1. Basic Information
1.1 Desiree Number: PL0006.08
1.2 Title: CAP Common Market Organisations
1.3 Sector: Agriculture
1.4 Location: Poland

Twinning code: PL2000/IB/AG08

2. Objectives
2.1 Wider objective
Development of a system of common agricultural markets organisations through the implementation and preparation for implementation of CAP instruments and mechanisms.

2.2 Immediate objectives
1. Preparation of sectoral organisations, agricultural producers, processors and traders to acquire sufficient knowledge to benefit from the instruments and mechanisms of Common Agricultural Policy;
2. Implementation of a system of export and import licences with regard to agricultural products as well as full preparation for implementation of a system of export refunds regarding the agricultural and agri-food products;
3. Creation of a Department (Section) responsible, among others, for monitoring and control of export refunds system as well as the control of disbursement of subsidies and collection of levies;
4. Preparation for implementation of CAP mechanisms in the sectors of milk and milk products as well as potato starch;
5. Increase of administration capacities related to the implementation of CAP in Poland;
6. Further implementation of institutional infrastructure in the sectors of fruits & vegetables, tobacco and hop.

2.3 Accession Partnership and NPAA priority
This project addresses a medium term priority of the Accession Partnership with Poland. It is included in Poland’s National Programme for Preparation for EU Membership (priority 3.4.1.6.).

3. Description
3.1. Background and justification
Implementation of markets’ administration mechanisms in line with European Union legislation requires the preparation and introduction by Poland of an efficient institutional system for CAP rules implementation. Intervention mechanisms applied currently in Poland have restricted instrumentarium and differ with regard to complexity of procedures used while compared to those existing in the EU. Although a number of mechanisms are similar (e.g. intervention purchases, administration of preferential import quotas, export subsidies), these however differ considerably with regard to principles, procedures and the scope of their application. EU procedures are much more complex and concern greater number of agricultural and agri-food products in comparison to those applied in Poland. Quality standards for products covered by intervention are much more rigorous in the European Union.

Administration of preferential import quotas, including agricultural products, remains under responsibility of Ministry of Economy. While application of export refunds in Poland lays under responsibility of Agricultural Market Agency and mainly concerns the export of pork meat, skimmed milk powder and starch. Moreover, there are substantial differences in the control mechanisms used by both sides. EU formal requirements in this domain are also much more rigorous than those applicable in Poland.

The following CAP instruments are currently not applied in Poland:
- licensing of export and import of agricultural products (only automatic import registration and tariff quota administration are applied in Poland);
- private storage aid;
- subsidies and premia for production and processing of the selected agricultural products;
- production quotas for milk, starch, dried fodder, hop and tobacco;
- stimulating of internal demand through e.g. subsidising of milk consumption in schools and kindergartens or sale of agricultural products at reduced prices to non-profit organisations.
- compensatory payments for products withdrawn from the market.
It is therefore necessary to elaborate from scratch a set of basic principles and procedures needed for application of the above instruments in order to be ready for their implementation at the very moment of accession.

Adoption by the Polish government of the date of full readiness for EU accession as for the year 2003 necessitates the acceleration of all adjustment activities. According to the “1999 Regular Report from the Commission on Poland’s progress towards accession” considerable progress is needed with regard to creation of a system of markets organisation and implementation of respective legislation.

In order to ensure the proper and timely implementation of this task, Ministry of Agriculture and Rural Development prepared a “Concept of functioning of paying agencies responsible for servicing the EU funds according to the principles of Guarantee Section of FEOGA and FIFG (Financial Instrument for Fishery Guidance)”.

According to the above concept, two Paying Agencies will be created. One of them will be the Agricultural Market Agency (AMA) that is going to implement preparatory activities to become EU intervention and paying agency. AMA will be responsible for efficient application of CAP mechanisms excluding direct payments and accompanying measures that are to be channelled directly to agricultural producers.

AMA is mainly acting on three basic markets: cereals, milk and meat and to lower extent on the markets of: sugar, honey, hop, and potato starch. Currently AMA employs app. 350 persons. The existing AMA potential, both personal and institutional, as well as multi-annual experience in intervention activities on the agricultural markets allows the Agency to ensure the implementation of wider scope of responsibilities.

According to the decision taken by the Ministry of Agriculture and Rural Development, Agricultural Market Agency, as the future Paying Agency, is responsible for preparation of financial and accountancy, reporting, control and vindication systems with regard to:
- intervention purchases and sales as well as private storage aid for products covered by CAP mechanisms;
- application of export regimes together with a system of export licences, export refunds and levies with regard to agricultural products covered by CAP mechanisms;
- administration of a system of import licences, minimal access quotas and import quotas with regard to agricultural products covered by CAP mechanisms;
- application of quota systems, including the sectors of milk, sugar and isoglucose, potato starch, dry fodder, hop, tobacco as well as other products subject to quota system within the CAP;
- subsidising of processing and sale at reduced prices of those products that are covered by CAP mechanisms;
- payment of production refunds and premia for the producers of starch;
- withdrawal from market of products covered by the respective CAP mechanisms (fruits & vegetables).

The above mentioned responsibilities of the Agency require to undertake preparatory actions aimed at implementation of CAP mechanisms and preparation of all subjects participating in this process (producers organisation, processors, commercials).

Moreover, EU integration process necessitates certain efforts towards adjusting the organisation and functioning of fruits & vegetables, hop and tobacco markets in Poland to the principles existing in the EU. In case of the fruits & vegetables sector it is necessary to acquaint the member of producers organisation with the operation of mechanism for practical support of this market, with the rules of preparing action plans and operational programmes and with the calculation of operational funds, with the procedures and documentation in force with respect to organisations and administrative unit in the process of recognition and use the financial aid from the moment of applying for support, getting the support, reporting and monitoring. The gained knowledge shall enable the organisations to accelerate their adjustment and complying with the conditions stipulated in the EC regulations. As a consequence, at the moment of integration they will be a full fledged participants of the common market organisation in fruit and vegetables, they will be able to use all the support instruments of this sector available in the EU.

Also in other sectors such as sector of hop and tobacco the creation of viable producers groups similar to those existing in the EU constitutes an important factor for proper functioning of those markets.

Therefore, it is necessary to prepare the detailed procedure of competing, control and flow of documents in the above sectors at the level: producers organisation – control institutions in Poland – respective EU institutions in Brussels.

Producers organisations in the fruits & vegetables sector have right to withdraw from market certain fruits and vegetables, e.g. apples, cauliflower and tomatoes. For the withdrawal of those products they may benefit from financial compensations out of EU budget. Currently in Poland there is a lack of precise information on
the functioning of institutional system responsible for withdrawal from market of fruits and vegetables, i.e. flow of relevant documentation, methods of data collection, etc.

Another important element of market organisation in the sector of fruits & vegetables is the implementation of quality requirements and control institutional framework existing in the EU together with precise tasks and responsibilities of the respective players, e.g. number of products and wholesale markets, frequency of controls, number of inspectors employed for the purpose of control, technical equipment at the disposal of those inspectors, etc.

In the Polish sector of hop and hop products there is a lack of system of certification. In the trade between Poland and EU Member States minimum EU quality requirements certified by an equivalence document issued by Central Inspectorate for Standardisation (CIS) are used. Within 4 months from the date of accession; Poland will have to submit to EU Commission a list of entities authorised for certification in this sector. Therefore, it is indispensable to urgently create an institutional and organisational framework for setting up of such a system. Legal basis for this system will be the Law on organisation of selected agricultural markets (including hop market) that is now being prepared in the Ministry of Agriculture and Rural Development.

3.2 Linked activities

Based on the existing legislation, i.e. the Law of 7 June 1990 on the creation of the Agricultural Market Agency as well as the Statue granted to AMA by the Regulation of the President of Council of Ministers, adjustment activities are being held in the Agency with regard to the elaboration of principles and procedures for private storage and export subsidies in line with EU requirements. Simultaneously, other tasks aiming at preparation of functional and organisational structure of the Agency are also in progress. All those activities constitute a preparatory stage before the implementation of '99 Phare project.

Project Phare 2000 will be a continuation of adjustment efforts currently made by the Agency and envisaged within Phare '99 with regard to the preparation and implementation of EU principles and procedures existing under CAP.

Within the Phare '99 project it is also foreseen to elaborate the functioning principles of the remaining CAP mechanisms being under competence of AMA, as well as to prepare organisational and functional model of the Agency.

Simultaneously to the above activities to be undertaken under Phare '99 another project PSO 99/pl.9/2/a: “Elaboration of milk quota system in Poland” co-financed by the Dutch government within PSO (Assistance Programme for the countries of Central and Eastern Europe) funds will be also implemented. This programme has for objective to strengthen the institutional capacities related to the functioning of milk quota system as well as EU requirements in this field.

In the sector of fruits & vegetables, the following projects have been implemented or are ongoing:
- PL9312-08-01-513 “Assistance to the process of organisation and functioning of marketing groups of producers”, completed in December 1997;
- PL9506-02-05 “Wholesale Markets Investment Programme”, under implementation;
- PL9506-02-10/700 “Stabilisation of selected agricultural products supply by producers’ marketing groups/co-operatives”.

Technical assistance has been granted to 8 further producer marketing groups initiated in the frames of earlier projects and chosen in the initial level of PL9506-02-10 implementation.
- 728 POL 9403 “Extension Services in the process of Establishment of agricultural wholesale markets (Elblag, Radom)”, German Ministry of Agriculture;
- DFID CNTR 98 5396 “Producer marketing Groups Development Project”, British Know How Fund;
- PL 9704-01-16 – Component B – ongoing

This project shall provide support for 10 groups, which shall be selected from already existing units; account been taken of their production and trade potential, human resources and the abilities to conduct marketing operations, the level of organisation and activities carried out. Moreover, in order to increase the effectiveness of the activities, these groups shall be supported by the provision of computer equipment.

In addition, this project shall provide support for institutional procedures, which are now developed by the Ministry. The project shall help to examine the procedures obligatory for the EU institutions responsible for the recognition of producer organisations, approval of operational programmes and control of financial support allocation, which shall provide the basis for the preparation of corresponding procedures for a Polish administrative unit to be established in order to carry out the above mentioned tasks.

3.3 Results
• Agricultural Market Agency prepared for a role of EU intervention agency and financial servicing of CAP programmes in the field of:
  a) organisational and functional model of AMA implemented and verified – model that will be elaborated within a Phare ‘99 project “Preparation for implementation of Common Agricultural Policy” and simultaneous activities realised by the Agency itself;
  b) system of import and export licences for agricultural products elaborated and implemented, full readiness for implementation of the export refund system obtained;
  c) system of payments for compensation for the withdrawal from market of certain fruits and vegetables as well as system of extra payments for concentrated grape must prepared;
  d) system of premia for processing of butter, milk powder and starch as well as system of subsidising of citrus fruits processing elaborated;
  e) system of production quota of potato starch elaborated;
  f) procedures for payments paid to starch potato producers prepared;
  g) computer software for the servicing of the above mentioned CAP systems and mechanisms prepared;
  h) guides and instructions related to the respective CAP mechanisms and existing procedures that are to be prepared within Phare ‘99 elaborated and published;
  i) system of milk production quotas administration including the collection of special levies elaborated;
  j) computer software servicing this system prepared, tested and implemented; users of the software trained;
  k) system of milk production quota administration implemented in the selected regions;
  l) mechanism of private storage aid for milk powder and some long-ripening cheeses elaborated;
  m) system of quality control of products covered by intervention implemented according to the EU standards in the markets of cereals, milk, butter and pork meat;
  n) financial and accountancy system as well as internal control system related to the CAP mechanisms that are to be elaborated and implemented within Phare ‘99, tested and verified;
  o) existing computer network of the Agency completed with the additional equipment listed in the Annex 5;
  p) internal audit with regard to functioning of the Agency in compliance with EU requirements made.
• AMA staff better prepared for all tasks resulting from its wider function; 400 persons trained in the field of application of the respective CAP mechanisms being under responsibility of AMA;
• 1000 representatives of sectoral organisations, producers, processors and traders trained in the field of the existing EU procedures related to functioning of CAP mechanisms to be administered by AMA;
• Department (Section) responsible, among others, for monitoring and control of a system of export refunds as well as control of subsidies payment and taxes collection created (special department responsible for monitoring of application of Council Regulation no 4045/89);
• Detailed method of completing, control and flow of documentation between Polish organisations of producers in the sector of fruits & vegetables and EU institutions prepared;
• Detailed principles of documenting and reporting in the sector of fruits & vegetables elaborated (proposals for setting up an institution for collecting, verification and processing of data);
• Selected Polish producers of fruits, vegetables, hop and tobacco acquainted with procedures related to creation of producer organisations (structure, number of members, costs related to creation and activity of group, relations between the group and administration, benefits for members of the group);
• Organisational scheme of a unit issuing certificates in the sector of hop (together with laboratories) elaborated (flow of documentation, control of using the certification procedure, necessary equipment of certification unit).

3.4 Activities

Necessary tasks and adjustment activities have been presented below giving detailed stages of the respective actions aimed at achieving the objectives set for Phare 2000. Those activities have been divided into the following areas:

1. institutional strengthening of AMA;
2. international trade;
3. milk market organisation;
4. selected mechanisms in the market of cereals, starch and meat;
5. common organisation of fruits & vegetables, tobacco and hop.

Ad 1 Institutional strengthening of AMA

Due to the fact that the Agricultural Market Agency will play in the future an important role of implementing of wide range of CAP mechanisms, it is necessary to widen its current legislative competencies. Based on the
“1999 Regular Report from the Commission on Poland’s – progress towards accession” stating certain delays in the implementation by Poland of the *acquis*, several activities in this respect have been accelerated. Draft legislation has been prepared thus allowing the Agency to apply a wide range of CAP instruments applied by the intervention agencies in the EU Member States. It is foreseen that the above legislation will enter into force in the year 2000 thus creating the legal basis for full adjustment of AMA to EU requirements.

Within the Phare ‘99 project organisational and functional structure of the Agency is to be elaborated according to procedures and models used by EU intervention agencies. During the implementation of the Phare 2000 this structure will be finally introduced and tested. Moreover, within Phare 2000 it is assumed to test and verify the financial and accountancy systems as well as internal control system that are to be in line with the existing EU norms. In addition, an internal audit of AMA performance will be organised within the project with regard to the compliance with EU requirements. The audit will be made by AMA internal control unit supported (advised) by EU experts.

Implementation by AMA of widened scope of activities and responsibilities requires the adequate preparation of its personnel. It is foreseen that the employment level in the Agency will rise up to 800 persons at the moment of accession (currently 350 employees). 750 out of total number of AMA staff will use computers, have access to data bases stored on the Agency servers as well as rely on special software prepared for servicing of the respective CAP mechanisms. Therefore, it is necessary, within both Phare ‘99 and Phare 2000, to complete the existing computer network of the Agency with necessary equipment. Simultaneously, approximately 400 AMA employees will be trained in the use of the respective CAP mechanisms.

**Ad 2 International trade**

Polish legislation allows the issue of export licences and application of export refunds. The Polish equivalent of EU export and import licences exists in a form of permissions for import and export of agricultural and agri-food products defined in the Law of 11 December 1997 on foreign trade administration of goods and services as well as special trade. As far as the issue of licences is concerned, Ministry of Economy only uses the automatic registration of imports and tariff quota administration.

When it comes to export refunds, they are applied by two entities. Agency for Restructuring and Modernisation of Agriculture is responsible for transfer of export refunds for sugar whereas Agricultural Market Agency has a legal right to grant export subsidies for the remaining agricultural and agri-food products.

Draft legislation widening the scope of competencies of AMA that has been prepared and is due to enter into force in 2000 will permit concentration of all competencies related to export licences and refunds within the Agricultural Market Agency.

In Poland there is a need to implement a system of import and export licences in order to monitor the international trade of agricultural products as well as to ensure the collection of current statistical information indispensable for proper administration of markets. Such a system will allow to use financial warranties as a guarantee for proper execution of declarations made on the licences with regard to quantities of imported and exported goods within a given period of time.

Specific activities in the field of foreign trade regulations will start within Phare ‘99 project which assumes the preparation and implementation of licences and export refunds system for pork meat, skimmed milk powder, potato starch and sugar.

Within Phare 2000 intensive activities will take place with regard to implementation of CAP trade mechanisms. System of import and export licences stipulated in the Commission Regulation (EEC) no 3719/88 will be elaborated and implemented. This system will cover all agricultural products regulated by EU legislation on the organisation of the respective markets, i.e. cereals, milk and milk products, beef and veal meat, sheep and goat meat, poultry meat, eggs, pork meat products, isoglucose, rice, seeds, albumin, wine, fruits & vegetables, oils and fats, live plants and cut flowers. Introduction of export and import licences system will create an efficient and viable mechanism for export and import monitoring and will ensure sound ground for administration of common organisation of agricultural markets. Within the scope of this project, a special software will be prepared to permit the efficient administration of the entire system, including permanent contact with customs services – co-partners in the application of the export licences and refunds system.

Preparation, implementation and proper functioning of licensing system will necessitate the elaboration and testing a number of procedures, forms and documents as well as adequate training of AMA employees as well as local importers and exporters.
Within Phare 2000 it is foreseen that Agricultural Market Agency will be fully prepared for introduction of a system of export subsidies based on Commission Regulation no 800/99. Moreover, detailed assumptions, organisational structure and functional principles of a special Department (Section) will be created, the role of which will be to monitor and control all activities related to export refunds system as well as control of all commercial documents related to it. Creation of such Department is foreseen for the year 2002. Additionally, special guides and detailed instructions on the binding principles and procedures are to be prepared for different commercial instruments and mechanisms.

**Ad 3 Milk market organisation**

In November 1999 Ministry of Agriculture and Rural Development adopted a “Strategy for Polish Milk Sector Development”. One of the crucial objectives of this strategy is the creation of legal basis and administrative framework responsible for implementation of CAP mechanisms as well as organisation of milk sector in Poland. The above document assumes the increase of financial resources spent on the harmonisation of intervention activities and presents the time schedule for adjustment of Polish intervention instruments to those existing in the EU, including, among others, the introduction in 2001 of the following:
- private storage aid for butter and skimmed milk powder;
- subsidising of milk consumption in schools;
and additionally from the year 2002:
- subsidising of milk fat in a form of butter, butteroil and cream in processing;
- sale of selected articles at reduced prices to non-profit organisations;
- payments to skimmed milk powder used as feeding stuff for animals.

Important step towards harmonisation of national legislation with *acquis communautaire* constitutes the preparation of draft legal act on regulation of milk market. It is assumed that this draft will be forwarded to Parliament in 2000 while its entering into force together with executive legislation is due to take place in 2001. The above legislation will allow applying all EU mechanisms related to the milk market. Substantial efforts are currently being made with regard to the preparation of a system of private storage aid for butter. Moreover, within the project Phare ’99 the following mechanisms are expected to be introduced:
- adjustment of intervention purchase and sale of butter and skimmed milk powder to EU legislation;
- subsidising of private storage of butter;
- subsidising of milk consumption in schools.

Simultaneously to the implementation of Phare ’99 another project “Elaboration of milk quota system in Poland” co-financed by Dutch partners will be taking place. This project has for objective to elaborate a national model of milk quota administration and broadening of knowledge on EU requirements in this domain. More detailed data on this programme were presented in the section – Linked activities.

Within Phare 2000 the system of milk production quota administration that has been prepared within the frame of PSO programme will be verified and tested. Thanks to Phare 2000, computer software for servicing of this system will be prepared together with extensive training for its users. In addition, training programmes for the representatives of all entities purchasing milk – members of National Association of Diary Co-operatives will be also provided. The above said training programmes will cover not only the milk quota system but also other support mechanisms existing on the EU milk market. System of milk production quota administration will be implemented in the selected regions. Moreover, thanks to Phare 2000, the Agency expects to be well prepared to implement (according to the time schedule adopted by the Ministry in “Strategy for Polish Milk Sector Development”) some of the following mechanisms:
- subsidising of milk fat in a form of butter, water – free milk fat and cream in processing;
- subsidising of skimmed milk powder and liquid skimmed milk used as feeding stuff for animals;
- payments for private storage of the selected brands of mature cheeses;
- sale of the selected articles at reduced prices to non-profit organisations;
- payments for skimmed milk powder used for production of casein and caseinates;
- payments for butteroil produced by processing plants for so called direct consumption.

**Ad 4 Selected mechanisms in the market of cereals potato starch**

According to the existing Polish legislation, only intervention purchase and sale are applied in the sector of cereals.

Important step towards harmonisation of national legislation with EU law is the preparation of draft legislation on cereal market organisation. It is assumed that this project will be forwarded to Parliament in 2000 whereas its entering into force together with executive acts is due for the year 2001.
Currently extensive work is being done in Parliament with regard to the draft legislation on market organisation of potato starch. Its implementation is foreseen for the year 2000. The above mentioned legal acts will create legal framework for application of all EU instruments existing on the markets of cereals and potato starch. One of the objectives of Phare '99 project is to prepare and implement mechanisms related to the intervention purchases and sales of cereals (taking into account, inter alia, creation of intervention centres) in line with EU requirements. Within Phare 2000 procedures, documentation patterns and software will be prepared for the following systems:

- system of production quota for potato starch,
- payments for starch potato producers,
- production premia for starch potato producers,
- production refunds for those producers who use starch for further processing for non-consumption purposes;

**Ad 5 Common organisation of fruits & vegetables, tobacco and hop**

In order to meet all obligations stated in the negotiation paper, Poland has to, apart from already existing forms of assistance and training provided for members of the producer groups, urgently set up a system of implementation of institutional infrastructure in the fruits & vegetables sector. As the EU financial assistance for this sector is provided mainly through the producer organisations, the precise method of completing of all necessary documentation and its control should be prepared and adopted. Polish administration must have adequate knowledge of systems existing in the EU Member States, e.g. Germany, Holland, Spain and others and find, with the assistance of EU experts, the appropriate system adjusted to our local conditions. Producers organisations acting in the market of fruits & vegetables must elaborate a reporting system in order to be able to provide all necessary information required by Brussels. Patterns of most important documents are presented in the EU legislation. However, it is important to define, together with EU experts employed within this project, which Polish institutions should be responsible for collection, verification, processing of all documentation in question. Poland should create an institutional framework for market of fruits & vegetables as soon as possible. Without such institutional arrangements there will be no possibility to implement EU legislation and benefit from European financing. Thus, experienced European experts having experience in working in the respective institutions of EU Member States should assist Polish officials in practical implementation of different institutional arrangements.

Implementation of Phare 2000 will ensure the continuity of adjustment efforts made by the Agency. It should be emphasised that completion of all tasks aimed to obtain by AMA the institutional capacity to implement CAP programmes necessitates further financing. The total cost of implementation of the system for servicing of all market administration mechanisms is estimated at app. 70 million Euro. As Phare 2000 concentrates on the implementation of concrete mechanisms, particular effort will be placed on the completion of the existing computer network and training of the representatives of sectoral market organisation. The detailed time schedule of the respective activities, including the preparation of software, is available. Technical specification of equipment and software is also available.

**Inputs:**

Project will be implemented in two phases. The first preparatory phase will be carried out under twinning co-operation and will be aimed on preparing of CMOs structures. Completion of that phase will condition purchasing of equipment during the second phase of project. The equipment will only be procured when the definite structures of the CMOs have been defined and the relevant legislation adopted.

**Twinning co-operation:**

Within twinning component it is foreseen to sign two twinning contracts: one for the Agricultural Market Agency and one for the Ministry of Agriculture and Rural Development. Descriptions of scope and tasks for realisation under these two contracts are provided below:

- **Twinning co-operation with AMA**

  Within twinning with AMA it is foreseen to employ one long-term experts (PAA) as well as 3 short-term EU experts. The main task of PAA for AMA will be the verification of a model of organisational and functioning AMA structure, assistance in the implementation of trade regimes as well as the implementation and appraisal of adjustment degree of intervention methods, mechanisms and procedures. PAA should have long-lasting experience in working in Intervention Agency and the adequate knowledge on practical
functioning of the system of licensing and export refunds. Additionally, he/she should be familiar with the application of CAP intervention instruments and mechanisms as well as the knowledge on organisational and functional structures of Intervention Agencies in different EU Member States.

3 EU short-term experts will be assisting AMA in:
- elaboration of principles, procedures and instructions as well as implementation of trade mechanisms
- implementation and verification of milk quota system;
- development of information system needed for proper administration of CAP mechanisms (expert should have sufficient knowledge and experience in projecting of computer software systems for servicing of CAP mechanisms).

It is also foreseen to employ the above EU experts in the organisation of training sessions for the AMA staff. Within twinning co-operation with AMA it is also foreseen to:

a) verify organisational and functional model of AMA – model that will be elaborated within a Phare ‘99 project “Preparation for implementation of Common Agricultural Policy”,
b) elaborate system of import and export licences for agricultural products and export refunds system,
c) prepare system of payments for compensation for the withdrawal from market of certain fruits and vegetables as well as system of extra payments for concentrated grape must,
d) elaborate system of premia for processing of butter, milk powder and starch as well as system of subsidising of citrus fruits processing,
e) elaborate system of milk production quotas administration including the collection of special levies,
f) elaborate system of production quota of potato starch,
g) prepare procedures for payments paid to starch potato producers,
h) elaborate assumption for computer software for the servicing of the above mentioned CAP systems and mechanisms,
i) elaborate guides and instructions related to the respective CAP mechanisms and existing procedures that are to be prepared within Phare ’99,
j) elaborate mechanism of private storage aid for milk powder and some long-ripening cheeses,
k) prepare procedures of sale at reduced price of agricultural products to non-profit organisations,
l) prepare assumptions for system of quality control of products covered by intervention according to the EU standards in the markets of cereals, milk, butter and pork meat;
m) test and verify financial and accountancy system as well as internal control system related to the CAP mechanisms that are to be elaborated and implemented within Phare ’99,
n) prepare AMA internal control unit for internal audit making; audit of AMA.

Training sessions under twinning with AMA:

Within twinning co-operation it is foreseen to develop AMA’s human resources through organisation of training sessions with participation of EU experts, study tours and training for employees of AMA in the selected EU Member States in order to assess the efficiency of adopted solutions and implementation of necessary corrections. Within Phare 2000 approximately 400 AMA employees will be trained in the field of administration of the respective CAP instruments and mechanisms.

• Twinning co-operation with Ministry of Agriculture (MARD)

Within twinning with MARD it is foreseen to employ one long-term experts (PAA) as well as 1 short-term EU expert. PAA expert for MARD will be responsible for the preparation work related to the common organisation of fruits & vegetables market and on producers groups in this sector. PAA should have adequate knowledge on common organisation of fruit & vegetable, hop and tobacco market and EU quality requirements.

Short- term EU expert specialising in the sector of hop and hop products will assist Polish authorities in defining the organisational matrix for units responsible for issuing of certificates. Those units will not only issue certificates but also control the mixing and processing of hop, packing and packaging as well as splitting big parts of product. Moreover, within this project short-term expert will help to elaborate:
- organisation and equipping of certification unit;
- defining different stages of issuing of certificates;
- methods of control the application of certification procedure;
- flow of documentation regarding the procedure of certification and its control.
It is also foreseen to employ the above mentioned EU experts in the organisation of training sessions for the representatives of organisations grouping producers, processors and/or commercials.

Within twinning co-operation with MARD it is also foreseen to:

- prepare detailed method of competing, control and flow of documentation between Polish organisations of producers in the sector of fruits & vegetables and EU institutions,
- elaborate detailed principles of documenting and reporting in the sector of fruits & vegetables (proposals for setting up an institution for collecting, verification and processing of data).

**Training sessions under twinning with MARD:**

- Training session for representatives of the selected producers organisations in the sectors of fruits & vegetables, hop and tobacco, training session for the employees responsible for certification of hop and hop products.
- Training session for 1000 of the representatives of sectoral organisation acting on the markets of: milk, meat, cereals, potato starch as well as the commercials and agricultural producers in the field of CAP systems and mechanisms existing in the EU. The subjects of the training sessions are as follows:
  - system of import and export licensing of agri-food products;
  - export refunds system;
  - milk production quotas system and other CAP mechanisms existing on the milk market;
  - quality requirements and system of quality control for products covered by intervention;
  - payments for starch processing;
  - production quota system for potato starch,
  - payments paid to starch potato producers
  - payments for compensation for withdrawal from market of certain fruits and vegetables;
  - system of extra payments for concentrated grape must.

**Local experts:**

- participation in activities implemented by EU long- and short-term experts (including the training sessions) dissemination activities including preparation of publications, brochures and other materials for farmers, interested institutions, and economic subjects. These activities will be entirely financed from the Polish budget.

**Computer equipment and software:**

- Completing of computer base through purchase the additional equipment for central and regional units of AMA;
- Preparation or purchase of software for servicing of CAP mechanisms to be implemented within AMA;
- Purchase of equipment for pilot unit responsible for certification of hop and hop products;
- Purchase of equipment for the selected producers group in the sector of fruits & vegetables, hop and tobacco.

Equipment will only be procured when the definite structures of the CMOs have been defined.

**The full list of equipment to be purchased and software is available.**

**Technical servicing of the projects:**

- Ensuring the technical support for project implementation through servicing of experts, necessary translations, etc. (to be provided by the Ministry and AMA).

4. **Institutional framework**

Overall supervision of the project will be ensured by Ministry of Agriculture and Rural Development.

Institutions at which the project is aimed are:

- **Agricultural Market Agency (AMA)**

During the implementation of this project AMA will acquire the capacity for implementation and efficient application of CAP mechanisms (excluding direct payments and CAP accompanying measures) as well as for financial servicing of CAP programmes necessary for AMA to obtain in the 1st quarter 2002 the accreditation as paying agency.

In order to be properly prepared for its enlarged responsibilities, the Agency will be adjusted to EU requirements throughout defining new objectives and functioning principles, organisational and functional structure (both at central and regional level), preparation of its personnel and development of information system. As a result of this project AMA capacities for implementation of all CAP mechanisms will be substantially enforced.

In addition, extensive co-operation is envisaged between AMA and Main Statistical Office (GUS), Main Inspectorate for Purchase and Processing of Agricultural Products (GISiPAR) and Central Inspectorate for
Standardisation (CIS). GUS will play a role in the system of licensing and extra payments for export whereas GISiPAR and CIS will participate in the tasks related to the implementation of quality control systems.

Unions and sectorial organisations acting in the market of milk, meat, cereals, potato starches and sugar

Within this project training programmes for app. 1000 representatives of sectorial organisation, their producers, processors and commercials are envisaged in order to prepare them for use of different CAP instruments and mechanisms.

Proper functioning of agricultural products licensing system that is to be introduced within this project requires not only the preparation and implementation of new procedures, formulars and documents but also training programmes provided for local importers and exporters. Therefore, within the scope of this project training sessions will be organised for the members of organisations grouping commercials or entities dealing with import and export of agricultural products. Those are: Polish Association of Producers, Exporters and Importers of Meat, National Association of Dairy Co-operatives, Cereal Chamber, Starch Association – Poland, Sugar Economic Chamber.

Within the scope of this project the representatives of the entities purchasing milk that are grouped within National Union of Dairy Co-operatives are also to be trained. Training sessions will mainly cover the system of milk quotas and the respective mechanisms related to the milk market. Those persons would, in turn, pass on the acquired knowledge to the producers (suppliers) of milk.

Other training sessions are envisaged for the representatives of: Union of Fruits and Vegetables Producers Associations for Processing, Cereal Chamber, Agricultural Association of Community of Cereals and Oil seeds Producers and National Union of Root Crops Producers.

Owners of equipment will be AMA and certification unit in hop sector.

5. Detailed Budget

<table>
<thead>
<tr>
<th></th>
<th>Investments (IN) in EURO</th>
<th>Institution Buildig (IB) in EURO</th>
<th>Total PHARE (IN+IB) in EURO</th>
<th>National co-financing in EURO</th>
<th>TOTAL in EURO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning (AMA +</td>
<td></td>
<td>2,000,000</td>
<td>2,000,000</td>
<td>2,000,000</td>
<td>4,000,000</td>
</tr>
<tr>
<td>including training</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>programmes and study</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>tours for AMA staff)</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Twinning MARD</td>
<td></td>
<td>1,500,000</td>
<td>1,500,000</td>
<td>1,500,000</td>
<td>3,000,000</td>
</tr>
<tr>
<td>(including training</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>programmes for sectorial</td>
<td></td>
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<td></td>
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<tr>
<td>unions and organisations</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and producer groups)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of equipment</td>
<td>5,700,000</td>
<td>-</td>
<td>5,700,000</td>
<td>3,900,000</td>
<td>9,600,000</td>
</tr>
<tr>
<td>and software for AMA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of equipment</td>
<td>350,000</td>
<td>-</td>
<td>350,000</td>
<td>150,000</td>
<td>500,000</td>
</tr>
<tr>
<td>and software for</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>certification unit in</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>hop sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL:</td>
<td>6,050,000</td>
<td>3,500,000</td>
<td>9,550,000</td>
<td>7,550,000</td>
<td>17,100,000</td>
</tr>
</tbody>
</table>

The Polish authorities have assured that the Government co-financing is available either through the reserve budget foreseen specifically by the Ministry of Finance for this purpose each year, or directly through the budget of the relevant Ministry.

6. Implementation arrangements

Implementing Agency: CFCU

PAO: P. Samecki, Undersecretary of State at the Office of the Committee for European Integration
Al. Ujazdowskie 9, Warsaw. Tel.: 4822 694 75 42, 4822 694 7195, 4822 694 6064. FAX: 4822 694 7194, 4822 625 0380. CFCU: Foundation “Cooperation Fund”, 6/12 Nowy Swiat St., 00-400 Warsaw.

The CFCU is responsible for handling tendering, contracting and payments of contracts on behalf of the Ministry of Agriculture and Rural Development which itself shall be responsible for preparing projects and managing their technical implementation.

Twinning
One PAA and 3 short-term EU experts will be located in AMA. and second PAA and one short term expert will be located in the Ministry of Agriculture and Rural Development. PAA for AMA will be employed for 21 months. PAA for MARD will be employed for 12 months.

Contact persons:
Director of President Cabinet of Agricultural Market Agency,
   address: Agricultural Market Agency, 30 Wspólna Str., 00-930 Warsaw, Poland
   tel. (+48 22) 623 27 01, (+48 22) 629 54 79
Director of Department of European Integration, Ministry of Agriculture and Rural Development
   address: Ministry of Agriculture and Rural Development, 30 Wspólna Str., 00-930 Warsaw, Poland
   tel. (+48 22) 623 20 72, (+48 22) 629 68 96

Contracts:
Within the implementation of this project the following 3 contracts are foreseen:
1. twinning contract (it is foreseen to sign two contracts: 1 for the value of 4 million Euro and another for the value of 3 million Euro).

7. Implementation schedule
   - TOR preparation 06.2000;
   - commencement of project activities
     - twinning 04.2001;
     - investment 07.2001;

8. Equal opportunities
Women participation results from employment structure of the Agency, where women constitute approximately 50% of the staff. Participation of women in the project will be measured by percentage ratio of women participating in the study visits, training programmes and seminars.

11. Investment criteria: n.a.
12. Conditionality
The equipment will be procured only when the definite structures of the CMOs have been defined and the relevant legislation adopted.
### Annex 1: LOGFRAME PLANNING MATRIX FOR PROJECT:

<table>
<thead>
<tr>
<th>Programme Number</th>
<th>Project Title</th>
<th>Total Budget of Project</th>
<th>Date of Drafting</th>
<th>Planning Period</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Overall Objectives</th>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of a system of agricultural markets organisation through the implementation and preparation for implementation of CAP instruments and mechanisms. Preparation of producers unions and organisations acting in the selected agricultural markets to benefit from Common Agricultural Policy</td>
<td>Agricultural sector prepared for implementation and administration of CAP on the territory of the whole country</td>
<td>Documentation of Polish government; MARD documentation; AMA documentation; UKIE documentation, Documents and reports of European Commission and other EU institutions.</td>
<td>A: Involvement of Polish authorities in preparation of agricultural sector to EU integration, Allocation by Polish government of necessary funds for this purpose; Proper human resources in place; Adequate legislation passed; R: Legislation procedure hindering quick implementation of legal acts;</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Immediate Objectives</th>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Preparation of sectorial organisations, agricultural producers, processors and commercials to acquire sufficient knowledge to benefit from the instruments and mechanisms of Common Agricultural Policy; - Implementation of a system of export and import licences with regard to agricultural products as well as full preparation for implementation of a system of export subsidies regarding the agricultural and agri-food products; - Creation of a Department (Section) responsible, among others, for monitoring and control of export refunds system as well as the control of disbursement of subsidies and collection of taxes; - Preparation for implementation of CAP mechanisms in the sectors of milk and milk products as well as potato starch; - Increase of administration capacities related to the implementation of CAP in Poland; Further implementation of institutional infrastructure in the sectors of fruits &amp; vegetables, tobacco and hop.</td>
<td>AMA ready for implementation of the respective CAP mechanisms producers, processors and commercials adequately prepared for benefiting from CAP institutional infrastructure implemented in the selected markets</td>
<td>Documentation of Polish government; MARD, AMA documentation Documents and reports of European Commission and other EU institution New and updated legal acts</td>
<td>A: Precise knowledge of legal and organisational conditions existing in the UE Adjustment of Community patterns to Polish conditions R: Complex procedure of launching of budgetary resources Lack of sufficient funds both national and European for the complete implementation of respective mechanisms Delays in implementation of pilot projects '99 which aims at delivering certain patterns for implementation of this project.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outputs of Project</th>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
Agricultural Market Agency prepared to play a role of EU intervention agency and financial servicing of CAP programmes; AMA staff better prepared for all tasks resulting from its wider function; 400 persons trained in the field of application of the respective CAP mechanisms being under responsibility of AMA; 1000 representatives of sectorial organisations, producers, processors and commercials trained in the field of the existing EU procedures related to functioning of CAP mechanisms to be administered by AMA;

Department (Section) responsible, among others, for monitoring and control of a system of export refunds as well as control of subsidies payment and taxes collection created (special department responsible for monitoring of application of Council Regulation no 4045/89); detailed method of competing, control and flow of documentation between Polish organisations of producers in the sector of fruits & vegetables and EU institutions prepared; Polish institutional system for withdrawal from market of fruits and vegetables prepared on the basis of the European system (flow of documents, methods of collection of information, etc.); detailed principles of documenting and reporting in the sector of fruits & vegetables elaborated (proposals for setting up an institution for collecting, verification and processing of data); selected Polish producers of fruits, vegetables, hop and tobacco acquainted with procedures related to creation of producers organisations (structure, number of members, costs related to creation and activity of group, relations between the group and administration, benefits for members of the group); organisational scheme of a unit issuing certificates in the sector of hop (together with laboratories) elaborated (flow of documentation, control of using the certification procedure, necessary equipment of certification unit).

| New organisational structure of AMA in place | Documentation of Polish government necessary legislation amendments introduced |
| Computer software for the selected CAP mechanisms prepared | Reports from project implementation appraisal of training programmes; |
| Training sessions, study tours and formation organised for personnel of AMA and representatives of producers organisations | Information materials of MARD, AMA and producers groups involved in the project. |
| Organisational scheme for certification unit in hop sector elaborated | |

A: Perfect knowledge of legal and organisational structures of EU Correct use of European patterns Adjustment of European patterns to Polish conditions; Adequate candidates selected for the trainings.
R: Lack of acceptance of Polish government for the organisational structures proposed to be implemented Lack of agreements between all institutions involved; Insufficient amount of financial resources
<table>
<thead>
<tr>
<th>Inputs</th>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>• twinning co-operation;</td>
<td>• Training session organised;</td>
<td>• Reports from project implementation</td>
<td>A:</td>
</tr>
<tr>
<td>• training sessions;</td>
<td>• Study tours to the selected EU States organised;</td>
<td>• Public opinion pools</td>
<td>• Passing adequate legislation</td>
</tr>
<tr>
<td>• local experts;</td>
<td>• Formation sessions organised;</td>
<td></td>
<td>• training programmes of high quality</td>
</tr>
<tr>
<td>• computer equipment with related software;</td>
<td>• Assistance of foreign and local experts contracted;</td>
<td></td>
<td>• appropriate choice of twinning partners</td>
</tr>
<tr>
<td>• Technical servicing of the project.</td>
<td>• Adequate quantities of equipment purchased;</td>
<td></td>
<td>• proper choice of individual experts.</td>
</tr>
<tr>
<td></td>
<td>• Computer Software for AMA prepared;</td>
<td></td>
<td>R:</td>
</tr>
<tr>
<td></td>
<td>• Progress of twinning agreements existing;</td>
<td></td>
<td>• insufficient number of personnel employed in the institutions involved;</td>
</tr>
<tr>
<td></td>
<td>• Increase of awareness of farmers from benefits out of EU integration – adequate knowledge on EU payments for agricultural sector.</td>
<td></td>
<td>delays in implementation of the project causing the loss of project.</td>
</tr>
</tbody>
</table>

Annex 2-4: Implementation, contracting and disbursement schedules

<table>
<thead>
<tr>
<th>Date of Drafting</th>
<th>May 2000</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Budget Allocation Cost Estimate in MEUR</th>
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</thead>
<tbody>
<tr>
<td>Implementation schedule</td>
</tr>
<tr>
<td>D = design of sub-projects</td>
</tr>
<tr>
<td>C = tendering and contracting</td>
</tr>
<tr>
<td>I = contract implementation and payment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Planning Period</th>
<th>IV '00</th>
<th>I '01</th>
<th>II '01</th>
<th>III '01</th>
<th>IV '01</th>
<th>I '02</th>
<th>II '02</th>
<th>III '02</th>
<th>IV' 02</th>
</tr>
</thead>
<tbody>
<tr>
<td>In</td>
<td>I</td>
<td>II</td>
<td>III</td>
<td>IV</td>
<td>V</td>
<td>VI</td>
<td>VII</td>
<td>VIII</td>
<td>IX</td>
</tr>
<tr>
<td>Implementation schedule</td>
<td>D</td>
<td>C</td>
<td>I</td>
<td>CI</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td></td>
</tr>
<tr>
<td>Contracting schedule</td>
<td>3.5</td>
<td>9.55</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disbursement schedule</td>
<td>1.5</td>
<td>3.5</td>
<td>5.0</td>
<td>7.5</td>
<td>8.0</td>
<td>9.0</td>
<td>9.55</td>
<td>9.55</td>
<td></td>
</tr>
</tbody>
</table>

Legend:
D = design of sub-projects
C = tendering and contracting
I = contract implementation and payment