

Environmental benefit, side effects and objective-oriented financing of agri-environmental measures: case study of Poland

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Abstract

In this paper we investigate how to allocate the available budget for agri-environmental measures to maximise environmental benefits and to minimise potential negative side effects resulting for farmers from the implementation of agri-environmental measures. According to the governmental and EU regulations farmers should be fully reimbursed with compensation payments for the implementation of agri-environmental measures and thus for their environmental services. However, research results from Poland show that negative side effects, such as income losses, were not totally compensated in Poland in the first years after the accession to the European Union. The investigation proves significant dependences between the environmental benefit, side effects resulting for farmers, and an objective-oriented budget allocation for agri-environmental measures in the Subcarpathia region studied.

Keywords: Agri-environmental Policy, Policy Evaluation and Design, Decision-making Support, Linear Programming

JEL classification : Q51, Q57, C61

1. Introduction

Agri-environmental programmes are obligatory political tools for the policy of rural areas in all EU member states; however, they are optional for farmers. According to the EU 1257/99 regulation (European Commission, 1999) which was in force till 2006, farmers were reimbursed for their environmental services and the implementation of agri-environmental measures by means of compensation payments. In these payments an additional premium was also included in order to inspire farmers to participate.⁴⁰

⁴⁰ According to the new EU regulation 1698/05, which has been in force since 2007, the compensation payments cover solely implementation costs and income losses resulting from the implementation, and eventually transaction costs, while no simulation incentives are given (European Commission, 2005).