in some areas means that local road connections to the regional system are underdeveloped. It was reported that some rural

communities in eastern Poland have such poor road accessibility that they are only reachable by horse in the winter months. Under ROP programmes, local road investments cannot exceed more than 15% of the total funding envelope; enhancing the local road networks requires investments from domestic schemes which are in part financed by the state budget. According to the EU Partnership Agreement, the construction and reconstruction of sections of *voivodeship* roads that link with the trans-European transport network are a priority for the extension of inter-regional and intraregional transport infrastructure (i.e. secondary connectivity). Local roads, according to the partnership agreement, are not a priority for support from the ROP.

The system of transport planning in Poland categorises roads and their sources of financing. Rural *gminas* can access road financing from the Financial Property Agency; the national programme for reconstruction and modernisation of rural roads; and funding from the county (including for joint projects). Local roads for agriculture that have been identified in a *gmina's* local spatial development plan can receive funding from the rural development programme. At present, Poland's EU Partnership Agreement underlines the need to extend the interregional and intraregional transport infrastructure (so-called secondary connectivity). As such, the construction and reconstruction of sections of *voivodeship* roads that connect to the TEN-T are a priority. The European Commission has recommended narrowing the scope of support, with clear guidance and priority setting, which should exclude from the ERDF co-financing of rural areas in this respect and avoid vague references to connectivity to regional and subregional centres (European Commission, 2014b). It is further noted that, as rural *gminas* enhance their local road network, there are considerable costs for their maintenance that rural *gminas* can be concerned about bearing.

An *ex post* evaluation of changes in road accessibility in the first decade of Polish EU membership found that while EU funds have improved the general efficiency of the road network during the last decade, there was less of a focus on equity-directed investments (Rosik, Stępnicki and Komornicki, 2015). An exception to this is eastern Poland, where major investments (e.g. through the Operational Programme Eastern Poland) have significantly improved the accessibility of the region. In the present period, there should be a concerted focus on how to improve the transport links between subregional centres and rural areas.

Infrastructure for water, sewage and waste disposal

Collective water supply and sewage disposal treatment is the responsibility of *gminas* in rural Poland. The National Programme for Municipal Waste Water Treatment and the National Fund for Environmental Protection and Water Management are implemented at the regional and national levels. Sectoral water and waste treatment policies are largely based on the implementation of the national and regional operational programmes. The length of water and sewage network connections per households in rural Poland are much higher than in urban areas and as such, there are higher operating costs per person, which translate into higher water fees for residents (Pawełek, 2016). Appropriate sewage and waste disposal is a critical issue for rural Poland. Inappropriate sewage and waste management can lead to ground water contamination and the contamination of lakes and rivers. This can, in turn, negatively impact ecology, human health and detract from such activities as tourism.

The share of the Polish population with access to the water supply network has increased significantly in the past two decades. As evidence of this, investments associated water supply infrastructure in rural areas have increased by 33% over the past decade

(Pietrucha-Urbanik, Nogaj and Stecko, 2016). However, as noted in Chapter 1, this is one of the areas for which rural areas remain far behind their urban counterparts and moreover, certain rural areas in eastern and southern Poland continue to have much lower rates of access. In a similar vein, there have been major investments in sewage treatment and disposal facilities in rural areas and rural municipalities have experienced an improvement in the availability of the sewage network, but a significantly poorer sewage system exists in the rural areas of central and eastern Poland. In some rural areas (e.g. part of Małopolskie) where sewage and other such services are offered, the costs can be high and rural residents do not take them up. As such, in some cases, sewage services are subsidised. In recent years, there has been progress in inter-municipal co-operation to provide infrastructure for water treatment, often involving joint applications for EU funds or other external finance, which is a positive trend (OECD, 2015b).

There is evidence that a large share of rural water supply and sewage systems have been improperly designed (e.g. improperly sized and poorly constructed), leading to water losses, insufficient water quality and higher costs (Bergel, 2012). Further, rural areas where there has been scattered residential expansion further increases the costs of sewage systems (Pawełek, 2016). This reinforces the need for more effective spatial management policies. Poland has committed to significantly reduce the amount of landfill waste by the year 2020. This will require investments by rural *gminas* to improve their waste management systems. There are almost 2 000 illegal waste sites across rural Poland despite efforts to improve the system of solid waste management (Malinowski, Wolny-Koładka and Jastrzębski, 2015). Progress has been made in reducing the number of illegal dumps in recent years; their number was reduced by approximately 16% between 2014 and 2015. However, this reduction was much higher in urban areas than in rural ones.⁵⁹

Poland requires clear guidance on inter-municipal co-operation in the wastewater treatment sector. In many cases, setting up inter-municipal enterprises is a difficult and turbulent process (OECD, 2013: 60). Smaller municipalities (with minor shares) are often concerned about entering a disadvantageous position when delegating services to an inter-municipal company. This can result in, for example, “black spots” in the system, whereby some municipalities decide to not join common enterprise. France has established very successful models for inter-municipal co-operation, including in the water and sanitation sector, spurred in part by recent administrative and institutional changes. For example, revenues from local taxes are earmarked for the budgets of inter-municipal institutions and certain types of inter-municipal institutions have the power to raise revenues by levying a single business tax that is not set by the member municipalities but by the inter-municipal institution itself (*communautés urbaines* and *communautés d’agglomération*) (OECD, 2013). Further, additional subventions for inter-municipal co-operation can help spur their adoption.

Enhancing energy infrastructure and supporting renewable energy

Poland’s National Fund for Environmental Protection and Water Management and a wide range of instruments offered under the programmes specified in the Partnership Agreement are focused on enhancing energy infrastructure. Despite a gradual improvement, Poland continues to be energy-intensive with a heavy reliance on coal for power. This in turn detracts from environmental objectives to improve air quality. As in the case of water and sewage infrastructure, longer lines for the provision of energy infrastructure increases costs in rural areas. There is a tendency for domestic energy deprivation to be concentrated in rural and peripheral regions with poor-quality housing and decreased access to affordable fuels (Bouzarovski and Tirado Herrero, 2017). In general, rural areas possess much poorer

energy supply infrastructure compared to their urban counterparts, which is an impediment to rural development. Some rural areas of Poland have surprisingly poor air quality due to domestic solid fuel combustion (Umlauf et al., 2010). The supply and generation of energy is largely carried out by large regional electricity companies or other privatised utilities; energy prices are regulated by the state authority (Energy Regulatory Office).

Dispersed renewable energy resources offer a chance to improve energy accessibility in rural areas and support for investments in energy infrastructure with local distribution should be strengthened. National strategies set the framework conditions for individual project decisions and it is important to consider the place-based impacts of these policies and their impact on regional economic development. At present, national efforts to support renewable energy are mixed. The Rural Development Programme (2014-20) provides support for renewable energy production and notes the importance of increasing production and use of renewable energy sources, including energy crops and the use of agricultural waste, in order to reduce greenhouse gases. However, as noted in a recent IEA report, despite progress over the past decade, the future of renewable energy in Poland looks uncertain due to recent changes to framework legislation (IEA, 2017).

With large agricultural lands and a strong cattle- and pig-raising industry, agricultural biogas plants have strong potential in Poland, comparable to that of Germany (Jezierska-Thöle, Rudnicki and Kluba, 2016). Biofuels and waste are the largest renewable energy source in Poland; wind power is the second (IEA, 2017). Some Polish regions have identified this as a development opportunity. For example, Podlaskie, which supports agricultural biofuel production as long as it does not lead to competition for agricultural production space and will make a significant contribution to reducing greenhouse gas emissions, is improving energy security and economic conditions in the region.

At present, the biogas industry faces several limitations in Poland, including economic barriers (i.e. deficiency of financial aid programmes for construction of agricultural biogas plants) and legal barriers such as a lack of clearly defined economic and tax mechanisms in the state budget and financial policy (Igliński, 2011; Piwowar, Dzikuć and Adamczyk, 2016). A combination of low demand and low biomass prices led to a collapse of the Polish biomass market in late 2012. Farmers have shown decreased willingness in providing biomass for energy production – a hesitancy which some experts assess as stemming from the current chaotic biomass market situation (Zyadin et al., 2017). Germany's well-developed biogas industry has been supported by institutional and legal provisions, such as the Act on Renewable Energy Sources, that promotes tax relief for investors, technological solutions for the production of biogas from various sources at the same time, and the formation of associations of small farmers producing biogas (Szymańska and Lewandowska, 2015). Local policies and engagement in local and regional innovation platforms around the bioeconomy can also help propel such developments (see Box 2.16 for Nordic examples). Biomass should be used locally to reduce transportation costs, but under current Polish regulations, biomass is shipped to power plants, leaving rural areas reliant on coal (Gradziuk, 2016). More could be done at the national level to support this industry. This is a missed opportunity.

Box 2.16. Making the bioeconomy work for rural development: The Nordic experience

The bioeconomy is an economy that relies on renewable natural resources to produce food, energy, products and services. The bioeconomy will reduce our dependence on fossil fuels, prevent biodiversity loss, and create new economic growth and jobs in line with the principles of sustainable development. Across the European Union the bioeconomy accounts for approximately 9% of employment. In Nordic countries this figure is higher, at approximately 18% for Iceland and 16% for Finland. Norway is an exception; the bioeconomy accounts for 6% of employment. In some rural regions this figure is much higher. For example, in the Örnsköldsvik region of Sweden, the bioeconomy provides an estimated 25% of employment.

Nordic countries see considerable scope of bioeconomy development, but there are challenges to its development. For instance, there can be competing demands for bioresources and the extraction costs of raw materials can be too high. Further, existing regulations can create impediments to some developments or institutional arrangements may get in the way of the use of raw materials (“waste”). Public policies have been highly instrumental in helping to overcome some of these challenges and support innovation in the sector. Investments in these areas are important for the countries’ transition to a “low-carbon economy” and for rural and regional development. Locational clustering has been found to be advantageous for such projects. Local policies and engagement in local and regional innovation platforms around the bioeconomy are critical to the success of these developments.

Table 2.7. Examples of bioeconomy policies and strategies

Country	Policy/strategy	Example
Sweden	<ul style="list-style-type: none"> – National Bioeconomy Strategy – VINNOVA (Public agency for innovation systems) via VINNVAXT programme for regional specialisation 	<ul style="list-style-type: none"> Biofuel Region platform for four northern counties. – Local municipal adoption of ethanol buses. – Development of local vision and “brand”. Municipal and national support for the Biorefinery of the Future Cluster, with quad helix form. – Est. regional pilot process plants in Umeo and Örnsköldsvik.
Finland	<ul style="list-style-type: none"> – National Bioeconomy Strategy 2014 – Key national funding support bodies, SITRA and Tekes 	<ul style="list-style-type: none"> Started in 1990s with new municipal dump and waste management company LHJ. Local company first biogas from waste and food processing by-products. – Eco-industrial park; Forssa Envitech club (2006). – Forssa Cluster co-operation. – Brightgreen Forssa concept, as a brand. – Bioeconomy and sustainable use of natural resources one of five strategic foci in Hame Regions NorwayStrategy 2013-14.
Norway	<ul style="list-style-type: none"> – Carbon tax – National bioenergy targets – Innovation Norway and ENOVA support for small as well as large investments – Policy environment has been unstable in terms of biofuels 	<ul style="list-style-type: none"> Municipalities active in all four cases: as customers; as investors; as local regulators (e.g. of building regulations) and in some cases as infrastructure providers (district heating pipe network); as member of grounded innovation platforms; as “branders”; as legitimisers of the industry; and as co-ordinators, link agencies with sources of expertise.
Denmark	<ul style="list-style-type: none"> – Focus on green and sustainable development since the 1990s – Vestas (wind turbines) a world leader 	<ul style="list-style-type: none"> – Lolland Community Testing Facility (CTF) developed in 2007. – Development of innovative partnerships including community (quadruple helix). – Co-creation with cluster development, Industrial Synergy. – Innovation platforms, meetings and networking. – Regional Advisory Group developing ideas for the bioeconomy. – Membership of National Innovation Networks. – Green Centre, Lolland (est. 1988), started Algae Innovation Centre with Aalborg and Roskilde Universities.

Source: Bryden, J. (2015), “Making the bioeconomy work for rural development: Some Nordic experience”, www.oecd.org/cfe/regional-policy/Making-bioeconomy-work-for-rural-development-JohnBryden.pdf.

In some cases national legislation has detracted from the development of renewable energy infrastructure and related commitments. For example, recent revisions to Poland’s Act on Renewable Energy Sources (amended in June 2016) create prohibitive conditions for establishing new wind farms. The amended act imposes costly administrative

requirements for existing installations and creates legal uncertainty regarding the taxation of wind installations (IEA, 2017). Consequently, while Poland has committed to a binding national target to 2020 to increase the share of energy generated from renewable resources up to 15%, it is at risk of not meeting these objectives. This policy should be realigned to support national commitments.

Digital infrastructure in rural Poland

Strong digital infrastructure is important for the diversification of the rural economy, enhancing firm productivity and supporting the delivery of e-service in rural locals. There is a digital divide in Poland; residents in larger cities have greater access to digital services and a higher frequency of use than in rural areas.⁶⁰ Compared to countries such as Germany and Lithuania, the availability of the network in rural areas in Poland is poor. Despite this, Poland has made a great deal of progress in increasing Internet access in rural areas in recent years. At the national level, the main support for digital infrastructure in rural Poland is through the EU Operational Programme Digital Poland for 2014-2020. The strategy recognises the specific needs of rural areas for digital infrastructure and includes targeted funds to support their development.

Digital infrastructure in rural Poland faces two key challenges. The first is the need to increase the quality of digital systems as many communities may have Internet access but not necessarily broadband. The second challenge is connecting “the last mile” – the smallest villages where there are few Internet users and higher connection costs. The vast majority of villages in Poland without Internet access (99%) are those with a population of 100 or less (Janc and Silka, 2016). ESI funds support infrastructure investments to increase the coverage of fast broadband Internet, with a target of reaching 100% of households in 2023.

Government subsidies and tax incentives to expand and enhance digital infrastructure in rural and remote areas are critical to fill gaps in where private financing had not been attracted based on an assessment of likely returns (OECD, 2015c). Sweden has adopted a unique solution to enhancing rural local fibre networks. The “Fibre to the Farm” programme targets last-mile digital connections by offering a subsidy to farmers in order to establish their own connections to the main fibre network. Municipal co-operation between different villages and between rural municipalities close to cities can help to expand the digital network, as can community-based models of collaboration (see Box 2.17 for examples). National rural policies can promote such partnerships by structuring incentives for collaboration through digital infrastructure programmes.

Public services – Education, health and social services

Rural areas face particular barriers in terms of service delivery of all types – not just public services. Publicly provided services along with private and collective or joint services tend to be less prevalent in rural areas due to a lack of economies of scale; increased travel costs; higher communication costs; and poorer access to training, consultancy and other support services (OECD, 2010). Service delivery is particularly challenging in rural remote communities with dispersed settlement patterns; in communities where there is a large senior population which requires specific supports; and in areas where there is a combination of remoteness and persistent social problems (e.g. areas of former state farms). Rural areas require unique and flexible approaches to service delivery in order to best gear service needs to “place”.

Box 2.17. Deployment of fibre optical networks through collaborative approaches: Some OECD good practices

As an increasing amount of economic and social activity is undertaken over communication networks it becomes more challenging to be restricted to low-capacity broadband when living in some rural or remote areas. Given that most countries have regions that are sparsely populated, it raises the question of how to improve broadband access in these areas.

There is a growing “grass roots movement” in Sweden to extend optical network fibre coverage to rural villages. There are around 1 000 small village fibre networks in Sweden, in addition to the 190 municipal networks, which on average connect 150 households. These networks are primarily operated as co-operatives, in combination with public funding and connection fees paid by end-users. People in these communities also participate through volunteering their labour or equipment as well as rights of way in the case of the landowners. The incumbent telecommunication operator, as well as other companies, provides various toolkits and services for the deployment of village fibre networks in order to safeguard that these networks meet industry requirements. As the deployment cost per access in rural areas can be as much as four times what it cost in urban areas, such development may not attract commercial players and rely on such collaborative approaches. Aside from any public funding, Sweden’s experience suggests that village networks require local initiatives and commitment as well as leadership through the development of local broadband plans and strategies. They also require co-ordination with authorities to handle a variety of regulatory and legal issues and demand competence on how to build and maintain broadband networks. The most decisive factor is that people in these areas of Sweden are prepared to use their resources and contribute with several thousand hours of work to make a village network a reality.

In the United Kingdom, Community Broadband Scotland is engaging with remote and rural communities in order to support residents to develop their own community-led broadband solutions. Examples of ongoing projects include those in Ewes Valley (Dumfries and Galloway), Tomintoul and Glenlivet (Moray), which are inland mountain communities located within the Moray area of the Cairngorm National Park. Another example of a larger project can be found in Canada and the small Alberta town of Olds with a population of 8 500, which has built its own fibre network through the town’s non-profit economic development called O-net. The network is being deployed to all households in the town with a number of positive effects reported for the community.

Source: Mölleryd, B. (2015), “Development of high-speed networks and the role of municipal networks”, <http://dx.doi.org/10.1787/5jrjrdl7rvns3-en>.

This section focuses on core public services important to rural residents’ well-being, such as education, health and long-term care and social services. This is by no means an exhaustive list. Such services may be provided directly by the government or indirectly, wherein the government regulates the activity and finances in whole or in part. Since the political transformation in 1989, public services have been progressively decentralised, and in some cases outsourced to private (e.g. public utilities) and non-profit providers in Poland, often with mixed results (Kordasiewicz and Sadura, 2017). Table 2.8 outlines the distribution of local public service responsibly across levels of government, which highlights the important roles played by *gminas* and *powiats* in this regard.

Table 2.8. **Distribution of local public service responsibilities across government**

Cities with county status		Regions	Central government
Municipalities	Counties		
Spatial planning	County roads	Strategic planning	Motorways, express and national roads
Local roads	Secondary schools	Regional roads	Inter-regional railway
Local public transit (tram, bus, metro)	Special and art schools	Regional public transport (rail, coach)	Public universities
Water supply and sewage systems	General hospitals	Water management	Educational supervision
Waste collection and management	Social welfare housing	Higher vocational schools	Police
Nurseries	Personal social services	Teachers training	Fire protection
Kindergartens	Employment support	Special hospitals	National cultural institutions
Primary and middle schools	Local museums and theatres	Regional museums, theatres, libraries	National parks
Social assistance	Building permits	Landscape parks	
Local libraries	Car and driver registration		
Green areas	Consumer protection		
Sport and leisure facilities			

Source: adapted from: Mikula, Ł. and M. Walaszek (2016), “The evolution of local public service provision in Poland”.

Investing in people – Education and skills

Two critical changes have increased the importance of improving human capital in Poland. These are: the rapid pace of modernisation across all parts of the economy that demands workers with higher levels of formal education and strong technical skills; the other is the imminent decline in the size of the workforce that will require increased productivity from the remaining workers in order to maintain current levels of output. These changes will have a bigger impact on rural areas, because rural Poland is more exposed to external economies, which means it has to be competitive to be successful, and because the ongoing level of outmigration of young people from rural areas to urban ones is likely to continue.

While a territorial approach to development focuses on finding ways to improve places, a key part of the process is to improve the capabilities of people in these places. Investments in people can be justified on three grounds. The first is that society at large is improved if all the people in it have better knowledge and skills in the sense that a better educated and skilled society tends to be a more harmonious and inclusive. The second reason is that a key factor in enhancing the level of development is the presence of a well-skilled labour force – without this it is impossible to attract and retain firms that will improve levels of income and employment. The third reason is that even if people cannot find adequate employment in a place, there is greater opportunity for them to move somewhere else and obtain this employment if they have a strong set of skills.

Some aspects of education are established through national standards, while others are more specific to local conditions. In general, nations establish minimal levels of schooling and broad knowledge standards for basic education. In Poland a range of national exams, including a school leaving exam, provide a way to monitor performance. From the results of this exam it is clear that students in rural areas, on average, perform at a lower level than do urban students, but that there is considerable variability across rural Poland (Rosner and Stanny, 2017: 67-69). Students in rural areas can face multiple disadvantages relative to those in larger urban places. For example, it can be harder to attract good teachers; schools are smaller, making the range of course options more limited; students

have little or no choice in what school they attend; and some rural students can face long travel distances to school.

Similarly, providing technical training or skills is inevitably harder in rural areas. Local economies can only absorb a limited number of people with any skill, which means that training programmes are more expensive on a per person basis because economies of scale or size cannot be achieved. The mix of skills needed in a small rural labour market can change quite rapidly because there are few employers at any point in time, making some current skills unneeded and some other skills undersupplied. In many rural areas a structural barrier impedes employment options for relatively well-skilled women, in that only a limited number of positions that fit their skills exist. This can lead to either under-investment in education and training by women, or a high rate of youth outmigration by females who leave to take advantage of their investment in skills.

In Poland, a significant skill problem is associated with farm workers. This includes previous workers at state farms who had only limited formal education and a single job-specific skill that is no longer needed. While many of these individuals are now exiting the labour force as they age, relatively few have found a high-quality job in the intervening years since the state farms were closed. Moreover, many of their children are now in precisely the same situation, creating ongoing pockets of poverty and making it important to develop targeted intervention strategies to break the cycle. The condition of those living on small private farms is significantly better, but many of these individuals are under-employed in farming. In most farming-dependent communities, the returns from education were limited because there were few local employment options off the farm and because the farm itself was too small to require upgraded farming skills. Incentives to leave the farm and relocate were weak, in part because of low skills, but also because for many years national policies created incentives to remain in farming as a way to slow outmigration to urban areas.

Some of these problems are inherent to rural places. Others can be addressed through better public policies that are more sensitive to rural conditions and opportunities. Some countries have tried to provide financial incentives to young teachers to induce them to choose a rural school. Where the local tax base is low, supplemental funding may be useful to offset the higher costs of providing education. The Internet clearly offers the possibility of using non-traditional teaching methods that can be effective for a small number of students. In general, it is the case that those places that are providing employment and a reasonable quality of life also have a strong local education and training system. The direction of causality is not clear, but it probably runs in both directions. This means that local economic development and educational development have to be tackled together.

Public education – Primary and secondary schooling

Poland's education system is a shared responsibility of central and local authorities. There is a centrally developed national education policy and regions act to supervise and implement this policy. *Gminas* bear responsibility for running primary and lower secondary schools, while counties (*powiat*) run schools above the lower secondary level. Expenditure on educational institutions in Poland as a percentage of GDP (for all education levels combined) is below the OECD average; however, at the same time, Poland had one of the greatest increases in expenditure per student among OECD countries over the period 2005-12, indicating a catching-up trend (OECD, 2015d). Primary and lower secondary schools are funded through educational subsidies from the central budget and from a *gmina's* own-source revenues. *Gmina* local governments are

responsible for funding and delivering pre-school education from own-source revenues. Local and regional governments have a high degree of autonomy over how they wish to use the funds allocated to them by the national government and national funding allocations are based on a number of needs-based factors, including remoteness, which matters for rural areas.

Enhancing access to early childhood education in rural areas

Poland has adopted a number of family-friendly policies, including those that aim to increase the birth rate, such as the 500+ programme (a financial incentive for two and more children). It is important that these financial incentives for families are coupled with access to services, including early childhood education. Rural children are much less likely to participate in early childhood education than their urban counterparts. For example, in the 2016/17 school year, only 61.6% of children aged three to five took part in kindergarten classes in rural areas versus 95.3% in urban ones (CSO, 2017). There have been gains in recent years in terms of the number of kindergartens in rural areas and further strengthening and expending this system is an important strategy to support female labour force participation. The national government has made access to pre-school education a policy priority and financial resources under the European Social Fund are used to support this agenda.

Managing schools amidst population decline

Demographic changes (low birth rates and outmigration) are challenging schools, and local and regional authorities in Poland to maintain existing infrastructure and resources. Between 2003 and 2011, local authorities closed 1 424 rural schools and the number of rural primary schools fell by 9.3% (Polish Rural Areas, 2014). While the number of students has decreased substantially in the past decade, there has not been a proportional decrease in teachers due to labour protections under the “Teacher’s Charter” Act. This led to higher costs for many schools which were difficult to cover with the existing funding envelope. As a strategy to maintain rural schools, local associations have taken over their administration from the *gmina* in some cases (leading to a different type of teacher labour contract).⁶¹ Rural *gminas* are interested in adopting more flexible and smaller scale forms of service delivery themselves, such as small day care centres for children. However, they often encounter regulatory barriers to doing so such as sanitary and public safety regulations that are geared to larger buildings.

Local governments need consistency in their operating environments in order to adequately plan for the future. They need stability in laws and regulations. A new national educational reform to the system of primary and secondary schools places significant infrastructure costs on rural *gminas* without any additional funding. As of 1 September 2017, students will attend eight years of primary school and four years of secondary school (or five years of vocational school) and middle school enrolments will be phased out.⁶² It is anticipated that middle schools will stop enrolling new students in 2017 and will be phased out entirely in 2019. Local governments will need to bear the costs of new infrastructure requirements and there are concerns that it will lead to job losses for teachers. The reform also replaces general vocational schools with a two-tier system closely linked to the national qualifications framework.

As another example, rural municipalities report policy changes related to the structure of significance factors in education subventions as leading to unpredictable funding. For example, the significance factors have changed in recent years from having larger funding

allocations for small schools (of less than 70 students), while previous government policies favoured merging schools. A particular concern for rural *gminas* is the timeframe for determining educational subventions on a year-to-year basis. More upfront communications on these changes will help communities better plan.

Vocational education and training

Vocational education serves a critical role in rural development by preparing young adults and adults for professional vocations and trades. Education policy is formulated and implemented centrally by the Ministry of National Education in co-operation with ministers from other branches supervising vocational schools, such as the MARD in the case of agricultural schools. There are two national consultation bodies – the Tripartite Commission on Socioeconomic Issues and the Central Employment Board – with representatives from employers’ organisations, trade unions and local government representatives and others. The management of upper-secondary education, including vocational education, is the responsibility of *powiats* in Poland with the exception of some agricultural schools that are managed directly by the MARD. The MARD presently runs 45 agricultural schools, with around 12 000 students enrolled. *Powiats* also manage practical and continuing education centres. At the post-secondary level, vocational training is often provided by specialised trade or technical schools and community colleges. Rural youth and adults have higher rates of participation in vocational education than their urban counterparts in Poland (CSO, 2014).

The OECD has noted that the Polish education system does not respond sufficiently to labour market needs, contributing to lower productivity and wages (OECD, 2016c). Vocational schools create over-supply in some professions, for which unemployment and inactivity rates are high (Górniak, 2014), and shortages in others, including in transport and storage (Lis and Miazga, 2014). The government has taken action to make Polish graduates more versatile and the education system more responsive, yet, despite improvements, 35% of students at basic vocational schools still obtain their practical training in workshops dedicated exclusively to educational purposes, rather than in the workplace (OECD, 2016c). Encouraging employers to offer greater practical training, in particular small firms through their craft associations, would help align vocational education more with labour market needs and address employers’ complaints that graduates lack job-specific skills and experience (OECD, 2016c).

The Ministry of Development together with the MARD enable farmers to be trained in non-agricultural skills under the ESF 2014-20 scheme, but only if they are registered as unemployed, which limits the availability of this training. In order to support the diversification of the rural economy, the government should recognise farmers’ vocational skills/qualifications in non-agricultural professions within the vocational recognition system.

Recent reforms to continuing vocational education should make it easier for adults to obtain new qualifications. Rather than attending full-time vocational schools, adults can now obtain new qualifications by attending shorter, often part-time and modular courses, or by confirming practical work experience. These are important reforms and could be complemented by more diverse education providers and pathways beyond upper-secondary vocational programmes and could be supported by active labour market policies (Boxes 2.18 and 2.19).

Box 2.18. Mechanisms for flexible and adaptive vocational education and training

Public funding for diverse education providers

Restrictions on public providers mean that adults seeking part-time and modular provision receive little public support. A public purchasing system would allow government to “buy” priority courses from the market – public or private. The government could enforce high-quality standards as an informed buyer of education services and guarantee value for money. This would clearly involve toughened quality assurance for the private sector. If bidding parameters are set right, competition among providers could provide incentives for quality and cost-effectiveness, while allowing for student choice between courses. This would allow public authorities to “buy” provision in a form suitable for adults through the private sector. Implementing such a system would clearly have to be handled carefully, recognising the risks that in education markets where quality is not transparent and insufficiently regulated, price competition may also drive down quality. For example, in Switzerland, each canton determines its own priorities for funding post-secondary professional education and training (i.e. which courses are funded) typically reflecting local economic structure, but delivery is left mainly to the market, allowing public as well as private providers to compete under the same conditions (Fazekas and Field, 2013).

Pathways beyond upper-secondary vocational programmes

Upper-secondary vocational tracks in some countries can be dead ends, with few opportunities for further upskilling – both a waste of potential for those held back and a threat to the status of the entire vocational track, since able students will not choose a vocational track that locks them out of further education opportunities. When students choose among different vocational and academic tracks, future upskilling opportunities influence their decision (Ordovensky, 1995). So a clear route of upward mobility is essential to a high status vocational track. Across OECD countries, vocational education and training (VET) systems face the challenge of ensuring that graduates of the initial VET system have access to further learning opportunities. Such opportunities are desirable because growing technological complexity is increasing the demand for higher level skills, because students themselves are aspiring to higher level qualifications and because the absence of such opportunities tends to leave initial VET pathways as low status dead ends. There is evidence that students are more willing to pursue shorter VET programmes if they know that such programmes offer a route to more advanced studies (Dunkel and Le Mouillour, 2009).

In different countries graduates of upper-secondary vocational programmes often pursue two sorts of upskilling – first higher level or more specialised professional training, such as the master craftsman qualifications often offered to qualified apprentices and linked to the ability to run a small business and manage staff; second, more academic qualifications at bachelors or masters level that may open up different or wider career opportunities. While it is not realistic or necessarily desirable to imagine that a large proportion of initial VET graduates will enter academic tertiary education, the steady increase in the level of skills required in modern labour markets implies that efforts should be made to open up tertiary institutions to the greatest extent possible.

Sources: Fazekas, M. and I. Litjens (2014), *A Skills beyond School Review of the Netherlands*, <http://dx.doi.org/10.1787/9789264221840-en>; Fazekas, M. and S. Field (2013), *A Skills beyond School Review of Germany*, <http://dx.doi.org/10.1787/9789264202146-en>; Kuczera, M. and S. Field (2013), *A Skills beyond School Review of the United States*, <http://dx.doi.org/10.1787/9789264202153-en>; Field, S. et al. (2012), *A Skills beyond School Review of Denmark*, <http://dx.doi.org/10.1787/9789264173668-en>; Ordovensky, J.F. (1995), “Effects of institutional attributes on enrolment choice: Implications for post-secondary vocational education”, [https://doi.org/10.1016/0272-7757\(95\)00013-A](https://doi.org/10.1016/0272-7757(95)00013-A); Dunkel, T. and I. Le Mouillour (2009), “Through the looking-glass: Diversification and differentiation in vocational education and training and higher education”.

Box 2.19. Active labour market policy

Active labour market policy (ALMP) is a mechanism to improve outcomes for both unemployed workers and firms looking for new employees. The main focus is to improve the matching process (market function) in a job market through three activities. The first is to develop workforce training programmes that provide workers with new or improved skills that are in short supply. The second is to increase the demand for workers by providing support to employers to increase hiring through: wage subsidies or investments that lead to new job creation, encouraging new entrepreneurs or by providing temporary public sector employment. The third function is to improve the matching process by improving job-search mechanisms. ALMP is seen as being important when unemployment is structural, that is, it is due to a fundamental shift in the labour market that has altered the number and types of jobs in ways that no longer match current worker skills. ALMP policies are usually introduced and managed by national governments in periods of high unemployment when simple passive income replacement programmes are not felt to be effective.

For rural areas, where local labour markets are small, specialised and fragmented, the issues of structural unemployment are endemic. In these areas there are often major issues in terms of: many of the available workers having skills that have been made redundant either by technological change or the lack of competitiveness of former large employers, firms not being willing to take on new workers due to rigid employment contracts that make it hard to lay workers off, or the perception that opportunities for firm growth are limited, and poorly functioning labour markets, where individuals do not know what jobs are open and firms do not know where the workers with the skills they need can be found. All of these are the core reasons ALMP was developed. The underlying basis for ALMP is essentially the idea that the local labour market is failing because the structure of the local economy has changed for the worse. This is also the motivation for a region to undertake economic development strategies to improve its economic situation. This means that there is a clear connection between local economic development strategies and ALMP. Moreover, improving employment conditions, in terms of the number of jobs, employment participation rates and wage levels, is a fundamental objective of both ALMP and most local economic development strategies.

In practice, ALMP has had mixed success. Most national evaluations find at best limited positive effects (Card, Kluge and Weber, 2010). In particular, subsidised employment is mainly seen as being ineffective, while support for targeted training and job search is more useful. For low-density areas, the main idea is that efforts to improve labour market outcomes should not focus on short-term boosts to employment from public sector job creation. Instead, it is important to strengthen local private sector firms so they can absorb more workers, provide local workers with training programmes that are appropriate for the structure of the local economy and establish local job matching services that help connect those seeking work with available openings. These approaches are both effective ALMP actions and effective local economic development strategies.

Source: OECD (2017e), *OECD Territorial Reviews: Northern Sparsely Populated Areas*, <http://dx.doi.org/10.1787/9789264268234-en>; Card, D., J. Kluge and A. Weber (2010), “Active labour market policy evaluations: A meta-analysis”, <http://dx.doi.org/10.3386/w16173>.

Healthcare delivery in rural Poland

Healthcare in Poland is delivered through the publicly funded National Health Fund for eligible insured persons – e.g. employees, the self-employed, the unemployed receiving benefits, retired persons, disabled persons, farmers, the unemployed who do not receive benefits, people on leave to raise young children and soldiers, resulting in a system that has wide coverage. The National Health Fund covers the cost of medical

services while local governments are responsible for the everyday operational costs of hospital facilities (gas, electricity, water), the maintenance of buildings, repairs and renovations, and investments in medical equipment. Despite the public system, individual out-of-pocket expenditures account for a large share of pharmaceutical spending, and spending on specialist medical services (Boulhol et al., 2012). For lower income individuals, this can create a barrier to the accessibility of such services.

In sparsely populated rural areas, health services are usually provided by one general practitioner and a nurse. Some areas only have branches of public healthcare centres, where services are only provided for few hours per day. While rural areas in general have more limited access to healthcare services (especially hospitals which tend to be located in cities), these travel inconveniences are compensated by short waiting lists and access to consultation with a doctor (including healthcare and nursing care at home as well as phone contact with a doctor).⁶³ Rural residents also self-report a lower rate of personal health conditions, such as long-lasting health problems or health and physical activity limitations.

Health service co-ordination and preventative community-based care

Health services in Poland are delivered by multiple stakeholders and as such, a need for efficient co-ordination and sharing of responsibilities. While occupational health services are under the responsibility of Poland's Ministry of Family, Labour and Social Policy, general health services are partly the responsibility of the Ministry of Health and partly that of the local authorities. Meeting the health challenge represented by population ageing is one of the themes of both the National Development Strategy (adopted in 2012) and the Human Capital Development Strategy. Key objectives across these strategies include: increasing access to high-quality health services; helping people develop healthy lifestyles; reducing the incidence of accidents; placing more focus on rehabilitation; and improving support to people with mental disorders and chronic mental illnesses. This requires a multifaceted approach across a range of stakeholders and in rural communities; where there are fewer services, voluntary/non-profit sector and social enterprises can play an important role. Many of the aforementioned objectives in Poland are supported by the European Social Fund.

One of the key issues for Poland to address is helping seniors stay healthier longer and to “age in place” (e.g. supporting older adults to live independently). Prevention is an important tool for health improvement and can help reduce the incidence of lifestyle- and work-related diseases. But in Poland, curative activities predominate (Boulhol et al., 2012). In rural areas, community-based care models can help to tackle the multiple dimensional aspects of health. For example, in the Netherlands, neighbourhood care models have been created to deliver care in the home, in conjunction with the patient's general practitioner (i.e. the Buurtzorg model). Self-managed nursing teams provide domestic help, child care, palliative care, psychiatric home care, temporary residential care (e.g. post-surgery) and maternity care. It is found that this form of client-centred care is costlier per hour, but requires fewer hours of intervention (thus reduced cost overall) and has led to improve quality of care and higher employee satisfaction (Gray, Sarnak and Burgers, 2015). This type of flexible home-based model could prove useful in rural areas of Poland where mobility presents a barrier to service accessibility for seniors.

Improving support for family carers and creating age-friendly communities

Long-term care services in Poland are provided both within the healthcare system and within the social assistance system. Residential facilities within social assistance systems are run and financed by local governments while the cost of an individual's stay in such facilities is financed by the individual, their family and/or by local government. Apart from residential long-term care services, the social assistance system offers also wide range of semi-residential and community care – e.g. family care homes (*rodzinne domy pomocy*), supervised dwellings (*mieszkania chronione*), community self-help centres (*środowiskowe domy samopomocy*), as well as care services and specialised care services provided at the person's place of living (in their own homes).

Compared to OECD countries, Poland has very low rates of long-term care and individuals disproportionality rely on families for caregiving; family caregivers are disproportionately female (Colombo et al., 2011). With elder dependency ratios increasing across rural Poland, family carers will face increased pressure to balance the demands of raising a family while working and providing elder care. In recognition of the important role played by family carers, many OECD countries have implemented policies that directly or indirectly support them – e.g. cash and in-kind services (e.g. respite care), or initiatives to reconcile work and care (e.g. flexible work arrangements). Support networks have found to be important in order to help reduce the burnout of family carers. For example, “Caring for Carers” in Ireland developed a comprehensive network of support institutions for carers, which offers 13 skills training courses called “Caring in the Home”. The Netherlands uses a preventive counselling and support approach (*Preventieve Ondersteuning Matelzorgers*), wherein, once enrolled in national care plans, individuals are contacted by trained social workers who carry out house visits (OECD, 2011).

Rural communities in Poland are increasingly interested in tackling the multidimensional aspects of health and well-being which includes opportunities to be active and mobile into older age and opportunities for social engagement to reduce risk of isolation. In interviews, rural *gminas* expressed an interest in doing more in this area, including an interest in multi-generational housing. Policies to support aging in place can help communities achieve this. Canada has supported such an initiative by creating a guide for rural and remote communities to support healthy aging across a range of areas – the design of outdoor spaces and building, transportation, housing, and social policies including and health services (PHAC, 2006). This guide helps communities adopt best practices and has been supported by dedicated funding for age-friendly community initiatives in most Canadian provinces.

Delivering social services in rural communities

Rural areas in Poland face a wide range of social issues and often have a more limited array of supports with which to address them by sheer virtue of their smaller size. Poland's system of social assistance targets support to those living in poverty, those experiencing homelessness, unemployed persons, those living with a disability or prolonged illness, and other vulnerable individuals.⁶⁴ These supports generally entail a mix of cash benefits, integration services, care services, shelter and purpose-based benefits where appropriate. The national government (Ministry of Family, Labour and Social Policy) sets the overarching regulations and defines service standards and *voivodes* assess conditions and standards at the local level. It is at the regional, *powiat* and *gmina* levels that these services are delivered to individuals in co-operation with foundations, church groups and others. *Gminas* run social assistance centres; *powiats* run centres for

family support, and regions and *voivodeships* run regional social policy centres. NGOs play an important role in delivering social assistance and run a range of support centres (e.g. day-care homes).

One of the major social service-related challenges for rural areas is how to address areas in economic decline where residents experience persistent multi-generational poverty. This challenge is faced in parts of Zachodniopomorskie, for example, where there are deprived zones with concentrated social issues including weaker social ties and higher rates of violence and alcohol abuse. These issues are further cemented where there is poorer service accessibility – e.g. long travel times for pupils to reach schools. The Zachodniopomorskie Regional Center for Social Policy has developed a classification of *gminas* according to social issues in order to target social support where it is needed the most and has established special inclusion zones and a revitalisation strategy for marginalised areas. This is a good example of how the social sector can target support to place. The centre sees service accessibility as one of the key challenges to tackle social issues and has expressed an interest in developing village schools (a smaller scale, more flexible educational model) and a mobile healthcare unit, but has not as yet been able to implement these ideas for lack of funds and resources. The centre reports a marked improvement in social conditions in areas that have successfully implemented projects with EU funds.

The challenge of providing social services to the areas for former state farms

One of the most persistently challenging issues is how to provide social support to residents in areas of former state-owned farms. These areas located in north-western Poland experience the highest rates of poverty along with the so-called “Eastern Wall” and rural areas in central Poland where land is fragmented and there is a lack of industry and financial capital (Tarkowska, 2008). The population of these areas tends to have lower rates of educational attainment and poorer literacy and numeracy and are not landowners or property owners. Many young people have left these communities and there is a larger share of elderly and hence, high dependency ratios. The areas of former state farms are generally located at a distance from public services (e.g. schools, hospitals) and where there is a weak labour market.⁶⁵ The types of labour activation supports that have been successful in other rural areas tend not to work well in these conditions and the prospects of a social co-operative model to generate self-employment are also limited.

Establishing functional areas where smaller *gminas* co-operate with each other and with the support of the regional and central government (Ministry of Labour) has been one strategy employed in order to help attract investment to these areas, develop transport networks, enhance services and provide vocational education. Zachodniopomorskie is one of the *voivodeships* in Poland with a large number of former state farms which has employed such a strategy. There are an estimated 200 000 individuals living in these areas in the *voivodeship*. The region is presently conducting a pilot project with 18 *gminas* in order to conduct local revitalisation projects (Box 2.20). It is too early to assess the outcomes of this pilot; however, it is a promising approach. Inter-municipal co-operation together with strong support from both the regional and national government are critical in order to tackle the multiple complex challenges facing these communities and their residents. It is important to recognise that the *gminas* in these areas may have much more limited capacity to identify investment priorities, attract funds, collaborate with other local actors, and deliver services and infrastructure. Given this, a closer relationship between governmental actors at all levels is needed, including allocated co-ordination at the regional and national level that can provide targeted support.

Box 2.20. The revitalisation of former state-owned farm communities in Zachodniopomorskie

State-owned agricultural holdings formed the basis of the agricultural economy in Zachodniopomorskie until the early 1990s, until their liquidation in 1991. On a national scale, this meant that 400 000 employees lost their jobs, which together with their families accounted for around 2 million people. The population lived in about 300 000 apartments, located in the area of 6 000 special settlements that set the framework for the existence of state farm employees. The specific micro-world, artificially maintained for decades, broke in a day. Former employees were granted a severance payment and land and apartments were purchased on a preferential basis. Yet, this was not enough to prepare many of these inhabitants for the new economic reality. The socio-economic costs of this decision are felt in many environments today, 25 years after the liquidation of state-owned farms.

In Zachodniopomorskie, out of 1 762 statistical units that are not cities, almost half are so-called post-state farms. In over 45% of former state farms there is an accumulation of social problems; every fifth municipality in Zachodniopomorskie is a post-federal village characterised by the compilation of social problems. Earlier attempts to stimulate the development of former state farms undertaken as part of the programmes of the Agency for Restructuring and Modernization of Agriculture as well as by local self-governments or non-governmental organisations have not brought the expected systemic change. These areas remain characterised by the variety of social and economic problems. This generates low development indexes in areas where state-owned farms prevailed, such as: a low level of education and health conditions of inhabitants, a low participation rate in culture, a high unemployment rate (excluding subregional capitals of the *voivodeship*), or professional and social inactivity. This makes it difficult to pursue an active policy for equalising interregional disparities and social cohesion.

In an effort to address these challenges, Zachodniopomorskie created special inclusion zones – a spatial definition which indicates the types and scale of challenges facing *gminas* in these areas. On this basis, the region's authorities have planned to launch an intervention tailored to the real needs of these localities. The special inclusion zone is therefore the receiver of spatially and thematically focused strategic actions co-financed by the Regional Operational Program of the West Pomeranian Voivodeship 2014-2020 in order to overcome barriers and at the same time to awaken and develop previously dormant capital.

One of the effects of regional operational programme support is a project strengthening the potential of local communities in revitalised areas, which included problem-oriented post-state farms. As part of this programme, 18 municipalities were provided a comprehensive support path including preliminary animation (diagnosis), local animation (stimulation), in-depth animation – inclusion (implementation and programming) and advisory support. An individualised approach to each municipality has enabled the inclusion of 720 inhabitants in a multi-stage process of creating a local revitalisation programme. These efforts focus on improving the quality of life for residents and in facilitating bottom-up, community-driven development and social change. Local revitalisation programmes can obtain financing from the regional operational programme, both for investment activities and strengthening the social and professional activity of the inhabitants. Persons classified as inactive receive support enabling them to return to the labor market. At every stage, residents are actively engaged in dialogue and action.

Source: Own elaboration.

Social workers in the areas of former state farms speak about a culture of “learned helplessness” and, as such, have found that programmes focused on rebuilding the self-esteem of younger people and also family mediation services can have a positive

impact. In their estimation, there are too few such programmes and they are not tied into the formal school system. In Zachodniopomorskie, the regional government commissioned NGOs in a number of *powiats* in 2015-16 to develop a family academy which provided assistance to families in order to help prevent social breakdown (e.g. children being removed from families for negligence). Another initiative is parent cafés – this is a community hall in villages where there is a large share of single mothers. Meetings are organised with dietary and legal assistance to support those facing domestic violence. This project was deemed successful and the social connections endured once the project ended.

Given the persistence of social issues in these areas, a range of supports are needed that are geared to place and much depends upon changing local attitudes. For example, accessibility is a major challenge for these areas and yet it is reported that when one *gmina* in Zachodniopomorskie set up a bus service to help people access employment opportunities, it was little used. Community embedded supports are needed to help shift attitudes and promote local leadership and this is a role best played by bottom-up development. At present, ESF funds are used at the regional level to provide services to residents; however, local governments should play a greater role in providing community-based supports in tandem with training and support.

Many countries struggle with how to address areas that have persistent multi-generational poverty. Canada has adopted an approach that may be of interest to Poland through its Community Employment and Innovation Project (Box 2.21). In exchange for foregoing employment insurance or social assistance benefits, project participants were offered wages to work on community projects for up to three years, giving them a significant period of stable income as well as an opportunity to gain work experience, acquire new skills and expand their network of contacts.

Enhancing service accessibility

Consolidation and collocation of services

Poland is not alone in facing the tandem trends of population aging and shrinking – many rural communities across the OECD are grappling with similar trends. It is a real challenge to maintain high-quality accessible public services that are adapted to changing demographic contexts amidst reduced public finances. One of the key strategies to address this issue is the consolidation of services. In 2016, Poland’s Act on Local Government was amended so that local authorities could create so-called shared service centres. Under this framework, schools, kindergartens and social welfare centres in one *gmina* can share common accounting, information technology services, human resource systems and so on. Such local service centres also enable one *gmina* to act as a co-lead for others. For example, it enables the adoption of one accounting service for schools and kindergartens across several *gminas*. This is a very new mechanism for shared service delivery and, as such, cannot yet be assessed. However, in general, it makes a great deal of sense and has the potential to reduce costs.

Beyond the consolidation of some aspects of service delivery, a strategy for their collocation should also be considered where appropriate. Collocation of services can reduce basic overhead costs – energy, security and administrative expenses – and similar or substitute services can be combined into a single entity. Governments across the OECD are increasingly realising policy complementarities by concentrating service delivery. This often includes administrative services, healthcare, shopping and so on, in specific places

with transport networks organised so as to make them as accessible as possible to the rural population of the surrounding areas. Some examples are Japan’s “small stations initiative” and France’s *Maisons de service au public* (Box 2.22). They can vary in scale: some are quite basic and limited to essential functions, while others, where population and resources permit, come to act as local centres of innovation, playing a role in supporting efforts to bridge primary, secondary and tertiary activities in rural areas and in promoting renewable energy generation. In some communities, the proximity of these services can help them be more integrated with one another, as practitioners have more opportunities to interact and learn about each other’s work – including across levels of government.

Box 2.21. Encouraging work and supporting communities: Canada’s Community Employment Innovation Project

There are still regions in Canada where the unemployment rate exceeds twice the national average. Job-seekers in these communities run the risk of experiencing unemployment for a long period of time. For these unemployed workers, the Employment Insurance (EI) system offers temporary relief but when jobs are scarce and the local economy lacks diversity, job-seekers often end up exhausting their benefits and having to rely on income assistance. Extending the period of EI benefits is not a viable solution as individuals experiencing long periods of unemployment run the risk of seeing their skills deteriorate, and their employability being reduced. The longer they rely on government income transfers, the more difficult it becomes to find a job. What should governments do then to help these workers and communities? This issue prompted Human Resources and Social Development Canada to conceive the Community Employment Innovation Project (CEIP) — a long-term research and demonstration project that is testing a form of income transfer payment for the unemployed in areas of chronic high unemployment.

The CEIP is an active re-employment strategy which takes the form of a “community wage” paid to unemployed individuals who volunteer to work on locally developed community-based projects. Beyond fulfilling the need for immediate employment, the CEIP hopes to influence participants’ longer term employability by helping them preserve and possibly improve their human and social capital. At the same time, the CEIP aims to facilitate community development by supporting the “third sector” and encouraging activities that are meaningful for both the participant and the community. Although the CEIP represented a promising approach, there was considerable uncertainty about how it would actually work. Its effectiveness was unproven, as various forms of job creation programming had been tried, but few had been carefully evaluated. The CEIP was implemented in the Cape Breton Regional Municipality in Nova Scotia in 1999. Industrial Cape Breton is one such area where the closure of the coal mines and a declining steel industry have resulted in double-digit unemployment rates over a decade, even during a period when the national economy has been thriving.

The evaluation of the CEIP found that during the eligibility period, the programme led to substantially higher rates of full-time work, increased employment duration, and a larger number of jobs held, often in higher skilled positions, thereby providing more substantial and varied work experience. It was also found that the programme increased household income substantially, reducing poverty and improving well-being during the programme, while imposing no significant hardship at the end of eligibility. The uptake of the CEIP by project participants was higher for those on Income Assistance than Employment Insurance benefits due to the higher benefits associated with the latter.

Source: Gyarmati, D. et al. (2008), “Encouraging work and supporting communities: Final results of the Community Employment Innovation Project”, www.srdc.org/media/8508/CEIP_finalrpt_ENG.pdf.

Box 2.22. Maintaining service delivery amidst population decline: Examples from Japan and France

Japan’s compact and networked approach and “small stations” initiative

In Japan, the need for innovative and cost-effective service delivery is driven in large part by demographics. The country has both an ageing population and overall population decline. Based on current projections, the government anticipates that Japan’s population will fall by about 22-23% between 2010 and 2050, with the elderly (ages 65+) share of the population standing at roughly 40% at the end of the period. To meet these challenges, Japan’s National Spatial Strategy has adopted a vision based on “compact” and “networked” cities and villages.

In order to ensure effective service delivery, the settlement of Japan should become more compact. At a national scale, the National Spatial Strategy acknowledges that some areas will become effectively depopulated, though it seeks to sustain a broad settlement pattern throughout the national territory. At smaller scales, the policy addresses the restructuring of urban and rural settlements that will be needed to maintain their cohesion and the efficiency of service delivery. A Japan in which cities and towns are shrinking will also need to be networked: improved connectivity will be critical to maximising the potential economic benefits of agglomeration. Better connectivity among towns and cities, as well as within them, is meant to offset to some extent the loss of agglomeration potential that will occur as a result of a shrinking population (and, even more, as a result of a shrinking workforce). This applies to both transport and communications connectivity. Better networking of people and firms should help encourage innovation and the exchange of ideas as well as goods and services.

These concepts – “compact” and “networked” – are to be applied differently at different scales and in different circumstances. In smaller towns and rural areas the emphasis is on creating basic service-delivery hubs that will help sustain rural communities around small, multifunctional cores (the so-called “small stations”). Networking will entail improved connections between very small hamlets and nearby service hubs (small stations). These “small stations” will concentrate basic service delivery, including administrative services, healthcare, shopping and so on, in specific places with transport networks organised so as to make them as accessible as possible to the rural population of the surrounding areas. These, too, are to vary with scale: some will be quite basic and limited to essential functions, while others, where population and resources permit, may come to act as local centres of innovation, playing a role in supporting efforts to bridge primary, secondary and tertiary activities in rural areas and in promoting renewable energy generation. These and similar initiatives are intended to promote a degree of de-urbanisation, in an effort to deconcentrate the economy and the settlement pattern and help revive rural areas and non-metropolitan regions. Indeed, promoting migration to rural areas is an explicit aim of the National Spatial Strategy, as well as a central priority for the government’s new Headquarters for Overcoming Population Decline and Revitalising Local Economies.

The creation and maintenance of small stations will largely be left to prefectures and local authorities, although the funds involved will often come from the central government. This is clearly an area where prefectures can play a central role: the ministries in Tokyo lack the local knowledge and information needed to plan the location of small stations, but leaving it to municipalities alone risks triggering a race to invest public funds into too many small stations in an effort to stem local population decline. Even the prefectures may be inclined to over-supply them, though. For example, Kochi prefecture, on the south coast of the island of Shikoku, plans to create 130 small stations over the next decade. This implies a catchment area for each small station of about 54 km², meaning that one would never be more than 4-5 kilometres from a small station. On a nationwide basis, this would imply the construction of around 7 000 small stations.

**Box 2.22. Maintaining service delivery amidst population decline:
Examples from Japan and France (continued)**

France's *Maisons de service au public*

Japan's small stations initiative is similar to approaches to service provision undertaken in some other OECD countries, such as France's *Maisons de service au public*. France's "one-stop shop" for citizens offers access to such public services as post offices, public transport ticketing, energy utilities, unemployment insurance and welfare services (pensions, family allowances, health insurance, etc.). The purpose of the "*maisons*" initiative is to guarantee public service delivery in low-density or isolated territories by sharing costs and employees as far as possible. For technical and statutory reasons, the sharing of employees has proved more complex than the sharing of costs or premises. The "*maisons*" are usually financed by local authorities (50%), public operators (25%) and the national government (25%). Beyond subsidising them, the French government plays an important role in promoting this policy, harmonising the services provided and giving them a common label. It has also set up a partnership with the French postal service, La Poste, to transform some post offices with low activity (mainly in rural or mountainous territories) into *Maisons de services au public* in order to make them more profitable and to avoid financing specific buildings. In March 2015, the government's Interministerial Committee for Rural Development set a goal of increasing the number of "*maisons*" threefold, up to 1 000, by the end of 2016, in accordance with the departmental schemes for the accessibility of public services that are enshrined in legislation for a new territorial organisation of the French Republic adopted in the summer of 2015.

This initiative is similar to those observed in places like Australia (rural transaction centres) and Finland (citizen service offices), to name but two others. These and other one-stop shops can cut provider costs and increase access by rural dwellers to necessary services. The range of services offered by one-stop shops in OECD countries can include anything from education, childcare, government information, referrals and advice, health and elderly care, social support services (rehabilitation and housing support), to cultural and recreational activities. Driven largely by community need and involvement, these "all-purpose" service centres are expected to continue to grow in rural areas because they allow governments to provide rural services on the basis of cost-efficiency (OECD, 2010). Japan's small station initiative looks in some ways even more ambitious than one-stop shops found in most other OECD countries, since small stations are to play a role in concentrating the delivery of private as well as public services, in reshaping the settlement pattern over time and in some cases acting as centres of innovation.

Sources: OECD (2016g), *OECD Territorial Reviews: Japan 2016*, <http://dx.doi.org/10.1787/9789264250543-en>; CGET (2016), *Maisons de services au public*, www.cget.gouv.fr/maisons-de-services-public; OECD (2010), *Strategies to Improve Rural Service Delivery*, <http://dx.doi.org/10.1787/9789264083967-en>.

Flexible public transport

Service delivery is linked to accessibility, which can present a real challenge in rural areas due longer distances and hence higher costs – e.g. transportation services for children to attend school. The budgets of lower income *gminas* (e.g. traditionally agricultural municipalities with lack of non-agricultural businesses, and often more remotely located municipalities) have difficulties financing such services while wealthier suburban municipalities are more able provide public services of a high standard, as they can afford to subsidy these tasks from their own budgets. The main problem of rural areas, in the context of accessibility to services located outside the municipality (local and regional towns), is the instability and uncertainty of public transportation connections that induces individual forms of transport (e.g. private cars). There is increasing interest in flexible

and demand-responsive transport services such as taxis. These approaches can, however, be difficult to implement and more could be done to help communities assess the conditions required to make such flexible transport services successful (Velaga, 2012).

For rural areas close to cities, co-ordination of public transport policy has proven problematic. For example, Poznań, the capital city of Wielkopolska *voivodeship*, has a clear need for co-operation between the neighbouring municipalities to deliver effective public transport within the functional urban area, yet in practice, reaching agreement has proven difficult due to contradictory interests and lack of institutionalised mechanisms for inter-municipal co-operation (OECD, 2016d). To overcome such barriers, actors have to engage in *ad hoc* and unofficial consultations to avoid conflicts and overlaps. Local governments need stronger financial incentives and legal institutional frameworks to encourage rural-urban partnerships (see Chapter 3 for further discussion). Despite challenges, there are positive examples of communities that have been able to develop co-ordinated approaches to public transport, such as the town of Środa Wielkopolska (near the regional capital of Poznań, Wielkopolskie), which provides a free bus service linking the town to its surrounding rural communities.

The potential of e-services

Digital infrastructure has been greatly enhanced in rural Poland in recent years (as noted in the previous section on infrastructure). The expansion of ICT networks opens up the potential of e-services to help overcome the disadvantages of remoteness. While Poland has greatly enhanced e-services in some areas, such as business services, other aspects remain underused, such as e-health. While telemedicine could be a cost-effective strategy to increase access to health services for rural residents, such services are uncommon and there are concerns that just 40% of the Polish seniors surveyed declared a willingness to use telemedical services (Buliński and Błachnio, 2017). Lower rates of use make investments in such services less economical.

Expansion of e-health services in Poland would need to be combined with public education and training programmes to promote their use. Portugal has adopted a novel approach to enhance e-literacy; its “Net on Wheels” project uses vans equipped with notebook computers to provide access to the Internet and professional training.

Aligning rural policies for integrated development

The preceding sections have detailed the wide range of policy interventions and supports that have led to improved social and economic conditions in much of rural Poland over the past two decades. Rural Poland demonstrates a lot of potential and there are many examples of dynamic communities that offer a high quality of life to their residents. But in too many places, this potential has yet to be unlocked. Inequalities remain and the modernisation of agriculture has proceeded slowly. Far too many rural dwellers live in poverty and as the aging of the population intensifies, many risk being further marginalised. A shrinking working-age population means that Poland needs to make the most of all of its labour force and in rural areas, where labour is underutilised (e.g. hidden unemployment in agriculture). The preceding sections have pointed to a number of recommendations to improve rural policy, from the need to tackle the reform of the farmers’ social insurance system to more effective land-use management and the need for a consistent regulatory framework to support investment.

One of the key issues that multiple actors have remarked on is the need to better align regional development and rural development programmes. It is hard to find the right framework for European policy and to make Cohesion Policy more targeted for rural areas. On the other hand, the Ministry of Agriculture and Rural Development's main focus is on agriculture, with less of a focus on economic diversification. Regions have a great deal of interest in making the two funds complementary to one another; there is, for example, an interest in having functionally connected areas co-operate with one another to undertake joint investments and pool resources. But both the governance frameworks and instruments to encourage this are deemed weak by the actors involved. Furthermore, subnational governments find the rural development fund too centralised and would like to see the local scope for action increased. This pertains also to the community level – LAGs report a lack of trust and excessive reporting requirements. Programmes like LEADER demonstrate the importance of having social development alongside economic development. And yet, social funds tend to be siloed by target area, e.g. there are different funds for rural versus urban children. All of these issues present a barrier to developing more integrated strategies.

Governments need to look for the best mix of bottom-up and top-down measures in order to tackle structural disadvantage. It is found, for instance, that EU regional policy is maximised when its expenditure is complemented by rural development funds within the Common Agricultural Policy (Crescenzi and Giua, 2014). The top-down funding of the CAP concentrates some benefits in the most deprived areas and conversely, only the most dynamic rural areas are capable of leveraging the bottom-up measures of the EU Rural Development Policy. This demonstrates how the local socio-economic environment conditions the success of rural policies. Some parts of Poland are simply more able to take part in certain policies due to enabling framework conditions and stronger institutions. EU regional policy has a stronger impact in the most socio-economically advanced regions (Crescenzi and Giua, 2014). This presents a challenge in policy design.

A critical role for national policy is to provide additional supports in those territories that are most disadvantaged. Poland has adopted a number of targeted programmes for territories that face lower levels of social and economic development, e.g. the Operational Programme for Eastern Poland. Under the new Strategy for Responsible Development, such targeted programmes will be expanded to include Silesia, medium-sized towns losing economic and social functions, and areas threatened by permanent marginalisation (e.g. areas of former state-owned farms). A package of actions will be implemented through local partnerships. This is a very promising approach that will require new ways of working between levels of government to be successful. The SRD articulates such a commitment with its call for a more decentralised system of development policy alongside a strengthening of the co-operation mechanisms between and among all levels of government.

The SRD further stresses the importance of development processes encompassing all territories by enhancing their endogenous potential. In contrast to the former national development strategy, the SRD addresses all rural areas (not only marginalised ones), and the development potential of regions is no longer attributed only to cities, but also to endogenous factors in rural areas. Accordingly, the SRD's objective to promote socially responsive and territorially balanced development includes two intervention measures dedicated to rural development: rural development based on endogenous economic potential and activating the areas at risk of permanent marginalisation.

As will be discussed in the following chapter, enhanced vertical and horizontal inter-institutional co-operation is much needed. In rural areas, the national government has proposed to support such integration through a Pact for Rural Areas (within the SRD). Activities that serve to develop rural areas will be defined in one document and will include initiatives that are financed from the national budget alongside EU funds. The purpose of the rural pact is to build a co-ordinated approach to development involving national, regional, local and community-based actors. This approach aims to help overcome the acknowledged silos between regional development policies and rural development and agriculture. This is laudatory approach; and yet, in an effort to provide overarching co-ordination, it will be critical that policy actions are meaningfully grounded in community-based needs.

Notes

1. The objective of rural mainstreaming is to ensure that people in rural England have access to the same policies and programmes as those available in urban England (OECD, 2011). “Rural proofing” is the methods that are used to implement this policy while “rural champions” reflect the lead departments to carry out this activity.
2. Collective farms had excessive costs and were not resolving the problem of food shortages (Kowalski, 1993: 349).
3. Amidst these changes, three stages can be identified: an initial period of major policy changes including trade liberalisation, a dissolution of the former systems of market support and the privatisation of state enterprises gave way to the prevalence of private initiatives (roughly mid- to end-1990s) involving foreign investment (Dries et al., 2011: 220). In the final stage (since 2000), public policy was dominated by the EU accession process (Dries et al., 2011: 220).
4. SAPARD was created to support the efforts being made by the Central and Eastern European applicant countries in the pre-accession period as they prepared for their participation in the Common Agricultural Policy and the single market. The programme delegated substantial responsibility to Poland for the management of EU funds for rural development and decentralised programming. In Poland, SAPARD pre-accession funds were directed towards the priority axes of: improvement of the market efficiency of the agri-food sector and improvement of conditions for economic activities and job creation. For a discussion of the SAPARD programme in Poland see Nurzyńska (2012).
5. For an overview of the impact of EU accession on Poland see Hykawy (2005).
6. As noted by Nurzyńska “when Poland became an EU member state in 2004, it did not participate in the implementation of a full seven-year programming period (2000-2006) and had a limited access to the EU budget. Yet, in order to have access to the EU funds, Poland had to develop a strategy on the use of structural funds (National Development Plan 2004-2006, NDP 2004-2006), a strategy on the use of Cohesion Fund and a rural development strategy for the purpose of CAP instruments implementation. This was a heavy administrative work carried out over a very short period of time” (2012: 179).

7. EU actions are subject to the principle of subsidiarity; the European Union only acts where action will be more effective at EU level than at the national level.
8. Poland's National Reform Programme is the basic instrument for the implementation of the Europe 2020 Strategy. It was adopted by the Council of Ministers of Poland in 2011 and is updated in April each year. The National Reform Programme details how Poland will fulfil its national commitments under Europe 2020.
9. Initially, Cohesion Policy was envisaged to promote equitable development such that there would be convergence in terms of development across regions. This notion of equity has since been supplanted by efficiency; Cohesion Policy continues to support regional development but to a level of socially and politically acceptable differentiation (see Faludi [2006]).
10. The CAP's market measures are administered through paying agencies appointed by national authorities.
11. The European Agricultural Guarantee Fund primarily finances direct payments to farmers and measures to regulate agricultural markets while the European Agricultural Fund for Rural Development (EAFRD) is co-financed by the rural development programmes of the member states. See: https://ec.europa.eu/agriculture/cap-funding/funding-opportunities_en.
12. As measured by the total support estimate.
13. EPRS calculation based on Eurostat 2013 data and Annex II of EU Regulation No. 1307/2013 on direct payments to farmers (year 2020). The calculation is based on 2020 national allocations, because from 2014 to 2019 the data are affected by the net transfer to and from the rural development and by the external convergence between member states (Tropea, 2016).
14. For a description of Agenda 2000 see European Union (1997).
15. The first multiannual financial framework that Poland participated in in full took place between 2007 and 2013. Upon Poland's accession to the EU in 2004, it engaged in a shortened funding programme for the 2004-07 perspective.
16. Thematic objectives are translated into priorities that are specific to each of the ESI funds and are set out in the fund-specific rules (European Union, 2013).
17. The amount of co-financing varied by fund type. For example, the co-financing amount is 95% for some ESF funds, while for EAFRD funding it is 63.63% (European Commission, 2017d).
18. The supraregional Operational Programme for Eastern Poland 2014-2020 covers Lubelskie, Podkarpackie, Podlaskie, Świętokrzyskie and Warmińsko-Mazurskie *voivodeships*.
19. One purpose of these reforms was to shift from a sectoral approach towards programmes that are based on overcoming key challenges in an integrated and cross-cutting manner. One outcome of adopting this approach is that the number of sectoral strategy papers was reduced in 2009 from 42 to 9.
20. Poland's long-term national development strategy to 2030 is entitled "The Third Wave of Modernity"; the medium-term strategy to 2020 is entitled "Active Society, Competitive Economy, Efficient State". The nine integrated strategies include: the Strategy for Innovation and Efficiency of the Economy; the Human Capital Development Strategy; the Transport Development Strategy; the Energy Security and

- the Environment; the Efficient State; the Social Capital Development Strategy; the National Strategy of Regional Development 2010-2020; the Strategy for Development of the National Security System; and the Strategy for Sustainable Development of Rural Areas, Agriculture and Fisheries.
21. Poland's operational programmes for 2014-20 are for: Eastern Poland; Digital Poland; Infrastructure and the Environment; Smart Growth; and Technical Assistance (http://ec.europa.eu/regional_policy/en/atlas/programmes).
 22. The regional level includes both regional self-government and central government representation. The central government is represented at the regional level by a governor (*voivode*), who is appointed by the prime minister. The regional governor is responsible for the administration of central government institutions and property and has powers in the areas of environmental protection, public safety and emergency preparedness. The central government-appointed governor acts as a check on the lawfulness of subnational government undertakings – region, county and municipality (*voivodeship*, *powiat* and *gmina*). The regional assembly (*voivodeship sejmik*) is directly elected for four-year terms. The elected regional assembly can adopt and pass bylaws associated with its devolved responsibility and also elects a marshal (*marszałek*), deputy marshals and board members. These positions form the executive of the regional government (referred to as the *zarząd województwa*).
 23. In the 2004-06 period, regional governments implemented a centrally managed EU regional operational programme of the national government, but in 2007, Polish regions became managing authorities for EU regional operational programme funds. In the 2014-20 perspective, regional governments managed EUR 10.4 million of the ESS and EUR 22.5 million of the ERDF.
 24. Around half of all resources for the investment for growth and jobs goal have been allocated to less-developed regions under the 2014-20 funding perspective. Just over 15% of the resources for investment in growth and jobs is allocated to more developed regions, i.e. those regions with GDP per capita is above 90% of the average GDP of the EU-28 (European Commission, 2015).
 25. Counties have an elected council who elect a board, headed by the *starosta*. *Gminas* are local government units with a directly elected council and a mayor.
 26. This includes including collective transport, roads, water supply, wastewater and waste collection and small waste management facilities through a permitting system.
 27. These decentralised functions include: pre-school and primary education (for children up to 15 years old); “communal services” such as water and sewage, solid waste collection and disposal, street lighting, local parks and green areas, central heating; local road and street maintenance; local public transport in cities; communal housing; voluntary fire brigades; various social services; cultural and recreation facilities; and local (spatial) planning.
 28. Examples include the Polish Federation of Cattle Breeders and Dairy Farmers; the National Union of Farmers, Agricultural Circles and Farm Organizations (KZRKIOR) (and the sub-organisations of Agricultural Circles and Farmer Wives Circles); the Federation of Large Scale Farm Producers; and the National Council of Agricultural Chambers (NCAC).
 29. The CLLD outside of rural areas takes the form of urban-rural linkages and RURBAN, DG Regio; Implementing CLLD in cities, URBACT and co-operation between LEADER LAGs and Fisheries LAGs, FARNET.

30. The capping and redistribution payment under the direct support scheme pertains to the basic payment part of the direct payments which has the function of income support. Furthermore, while the FADN database indicates that agricultural incomes in small farms amount to only a part of non-farm incomes, agricultural incomes in the largest farms may exceed manyfold the average non-farm incomes.
31. Subsidies to KRUS as a proportion of GDP amounted to 0.9% in 2016. The state subsidy to the KRUS pension system has declined over time; the subsidy paid to the pension was 95% in 1991, 86.1% in 2014 and 84.8% in 2016 (Source: KRUS).
32. Data for Q1 2017 in Kwartalna informacja statystyczna. I kwartał 2017 r., KRUS: https://www.krus.gov.pl/fileadmin/moje_dokumenty/dokumenty/statystyki-BE/KIS/2017/KWARTALNA_INFORMACJA_STATYSTYCZNA_-_I_kwartal_2017_r..pdf
33. For example, in 2015, farmers paid PLN 126.00 whereas an entrepreneur pays PLN 757.76 (excluding health insurance), i.e. six times more than a farmer (Hajduga, 2015: 96).
34. Since 2009 there are thresholds in terms of farm size (number of hectares and not economic size or output sales), which oblige larger farms to pay additional premiums expressed as a percentage of basic pension, thus the level of subsidies diminishes in line with growing farm size, but does not disappear completely.
35. Some reforms to the KRUS system have proceeded. For example, in 2015 healthcare contribution rates for so-called special agricultural production activities were increased, but remain small; the possibility to benefit from early retirement (women at age 55, men at 60) will be gradually eliminated; and the disincentive to undertake a non-farm job for farmers receiving disability benefits is being reduced (OECD, 2014a: 61).
36. By law, a person who owns or jointly owns 2 hectares of agricultural land or who is subject to KRUS insurance as a spouse or household member cannot register in a district labour office as unemployed. Note that workers on agricultural co-operatives can qualify for unemployment benefits.
37. Modulation (capping) of direct payments is obligatory in the current CAP and has been introduced by other countries in various forms.
38. This estimate is based on the premise farms in the Farm Accountancy Data Network (FADN) of the European Commission can be considered analogous to commercial farms.
39. European size unit, abbreviated as ESU, is a standard gross margin of EUR 1 200 that is used to express the economic size of an agricultural holding or farm (Eurostat, 2017).
40. For example, these objectives are articulated in the Polish government's new/forthcoming Strategy for Responsible Development.
41. In 2015, a new EU Programme for Employment and Social Innovation was established in Poland. The fund will cover a loan portfolio of EUR 45 million disbursed to over 6 000 microentrepreneurs. The fund is managed by the European Investment Fund (European Investment Fund, 2016).
42. This annual payment is limited to the number of payment entitlements activated by the farmer or to the number of eligible hectares declared by the farmer up to 90 hectares. That limit shall not be below 25 hectares or above 90 hectares.

43. These supports form 5% of Poland's total RDP allocation 2014-20 (OECD, 2017a).
44. The core network encompasses the Agricultural Advisory Centre in Brwinów (CDR) and the provincial agricultural advisory centres, which form a network in each *voivodeship*. The Network for Innovation in Agriculture and in Rural Areas facilitates knowledge transfer between farmers, entrepreneurs, advisory bodies and scientific institutions in order to promote the exchange of expertise and best practices in the field of innovation in agriculture.
45. New initiatives to support entrepreneurship as part of the Europe 2020 Strategy include: the European Digital Agenda, Union Innovation, Youth Mobility, Industrial Policy in the Globalization Era, the New Skills and Employment Scheme, and the European Program for Combating Poverty and Social Exclusion.
46. VET education is jointly funded by employers and the Labour Fund, a special fund under the jurisdiction of the Ministry of Labour.
47. www.warsawvoice.pl/download/special/20130425_ruraltourism.pdf.
48. The precursor organisation to the ANR was the Agricultural Property Agency of the State Treasury (*Agencja Własności Rolnej Skarbu Państwa*), which was established in 1991.
49. Under this system, a large number of conditional contracts were established, even for small property of a few hundred metres. Between 2003 and 2007, up to 130 000 conditional contracts were created each year. In 2010, the act governing this process was modified to apply only to property larger than 5 hectares; this modification reduced the number of conditional contracts issued by the agency for agricultural land. With a reduced administrative burden for managing contracts, the agency shifted at this point towards acquiring property to improve the structure of farming in a given region or commune.
50. Pursuant to the provisions of the Act on Formation of the Agricultural System, a purchaser of the agricultural property may be, in principle, an individual farmer. The area of the acquired agricultural property along with the area of agricultural land forming the family farm of this farmer must not, however, exceed the area of 300 hectares of the utilised agricultural area. Apart from the individual farmer, agricultural properties may also be acquired by: relatives of the seller (i.e. descendants, ascendants, siblings, siblings' children, spouse, adopter and adoptee); the State Treasury; local government units; church legal persons and religious associations; national parks for purposes related to environmental protection. The acquisition of the property is also possible by succession and in other cases set out in the act. Other entities may acquire agricultural properties by consent of the general director of the KOWR. The general director gives consent upon request of the seller where: there are no individual farmers interested in the acquisition; the seller potentially gives a guarantee of appropriate pursuing of the agricultural activity; as a result of the acquisition, there will be no excessive concentration of agricultural land. The consent for the acquisition of the agricultural property may also be obtained by a natural person intending to create the family farm if this person: holds agricultural qualifications or, provided that s/he improves professional qualifications, has been granted aid from the European Union funds (Young Farmer); guarantees appropriate pursuing of the agricultural activity; undertakes to reside for a period of five years from the date of the acquisition of the property in a municipality, where one of the agricultural properties forming the farm being created is situated. If the consent for

the acquisition of the agricultural property is not given, the KOWR, upon request of the seller, is obliged to acquire this property against payment of the market price.

In the period from 1 January to 31 May 2017, the General Director of the KOWR issued in total 6 719 administrative decisions on the acquisition of agricultural properties (with a total area of 21 019 hectares), including: 6 209 positive decisions regarding a total area of 19 174 hectares; 103 negative decisions regarding a total area of 568 hectares; 407 decisions on discontinuation regarding a total area of 1 276 hectares.

51. In France smaller rural communes can prepare a *carte communale* as opposed to the more complex *plan local d'urbanisme*. In the Netherlands there are rural development plans for areas with low development pressure.
52. The special secretariat in the unit responsible for programming services the forum.
53. Poland's first environmental act was adopted on 31 January 1980 for the protection and shaping of the environment (Journal of Laws 1980, No. 3, pos. 6).
54. Wind turbines in the past only had to pay property tax on the value of the foundation and tower. Under the new regulations they have to pay property tax on the whole value of the turbine and the tax burden it anticipated to increase three to fourfold.
55. Public infrastructure is defined as facilities, structures, networks, systems, plant, property, equipment or physical assets – and the enterprises that employ them – that provide public goods, or goods that meet a politically mandated, fundamental need that the market is not able to provide on its own. This definition thus ranges from the direct provision of military installations to privately owned and operated utilities under government regulation, such as energy. The nature of the asset also varies from traditional fixed assets such as bridges and buildings to ICT architecture (OECD, 2017d).
56. As identified in the Poland's National Reform Programme for the implementation of the Europe 2020 Strategy.
57. The transport development strategy falls under the purview of the Ministry of Infrastructure and Construction. Detailed recommendations regarding the organisation of subregional and local transport are the National Strategy of Regional Development 2010-2020: Regions, Cities, Rural Areas; and the Strategy for Sustainable Rural Development, Agriculture and Fisheries. The Municipal and Powiat Road Infrastructure Development Programme for the years 2016-19 focuses on enhancing the safety of road users and the effectiveness of the transport sector and to improve the transport accessibility (the total amount of PLN 4 billion in the years 2016-19).
58. Over the 2007-13 programming period Poland received 31% of the total EU Cohesion budget allocated to transport, i.e. about EUR 23 billion out of a total of EUR 75 billion, targeting investment primarily at its road network. Motorways and trunk roads increased by 13% in Poland between 2004 and 2012 (European Parliament, 2014).
59. At the end of 2015, in Poland there were 1 978 illegal dumps, i.e. 16.6% less than in the previous year. In urban areas, there were 483 such dumps (a drop of 35.2% in comparison to 2014), and in rural areas 1 495 (a decrease of 8.1% as compared to 2014) (CSO, 2015).

60. For example, in 2015 it was reported that 67.5% of respondents in rural areas had access to the Internet while this figure stood at 82.3% in cities of 500 000 or more inhabitants (Janc and Siłka, 2016).
61. In such cases, teachers are pursuant to the Labour Code, and not the Teacher's Charter Act, which has stronger labour protection and higher rates of compensation.
62. Previously, the educational system was based on five years of primary school; three years of middle school; three to four years of high school, technical high school or general vocational schools.
63. Information provided by Institute of Rural and Agricultural Development of the Polish Academy of Science.
64. Social assistance is granted to persons and families, in particular for the following reasons: poverty, orphanage, homelessness, need to protect motherhood, unemployment, disability, prolonged illness, incompetence in childcare matters likewise in running a household, particularly in case of incomplete and large families, alcoholism or drug addiction, difficulties in adjusting to life after discharge from penitentiary institution, natural or ecological disasters (www.mpips.gov.pl/en/social-assistance).
65. State-owned farms operated as a type of closed community in the past, with all services provided on the farm. Upon their dissolution, many of these services were closed and a large portion of the population moved to other parts of the country to take up new employment.

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