1. Basic Information
1.1 CRIS Number: 2002/000-580-04-02 Twinning number: PL/IB/2002/AG/02
1.2 Title: Implementation of milk quota system in Poland
1.3 Sector: Agriculture
1.4 Location: Poland

2. Objectives
2.1. Wider objective
Implementation of milk quota system in Poland.

2.2. Immediate objectives:
• implementation of the organisational structure of the Headquarters and Regional Branches of the Agricultural Market Agency (AMA) for administration of milk quota system,
• testing and practical verification of the computer system for administration of milk quota system,
• preparation of purchasing entities1 for monitoring milk purchases, transfer of data, collection of super levies, and collection of super-levies advances,
• preparation of advisors from Agricultural Advisory Centres (AAC), National Advisory Centres for Agriculture and Rural Development (NACARD), including its Regional Centres, to support direct suppliers in keeping registers of production and consumption of milk and milk products in agricultural holdings2.
• testing and implementation of the control system of purchasing entities and direct suppliers

2.3. Accession Partnership and NPAA priorities
The necessity to carry out this project results from the Priority 7.9 of the NPAA – "Preparation for Implementation of Common Organisation of Agricultural Markets".
(Task 2.: Common Organisation of the Milk Market, 2. Indirect goals – Introduction of the milk production quoting system),
3.1. Short-term goals – Agriculture "Developing the Social Conscience in Rural Areas in the Field of the Future of the Agricultural Economy", and
3.2. Medium-term goals – Agriculture "Strengthening Mechanisms of the Administration of the Common Agricultural Policy and Administrative Structures (Supervision over Agricultural Markets)".
Provisions of the Accession Partnership (November 2001) call for actions to “upgrade the capacity of agricultural administration and complete preparations for the enforcement and practical application of the management mechanisms of the Common Agricultural Policy, in particular the Integrated Administration and Control System, the Paying Agency and preparation for setting-up the milk quota management system”.

3.1. Background and justification
The integration of Poland with the European Union and the achievement of the full membership constitute the strategic goal and the highest priority for the Polish foreign and economic policy. The agriculture is among sectors where the adjustments will be the most necessary and they should bring about considerable profits to both parties. The dairy industry occupies an important position in the Polish agricultural and food sectors. The integration of the Polish dairy sector with the dairy market and structures of the European Union indicates a number of difficulties in this process and necessitates urgent adjustment activities. Thus, detailed preparations and versatile actions facilitating solving numerous problems are required already at the adjustment stage.

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1 According to the Polish Law on Milk and Milk Products Market Regulation the purchasing entities are defined as natural persons, legal persons or organisational units with no legal personality which are recognised by AMA and purchase milk from whole-sale suppliers.
2 Agricultural Advisory Centers (in Polish ODR)
The dairy sector occupies a leading position among the most important branches of the food economy in Poland. In terms of the value, the share of the market and global production of the dairy sector (milk, cattle and calves) is on the first position in the agricultural market output. The considerable potential of the dairy sector is accompanied by a very big break-up both on the production and processing levels. In the year 2000, there were ca. 350 dairy plants in operation in Poland, including ca. 240 dairy co-operatives, ca. 80 companies, and ca. 30 companies belonging to natural persons. The market production of dairy products in 2001 was based on supplies from ca. 390 thousand farms. Number of dairy farms fell down from ca. 500 thousand in 2000.

Due to the integration process, the adjustment of regulations concerning the milk market to Community solutions, including milk quota system, which belongs to the most difficult aspects of the dairy market in the European Union, is one of the priorities determined in the National Program for Preparation for Membership in the EU. An efficient functioning of the milk quota system shall determine the efficiency of other market regulations as well as the advantages resulting from the system. So far, the Polish law regulating the functioning of the dairy market differed from the provisions valid in the European Union. In consequence, new legal bases determining the introduction of new mechanisms and regulations have been created. On January 1st, 2002, the Law on regulation of milk and milk products market of 6th of September 2001 entered into force (Official Journal No. 129, item 1446). It adjusted provisions of the Polish law to the Community aquis in the field of the functioning of dairy market. The new law took into consideration the mechanisms of the Common Agricultural Policy, especially the milk quota regulations, i.e. Council Regulation (EEC) No 3950/92, of 28 December 1992, establishing an additional levy in the milk and milk products sector, as amended by Council Regulation (EC) No 1256/1999 of 17 May 1999 amending Regulation (EEC) No 3950/92 establishing an additional levy in the milk and milk products sector, Commission Regulation (EC) No 1392/2001 of 9 July 2001 laying down detailed rules for applying Council Regulation (EEC) No 3950 establishing an additional levy on milk and milk products. In 2002, Regulations setting detailed conditions for application of the above mentioned Law will be adopted.

The Law provides for a gradual implementation of support instruments for the milk and milk products market in order to improve the financial situation in the dairy sector, facilitate the development of the sector, and smooth adjustment of the Polish intervention system on the milk and milk products market to the one valid in the European Union, including the introduction of raw milk production quota system and system of its control. So far, the only amendment to the Law on regulation of milk and milk products market, of 17th of December 2001, has no influence on the process of milk quota implementation in Poland and will not hamper this project.

According to the said Law, the period since 1st of April 2004 till 31st of March 2005, shall be the first year of the milk quota system performance. The reference year is specified in the art. 2 of the Law as a period from 1st of April 2002 to 31st of March 2003. Thus, in accordance with the art. 6 of the Law, whole-sale and direct suppliers shall submit applications for individual milk quota until 31st of October 2003. Decision about granting individual milk quota shall be taken until 31st of January 2004. The art. 6 of the Law states that the individual milk quotas will be determined proportionally according to the reference year. Individual quota allocations may be adjusted to the outcome of accession negotiations. The Agricultural Market Agency, responsible for the system administration in Poland, undertakes activities aimed at its preparation for an efficient quota management. A considerable fragmentation of the milk production in Poland and the number of currently functioning dairy plants are factors that will influence the efficiency of the milk quota administration system.

Introduction of the milk quota system in Poland makes a difficult organisational task, requiring a considerable increase in the employment in AMA and training of employees of AMA Regional Branches. An efficient implementation and functioning of the system will also depend on the know-how and the practical preparation of purchasing entities and milk suppliers. As far as wholesale deliveries are concerned, the purchasing entities shall be, as it is in the case of European Union, a link between AMA and the whole-sale suppliers. AMA
shall receive from the purchasing entities all the information required in milk quota system and necessary for the efficient administration, concerning among others real and verified volumes of deliveries from individual whole-sale suppliers, changes in the deliveries and volume of the due levy for exceeding the milk quota. Purchasing entities will also be responsible for the collection and transfer of the due levy to AMA. The role of the purchasing entities includes also assistance to whole-sale suppliers at the moment of milk quota system introduction with the appropriate understanding of rules of their functioning to administer the quota in the optimal way. But as far as direct suppliers are concerned, they cannot be supported by the purchasing entities. There is an assumption that the agricultural advisors will be used to help the direct suppliers get prepared for keeping registers of milk production in their holdings.

The above tasks require a close co-operation between AMA, purchasing entities, farmers and advisory institutions (AAC and NACARD).

The said co-operation requires provision of theoretical and practical know-how for all participants in the milk quota system. Failure to implement the milk quota mechanisms on a platform of an efficient IT system will make it impossible to administer the quota efficiently.

Additionally verification of control system of purchasing entities and direct suppliers is essential for proper implementation and administration of milk quota system in Poland. AMA Regional Branches will be responsible for carrying controls of purchasing entities and direct suppliers. Body authorised by the President of the Agency is to control purchasing entities when the veterinary requirements are concerned (regional level). The AMA Headquarters will supervise controls performed by Regional Branches and the AMA Internal Audit Office will monitor and verify control procedures in order to improve the AMA control system according to art. 11-14 of Commission Regulation (EC) 1392/2001 (national level).

As a result of the Phare 2002 Project AMA will achieve readiness to implement milk quota system by 31st December, 2003. The milk quota system in Poland will be implemented on the 1st of April 2004 in line with Law on regulation on milk and milk products market dated 6th of September 2001, which is adjusted to EU requirements. In the period between 1st of January 2004 and the end of the third quarter 2004, the PAA with the help of short-term experts will verify the functioning of milk quota system and will provide necessary advice to AMA.

It is planned to use electronic network as a basic media for data transfer (milk deliveries, weighted fat content in deliveries, corrected deliveries). Due to the great number of purchasing entities and direct suppliers in Poland, it is expected that the amount of data received and processed within the milk quota system could hardly be dealt with manually. Thus, IT support is needed. But in case of force majeure transfer via other media (e.g. fax or post) will be acceptable. In January 2003, the number of AMA Regional Branches will be increased to 16. Their main task will be administration of the milk quota system. It is estimated that at the moment of implementation of the milk quota system, minimum 20 persons will be employed in each Regional Branch for this purpose. In order to support the preparation of milk quota system in Poland, it is necessary to equip AMA new employees in computers with operating system and printers under Phare financing. The new employees operating IT system, created by AMA, will work with hardware purchased in the framework of this project.

Purchase of hardware will enable the fluent information transfer between purchasing entities, AMA and milk suppliers. The possession of computer by purchasing entity is of such importance as to ensure the appropriate monitoring and control of milk and milk products marketed against granted individual quotas. It is therefore planned to purchase computer sets for selected purchasing entities out of AMA’s own financial resources in the framework of national co-financing.
It should be stressed that unlike in the case of IT software testing performed in Phare 2000, it is planned to test IT system against the real data sent to AMA from purchasing entities during the period from the 1st of April 2003 to 31st of March 2004.

3.2. Linked activities
Due to the complexity of the administration of the EU milk quota system and taking into consideration serious financial consequences that can be connected with an improper implementation of the quota system, the Agricultural Market Agency started adjustment activities in that field in January 2000 by implementation of the Program PSO 99/PL/9/21 "Preparation of the Milk Quota System in Poland". It provided the Polish party with the practical know-how on the milk quota system administration. The PSO project was realised by AMA and the Ministry of Agriculture and Rural Development (MARD) in co-operation with representatives of Dutch institutions directly engaged in the administration of milk quota system and with selected dairy plants: OSM Lowicz and Nowy Dwór Gdanski, as well as the Regional Centres for Advisory Services in the Agricultural and Rural Development in Stare Pole. The project activities were planned for 23 months, since January 2000 till November 2001, and they were divided into three phases: inception, implementation and summary.

Apart from offering a possibility of practical testing of selected elements of milk quota system, the implementation of the PSO program made the Polish party aware of the complexity of the milk production quota system, as well as the necessity of a close co-operation between the state administration, purchasing entities and milk producers, along with the necessity to take advantage of experience already gained by the European Union. Gained experience and transferred know-how in the framework of the PSO project have been used in the preparation of the Polish Law on regulation of milk and milk products market. The program, due to its limited size, allowed to familiarise and test only selected elements of the milk production quota system, mainly for whole-sale deliveries. Due to limited financial means, the aspect of monitoring of direct sales was worked upon to a very limited extend.

The PSO pilot programme facilitated the following tasks within the whole-sale quota:
- monitoring, on the level of dairy plants, the utilisation of the granted milk quota for individual whole-sale suppliers,
- operation of a simplified supporting computer programme creating basic rules of system functionality which, with the gained experience and know-how would be used for the construction of the final computer system supporting the administration of the milk quota system in Poland,
- working out proposals of selected procedures important for the milk quota system administration,
- realisation of a reallocation of not-used milk quota at the level of the milk purchasing entities after the end of the pilot year.

In September 2001, AMA started the implementation of the project PL 0006.08 within Phare 2000 concerning, among others: "Milk Production Quota System including Super Levies", whose completion is planned for May 2003. The results of the project implementation will include preparation of organisational and functional model for milk quota administration system in Poland, including:
- templates of forms,
- procedures and desk instructions,
- IT requirements' catalogue,
- control plans,
- check-lists,
- leaflets.

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3 The programme covered mainly recalculcation of actual milk deliveries with % of fat content by reference fat of individual supplier and possibility of sending the data to AMA and selected farmers.
The above documents will have been prepared by May 2002. They shall constitute point of reference for designing and building of the computer system for AMA.

On the basis of the IT catalogue requirements, AMA will have prepared by November 1st 2002 a module for the registration of purchasing entities and collecting and analysing the data concerning supplies realised in the reference year and during the implementation of the said project. Works on the preparation of the software in the part "Registration of Applications", "Allocation of Quota to Individual Whole-Sale and Direct Suppliers", "Starting/Stopping Milk Production", and "Data Analysis – Individual Milk Quota Versus the Level of Actual Deliveries in the Quota Year" will have been completed by the end of December 2002. Then the software shall be installed in AMA Regional Branches. The format of data concerning supplies in the reference year and in the period covered by the present project, which shall be sent by purchasing entities and direct suppliers to Local Branches and then from Local Branches to the Headquarters, will be defined. The data will form the basis for working out subsequent elements of the software until April 2003, including: "National Reserve", "Transfer and Conversion of Quota", "Collection of Advances and Settlement of Super Levy".

Due to the increase of responsibilities mentioned above, it is planned to employ 200 additional employees in the Agricultural Market Agency including 24 persons to be gradually employed since the beginning of 2002 (17 persons in AMA Headquarters, including 11 IT specialists, and 7 persons in AMA Regional Branches). The rest of the staff will be recruited during the implementation of the project. The above employment will be broken down as follows: ca. 25 persons in AMA Headquarters and ca. 175 persons in AMA Regional Branches.

In the investment part of Phare 99, AMA has bought ca. 125 computers for covering needs related to the proper performing of the project tasks (not only milk market) and handed them over to the new AMA employees in 2001. In the investment part of Phare 2000, only the elaboration of software is foreseen and no computers will be purchased. Under the Phare 2000, the IT system will be tested only within a range of its “stand-by activity” but no data from purchasing entities and direct-sale suppliers will be delivered to check the system’s real performance. Moreover, AMA will procure and finance 200 computers with operating systems and printers for the newly employed persons.

According to the EU experts’ estimations, which took into account current situation of the Polish milk sector, AMA may need ca. 500 employees for the proper administration of the milk quota system. AMA will make the final estimations of the necessary recruitment based on the outcomes of the project implementation and IT system testing. Moreover, within the framework of Phare 2001 project “Training for CAP”, 500 persons are planned to be trained in the field of instruments of the EU Common Agricultural Policy on the milk market. This programme (Phare 2001) shall concentrate on the preparation in AMA of the so-called trainers, who shall be responsible, for instance, for local training in the field of milk quota carried out with the national financing.

### 3.3. Results

- Complete preparation of AMA, purchasing entities, NACARD, AACs, whole-sale and direct suppliers for the functioning of the milk quota system in Poland.
- Verified procedures and desk instructions for milk quota system in the field of procedures for lodging and examination of applications, granting individual milk quota to the suppliers, monitoring the level of deliveries against granted quota, data verification on the level of the purchasing entity and direct supplier.
- Conducted testing and practical verification of the computer system used in the Headquarters and in AMA Regional Branches for the administration of milk quota system.
- Organisational structure of AMA from the point of view of milk quota administration in Poland implemented.
- Employees of AMA Headquarters and AMA Regional Branches trained in the field of the operation of the computer software for administration of milk quota system.
• Completed registration and authorisation of all entities purchasing milk, meeting conditions determined in law on regulation of milk and milk products market and relevant EU regulations.
• Submitted and examined applications from whole-sale and direct suppliers for granting individual milk quota and data on the level of purchases in the reference period from purchasing entities.
• Implemented control system of purchasing entities and direct suppliers in AMA Regional Branches
• Individual milk quota granted to whole-sale and direct suppliers by AMA.
• Conducted information campaign entitled "Dissemination of knowledge on the functioning of the milk quota system in Poland" , including:
  - printing and distribution of detailed brochures prepared within Phare 2000 containing detailed information on their tasks and duties in the milk quota system to whole-sale and direct suppliers, as well as to purchasing entities,
• Conducted training for representatives of milk producers, purchasing entities, advisors from NACARD and its Regional Centres and AACs in the field of filling in the forms and keeping registers concerning milk quota
• AMA’s operational materials, such as forms for administration of milk quota system, printed and sent to AMA Regional Branches,
• Computers with operating system and printers purchased for AMA, Agricultural Advisory Centres and NACARD

3.4. Activities
The project will consist of three components: twinning, printing and distribution of information materials for market beneficiaries and investment

a) Twinning
The twinning covenant is planned for the Agricultural Market Agency.

In the framework of twinning covenant it is foreseen to carry out the following activities:

a) assistance in verification and the collection of data on the level of milk delivered to milk purchasing entities,
b) assistance in verification and the collection of data on the level of milk and milk products introduced on the market by direct suppliers,
c) verification of IT system against the received data,
d) on the basis of collected data elaboration of control system which shall ensure checks provided for in art. 11-14 of Commission Regulation (EC) 1392/2001 as well as:
  • Random specific checks on the applications of milk suppliers during the reference year. The controls will provide for cross-checking of applications for granting individual milk quotas.
  • Supervision of the purchasing entities’ premises carried out by employees of AMA Regional Branches when the milk quota requirements are concerned or body authorised by the President of the Agency when the veterinary requirements are concerned
  • Conducted supervision over whole-sale suppliers, direct suppliers and purchasing entities, between the reference year and the quota year such as, for instance, control over purchasing entity to follow the possibility of verifying the level of deliveries in relation to the amount of quota granted to whole-sale suppliers,
  • Creation of control plan of computers purchased under the project used for implementation of the milk quota system to reveal the appropriate use of purchased computer sets
  • conducting training for milk quota system directed to AMA Regional Branches, Agricultural Advisory Centres, NACARD.

The above mentioned activities shall necessitate the assistance of pre-accesion adviser and short terms experts.
PAAs should have a long-lasting experience in the work in an intervention agency and the appropriate knowledge on the practical functioning of the milk quota system in the European Union, as well as in administrative and organisational activities connected with the preparation of the agency for administration of such a system. Moreover, he/she should know functional and organisational structures of intervention agencies in other EU Member States.

The tasks of the pre-accession advisor shall include:

- Overall co-ordination of short-term expert visits, study tours and training;
- Transfer of recommendations and suggestions for necessary activities according to the acquis reflected in the Law on regulation of milk and milk products market, which will prepare for introduction of milk quota system in Poland. Within the range of these activities it is expected that PAA shall verify the AMA’s procedures, forms, risk analyses, check lists and desk instructions elaborated under Phare 2000.
- Providing recommendations on the control system, methodology of carrying out controls through:
  - Visits at selected purchasing entities and direct suppliers’ farms
  - Assessment of selected control reports elaborated by AMA Regional Branches
- Providing advice on problems appearing during day to day quota administration in AMA based on EU experience (correction of the data received from purchasing entities, implementation of audit recommendations, etc.)
- Providing to the AMA management advice on and confirmation of proposals of location and number of computers to be purchased within the project.

Short term IT experts These experts should come from two selected intervention agencies and they should possess a wide knowledge on the computer system used to administer milk quota system in these agencies. Tasks of short-term experts shall include the monitoring of the functioning of the computer system created by AMA and the preparation of recommendations in case of necessary changes in its modules as well as conducting training for employees of AMA Regional Branches in the field of the operation of AMA computer system for administration of milk quota system. The IT system shall be tested against the data received from purchasing entities and direct suppliers from 1st of April 2003 to 31st of March 2004.

STE experts on milk quota system These experts should possess a practical experience in milk quota administration and should come from two selected intervention agencies. Tasks of short-term experts is to conduct following trainings:

a) training for representatives of purchasing entities, advisors from AMA, and representatives of whole-sale and direct suppliers in the field of the practical realisation of duties resulting from the milk quota system, including filling in the forms and keeping registers
b) Organisation of training for employees of AMA Headquarters and Regional Branches in the field performing control of purchasing entities, direct suppliers, Regional Branches as well as audit activities;

Above mentioned training will be conducted on the basis of training materials elaborated under Phare 2000.

AMA employees shall be held responsible for the introduction of the proposed changes.

Moreover, it is planned to carry out study visits for representatives of purchasing entities, NACARD and AACs to selected EU Member States to gain profound knowledge on milk quota system functioning and rules of filling in and submitting forms, as well as rules of operation of the existing milk quota computer systems.

It is planned to train ca. 1500 persons from ca. 350 purchasing entities, 51 Agricultural Advisory Centres, 16 AMA Regional Branches and representatives of whole-sale and direct suppliers.
The following procedure will be used for granting the individual milk quota:
Under the Phare 2002 project, AMA will complete registration and authorisation of all entities purchasing milk, meeting conditions determined in Law on regulation of milk and milk products market and respective EU regulations. AMA will receive and examine the applications from whole-sale and direct suppliers for granting individual milk quota and data about on the level of purchases in the reference period (1 April 2002 – 31 March 2003) from purchasing entities. Finally, AMA shall grant individual quota to whole-sale and direct suppliers proportionally to the production in the reference period. This will be subject to adjustments according to the outcome of negotiations with the EU.
During the project implementation, AMA will monitor changes in milk production in Polish agricultural holdings between the end of the reference period (31st of March 2003) and the implementation of milk quota system in Poland (1st of April 2004).

**b) Printing and distribution of information materials for market beneficiaries:**
There is a necessity of preparation and distribution of information materials concerning the milk quota system operation for market beneficiaries (ca. 1 million milk agricultural holdings). The information materials, especially for purchasing entities and direct suppliers, containing detailed information on the tasks and duties resulting from the implementation of milk quota system in Poland, will be prepared by the AMA’s employees. However, it is foreseen to print and distribute them through AMA Regional Branches to market beneficiaries (purchasing entities, whole-sale and direct suppliers) in the course of the project implementation.

**c) Investment**
Ca. 330 computer sets (computers with operating system and printers) will be purchased for AMA. Moreover, computer sets for work only within milk quota system shall be purchased for Agricultural Advisory Centres and NACARD. The total number of computers purchased within the project, as well as their location will be determined by the PAA in co-operation with AMA Management.
Taking into account that milk purchasing entities will have to finance the costs of adapting their computer systems to the requirements of milk quota implementation in order to transfer to AMA the data in the correct format and according to the schedule, computer sets will be purchased for selected purchasing entities out of AMA’s own financial resources in the framework of national co-financing.

### 4. Institutional framework
The overall supervision of the project is exercised by the Ministry of Agriculture and Rural Development.

Institutions to which the project is addressed:

**Agricultural Market Agency (AMA)**
In order to correctly prepare AMA for the extended scope of its future tasks, the Agricultural Market Agency shall be adjusted to requirements to be met by EU payment agencies administering the milk quota system, through modification of its organisational and functional structure (on the central and local levels), preparation of personnel and testing the elaborated computer system.

**Purchasing entities**
According to the Polish Law on regulation of milk and milk products market, the purchasing entities are defined as natural persons, legal persons or organisational units with no legal personality which are recognised by AMA and purchase milk from whole-sale suppliers.
In the year 2000, so defined ca. 350 purchasing entities were operating, including ca. 240 dairy co-operatives, ca. 80 companies, and ca. 30 companies belonging to natural persons in operation in Poland.
Within the project, it is planned to train representatives of all authorised by AMA purchasing entities by means of study visits and national seminars. Parallel to AMA, representatives of purchasing entities, trained in the course of the project, will pass their knowledge and know-how concerning practical operation of the system to milk producers delivering milk under the quota system. On completion of the training they will also be able to provide practical advice on how to fill in the forms and keep registers.

**AAC and NACARD (including its Regional Centres)**

These institutions (51 units) are in close cooperation with milk producers, including direct suppliers. Due to the expected great number of direct suppliers in Poland, the know-how and experience of advisory institutions will constitute a positive factor in information campaign, covering among others running of the registers, directed to the milk suppliers. Due to the role played by agricultural advisors in the PSO programme and their planned engagement as counsellors for direct sellers, it is planned to train advisors employed in these institutions in Poland in the registration of the milk production and its disposal.

### 5. Detailed budget (EUR)

<table>
<thead>
<tr>
<th>PHARE financing</th>
<th>Investment</th>
<th>Institution Building</th>
<th>Total PHARE</th>
<th>National co-financing</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning, printing and distribution of information materials</td>
<td>-</td>
<td>1 000 000</td>
<td>1 000 000</td>
<td>200 000</td>
<td>-</td>
<td>1 200 000</td>
</tr>
<tr>
<td>computers with operating system and printers</td>
<td>500 000</td>
<td>500 000</td>
<td></td>
<td></td>
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<td>500 000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>600 000</td>
<td>1 500 000</td>
<td>2 100 000</td>
<td>400 000</td>
<td>-</td>
<td>2 500 000</td>
</tr>
</tbody>
</table>

Co-financing will be available

### 6. Implementation arrangements

#### 6.1 Implementing Agency:

**PAO**: Krystyna Gurbiel, Under-Secretary of State at the Office of the Committee for European Integration, Aleje Ujazdowskie 9, 00-918 Warsaw; phone +48 22 455 52 41, fax +48 22 455 52 43.

**CFCU**: Foundation “Co-operation Fund”, Mr Wojciech Paciorkiewicz, Director, 4a Górnoslaska Street, 00-444 Warsaw; phone +48 22 622 84 64, fax: +48 22 622 72 12.

CFCU shall be responsible for carrying out tenders, conclusion of contracts, and realisation of contractual payments in the name of the Ministry of Agriculture and Rural Development, which is responsible for the preparation, administration, and implementation of the project.

#### 6.2 Twinning

It is planned to employ one PAA and four short-term experts in Agricultural Market Agency. PAA shall be employed for 18 months.

Contact person:

**MARD**: Miroslaw Drygas, Director of Departament for Pre-Accession Assistance and Structural Funds, 30 Wspólna Str., 00 – 930 Warsaw, tel. +48 22 623 25 55.

**AMA**: Waldemar Sochaczewski, Deputy President, 6/12 Nowy Swiat Str., 00 – 400 Warsaw, tel. +48 22 661 79 18, fax. +48 22 629 54 79.

#### 6.3 Non-standard procedures: not applicable

Tender procedures and contracts will be carried out according to Practical Guide to Phare, Ispa & Sapard.
6.4 Contracts
The conclusion of 3 contracts out of Phare funds is planned for the implementation of the project:
1) Twinning Covenant amounting to 1 million Euro out of Phare.
2) Supply contract to purchase computers and printers for AMA, NACARD, AAC amounting to 0.6 million Euro out of Phare funds. Practical Guide will be followed. In the form of parallel co-financing a separate supply contract to purchase computers for selected purchasing entities will be concluded for 0.2 million Euro out of national funds.
3) Contract for printing and distribution of information materials for market beneficiaries – 0.5 million Euro out of Phare.

7. Implementation schedule
7.1. Start of tendering/call for proposals: IV quarter 2002
7.2. Start of project activity: I quarter 2003
7.3. Project completion: III quarter 2004

8. Equal Opportunity
The participation of women results from the very structure of employment in governmental agencies, where ca. half of the employees are women. The participation of women will be measured with a percentage ratio of the number of women and men participating in study visits, training, and seminars.

9. Environment: not applicable
10. Rates of return: not applicable
11. Investment criteria: not applicable
12. Conditionality and sequencing

The project implementation is conditional to the following factors:
- Implementing regulations to the Law of 6 of September 2001 on milk and milk products regulation are adopted in 2002,
- preparation of the computer system for milk quota administration by AMA by the end of 2002, on the basis of the results of the Phare 2000 programme, which will be feasible after the increase in employment in AMA by 24 additional persons (including 11 IT employees) from the beginning of 2002,
- increase in employment in AMA Headquarters and AMA Regional Branches by minimum 200 persons (25 employees in the Headquarters + 175 persons in AMA Regional Branches),
- launching the financing of the project not later than by April 1st, 2003.

Implementation of all activities will have been completed by the end of 2003. The period between 1st of January 2004 and the end of the third quarter 2004 (end of this project) will be used to gain additional support from the PAA and short-term experts in terms of control of milk quota system functioning and smoothing out its operation.
### Annex 1: Logframe planning matrix for project

<table>
<thead>
<tr>
<th>LOGFRAME PLANNING MATRIX FOR PROJECT</th>
<th>Program name and number</th>
<th>Implementation of the milk quota system</th>
</tr>
</thead>
<tbody>
<tr>
<td>04.02 Implementation of a milk quota system in Poland</td>
<td>Contracting period expires 30/11/04</td>
<td>Disbursement period expires 30/11/05</td>
</tr>
<tr>
<td></td>
<td>Total budget 2.5 mln -uro</td>
<td>Phare Budget 2.1 mln euro</td>
</tr>
</tbody>
</table>

#### Overall objective
- Implementation of milk quota system in Poland

#### Objectively Verifiable Indicators
- Conducted audit of milk quota system administration by AMA Internal Audit Office

#### Sources of Verification
- Audit report
- Documentation of the Polish government
- Documentation of MARD
- Documentation of AMA

#### Project purpose (Immediate Objectives)
- Implementation of the organisational structure of the Headquarters and Regional Branches of the Agricultural Market Agency (AMA) for administration of milk production quota system,
- Testing and practical verification of the computer system for administration of milk quota system,
- Preparation of purchasing entities for monitoring milk purchases, transfer of data, collection of super levies, and collection of super-levies advances,
- Preparation of advisors for Agricultural Advisory Centres (AAC), National Advisory Centres for Agriculture and Rural Development (NACARD), including its Regional Centres, to support direct suppliers in keeping registers of production and consumption of milk and milk products in agricultural holdings,
- Testing and implementation of the control system of purchasing entities and direct suppliers

#### Objectively Verifiable Indicators
- Elaborated documentation setting new organisational structure in AMA’s Headquarters and Regional Branches
- Created database for functioning of milk quota system
- Training in administration of milk production quota system delivered to purchasing entities, advisors from AAC, NACARD and its Regional Centres
- Production data collected by purchasing entities and direct suppliers and transferred to the AMA

#### Sources of Verification
- Documentation of MARD
- Documentation of AMA PAA and short-term expert’s reports
- Questionnaires filled in by participants of seminars and other training sessions

#### Assumptions
- Regulations to Law on milk and milk products market are adopted in 2002.
- Adequate increase in employment at AMA
- By the end of March 2003, on the basis of results of Phare 2000 project, IT system for administration of milk quota system prepared by AMA.
- Launching of project financing on 1st of April 2003 at the latest.
<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete preparation of AMA, purchasing entities, AACs, whole-sale and direct suppliers for the functioning of the milk quota system in Poland.</td>
<td>Amended AMA Headquarters and Regional Branches organisational structure – created organisational units for milk production quotas</td>
<td>Documentation of the Polish government</td>
<td>IT system for administration of milk quota system prepared by AMA on the basis of documents elaborated under Phare 2000 project.</td>
</tr>
<tr>
<td>Verified procedures and desk instructions for milk quota system in the field of procedures for lodging and examination of applications, granting individual milk quota to the suppliers, monitoring the level of deliveries against granted quota, data verification on the level of the purchasing entity and direct supplier.</td>
<td>Amended and supplemented implementing documentation (procedures, desk instructions) issued administrative decisions on granting individual milk quotas</td>
<td>Documentation of MARD</td>
<td>Increase of employment in Headquarters and AMA RB</td>
</tr>
<tr>
<td>Conducted testing and practical verification of the computer system used in the Headquarters and in AMA Regional Branches for the administration of milk quota system.</td>
<td>Printed and distributed information brochures and AMA forms in the field of milk quotas implemented, tested and verified IT system for milk quota in AMA in Poland</td>
<td>Questionnaires filled in by participants of seminaries and other training sessions</td>
<td>Financial means for the fulfilment of the project (among others for purchase of computer sets, printing and distribution of information materials and forms, training) guaranteed</td>
</tr>
<tr>
<td>Organisational structure of AMA from the point of view of milk quota administration in Poland implemented.</td>
<td>Elaborated and verified implementing documentation and methodology for carrying out controls</td>
<td>Training documentation Agreements concluded with purchasing entities for use of computer sets</td>
<td></td>
</tr>
<tr>
<td>Employees of AMA Headquarters and AMA Regional Branches trained in the field of the operation of the computer software for administration of milk quota system.</td>
<td>Conducted audit of IT system by Internal Audit Office</td>
<td>Administrative decisions on granting individual quotas</td>
<td></td>
</tr>
<tr>
<td>Completed registration and authorisation of all entities purchasing milk, meeting conditions determined in law on regulation of milk and milk products market and relevant EU regulations.</td>
<td>Purchasing entities registered, individual quotas granted to milk producers</td>
<td>Database of registered purchasing entities and milk suppliers</td>
<td></td>
</tr>
<tr>
<td>Submitted and examined applications from whole-sale and direct suppliers for granting individual milk quota and data on the level of purchases in the reference period from purchasing entities.</td>
<td>Control reports</td>
<td></td>
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</tr>
<tr>
<td>Implemented control system of purchasing entities and direct suppliers in AMA Regional Branches</td>
<td></td>
<td></td>
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<tr>
<td>Individual milk quota granted to whole-sale and direct suppliers by AMA.</td>
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<tr>
<td>Conducted information campaign entitled “Dissemination of knowledge on the functioning of the milk quota system in Poland”, including: printing and distribution of detailed brochures prepared within Phare 2000 containing detailed information on their tasks and duties in the milk quota system to whole-sale and direct suppliers, as well as to purchasing entities,</td>
<td></td>
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</tr>
<tr>
<td>Conducted training for representatives of milk producers, purchasing entities, advisors from NACARD and its Regional Centres and AACs in the field of filling in the forms and keeping registers concerning milk quota; AMA’s operational materials, such as forms for administration of milk quota system, printed and sent to AMA Regional Branches, Computers with operating system and printers purchased for AMA, Agricultural Advisory Centres, and NACARD</td>
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<tr>
<td>Activities</td>
<td>Means</td>
<td>Assumptions</td>
<td></td>
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<tr>
<td>---------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>AMA IT system verification</td>
<td><strong>Twinning Covenant:</strong></td>
<td>Implementation rules, procedures, desk instructions and other documents ready to be verified and used in the course of the project</td>
<td></td>
</tr>
<tr>
<td>Monitoring of milk production changes occurring in agricultural holdings</td>
<td>PAA 4 STE training – 1500 persons</td>
<td>Prepared IT system for service of the programme to be verified and tested, and then used in the course of the project</td>
<td></td>
</tr>
<tr>
<td>from the end of the reference period (31.03.2003) to implementation of milk</td>
<td>(representatives of 350 purchasing entities and milk suppliers, 51 AAC, NACARD and its Regional Centres, 16 AMA Regional Branches)</td>
<td>Prepared information materials and forms to be printed and distributed in the course of the project,</td>
<td></td>
</tr>
<tr>
<td>quota system (1.04.2004)</td>
<td>AMA IT system verification</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monitoring of milk deliveries data received by AMA Regional Branches</td>
<td>Printing and distribution of brochures and forms</td>
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<tr>
<td>Performing controls in line with elaborated control system</td>
<td><strong>Investment contract:</strong></td>
<td></td>
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<tr>
<td>Registration and authorisation of all purchasing entities</td>
<td>Purchase of computers with operational system and printers</td>
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<tr>
<td>Assignment of individual milk quota</td>
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<tr>
<td>Verification of procedures and desk-instructions elaborated under Phare 2000</td>
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<tr>
<td>Organisation of study visits for representatives of purchasing entities, NACARD and AAC to selected EU MSs</td>
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<tr>
<td>Organisation of national training for representatives of purchasing entities, AAC and NACARD advisors and representatives of whole-sale suppliers and direct suppliers in the field of practical accomplishment of duties deriving from milk quota system, including filling in of forms and keeping registers.</td>
<td></td>
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<tr>
<td>Organisation of training for AMA RB employees in the field of administration of AMA IT system for milk production quota administration system.</td>
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<tr>
<td>Organisation of training for employees of AMA Headquarters and Regional Branches in the field performing control of purchasing entities, direct suppliers, Regional Branches as well as audit activities</td>
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<tr>
<td>Printing and distribution of brochures in all AMA RB containing detailed information on tasks and duties deriving from system implementation in Poland to purchasing entities, whole-sale and direct suppliers system in Poland.</td>
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</tbody>
</table>

Elaborated model and procedures for milk quota system in Poland under Phare 2000.
Elaborated IT system in the field of registration of purchasing entities and application for granting milk quotas before March 2003 by the AMA IT Office.
Increased employment in AMA for the proper realisation of the project.
## Annex 2-3: Time schedule of the implementation, contracting, and disbursement

### 04.02 Implementation of a milk quota system in Poland

<table>
<thead>
<tr>
<th>Date of drafting</th>
<th>Planning Period</th>
<th>May 2002 – December 2003</th>
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<td><strong>Budget Allocation</strong></td>
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<td><strong>in mln EURO</strong></td>
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<tr>
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<td>I</td>
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<td><strong>Contracting schedule</strong></td>
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<tr>
<td><strong>Disbursement schedule</strong></td>
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<td>0.4</td>
<td>1.4</td>
<td>1.9</td>
<td>2.0</td>
<td>2.1</td>
<td>2.1</td>
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</tr>
</tbody>
</table>

*Provide sums in million EURO, accruing*

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