



Minister of Agriculture and

EX-POST EVALUATION PLAN

STATE AID SCHEME SA.107026 (2023/N)

Premium subsidies for crops and livestock insurance and partial refinancing of compensation indemnities paid to agricultural producers as a result of drought (reinsurance)

Warsaw, September 2023

Legal basis

1. Crop and livestock insurance Act (Journal of Laws 2019, item 477)
2. European Commission Decision C(2023) 3299 final approving State aid/Poland SA.107026(2023/N) Aid to crop and livestock insurance premiums and partial refinancing of compensation paid to agricultural producers as a result of drought (reinsurance) (2023/C 212/03)

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I. Introduction

Pursuant to points 639-646 of the European Commission Guidelines for State aid in the agricultural and forestry sectors and in rural areas (2022/C 485/01), Member States are required to carry out ex post evaluations of aid schemes which may result in a risk of seriously restricting or distorting competition. An ex-post evaluation is necessary for schemes where the State aid budget exceeds the equivalent of EUR 150 million in a given year or EUR 750 million over the entire duration of the scheme.

The purpose of the evaluation is to verify the achievement of the objectives and the conditions for compatibility of the aid scheme with the internal market, in particular the necessity and effectiveness of the aid measure in the light of its general and specific objectives. In particular, the assessment of State aid should make it possible to assess the direct incentive effect of the aid on the beneficiary (i.e. whether the aid has changed the direction of the beneficiary's activities and how significant the impact of the aid was). It should also indicate the overall positive and negative impact of the aid scheme on the achievement of the desired policy objective and on competition and trade, as well as an assessment of the proportionality and appropriateness of the aid instrument chosen.

The ex-post evaluation plan shall include a description of the following main elements:

1. the objectives of the aid scheme under assessment,
2. evaluation questions,
3. result indicators,
4. methodology foreseen for carrying out evaluations,
5. collection requirements data,
6. the proposed timing of the evaluation, in this deadline to submit the final report of evaluations,
7. approach to the selection of the independent body carrying out the evaluation;
8. how to ensure that the evaluation is made public.

The periodic ex-post evaluation of the aid scheme in the form of premium subsidies for crop and livestock insurance and the partial refinancing of compensation to agricultural producers for damage caused by drought (reinsurance) will facilitate the decision to amend the scheme if such recommendations are made in the evaluation.

An interim ex-post evaluation of the scheme will be useful to provide data for analysing the direction of further State aid policies.

This evaluation plan, its objectives and criteria are in line with the methodology for assessing State aid recommended by the European Commission in its Common methodology for State aid evaluation of 28 May 2014.¹

II. Characteristics of the aid scheme

- 1) Title of aid scheme: State aid/Poland SA.107026 (2023/N) Premium subsidies for crop and livestock insurance and partial refinancing of compensation to agricultural producers for damage caused by drought (reinsurance).

- 2) Year of implementation: 2023 – 2027
- 3) Objective of the programme: Promote crop and livestock insurance by reducing the costs of insurance against losses caused by adverse weather events in order to guarantee stable agricultural incomes in the event of losses in agricultural production caused by adverse weather events.
- 4) Previous aid schemes: SA.39562, SA.45148, SA.47824, SA.52145.
- 5) Eligibility: small, medium-sized and large farms with primary agricultural production and which are not undertakings in financial difficulty (as defined in point 33(63) of the European Commission Guidelines for State aid in the agricultural and forestry sectors and in rural areas) and which are not subject to recovery orders pursuant to a decision of the European Commission declaring the aid unlawful and incompatible with the internal market.
- 6) Impacts: Agriculture and forestry sector.
- 7) Beneficiaries: Agricultural producers with primary agricultural production in Poland – micro, small, medium-sized and large farms.
- 8) Intensity:
 - 1) in the case of subsidies for crop and livestock insurance premiums: up to 65 % of the crop insurance premium, if the insurance companies' tariff rates for insuring crops for all risks do not exceed 9 % of the sum insured and in the case of:
 - a) crops grown on class V agricultural areas – shall not exceed 12 % of the sum insured for those crops,
 - b) crops grown on Class VI agricultural areas shall not exceed 15 % of the sum insured for those crops;
— up to 65 % of the premium for livestock insurance, provided that the premium rates for insuring animals for all risks set by insurance companies do not exceed 0.5 % of the sum insured;
 - 2) in the case of a special-purpose subsidy to cover part of the compensation paid to farmers for the damage caused by drought, the subsidy shall be payable at the rate of 60 % of the difference between the total amount of compensation paid in respect of the damage caused by drought during the calendar year under crop insurance contracts and 90 % of the sum of the premiums paid in respect of the conclusion of crop insurance contracts for the risk of damage caused by drought, including the premiums paid to the insurance undertaking in the calendar year in question.
- 9) Criteria of Selection: The Minister for Agriculture and Rural Development concludes contracts for insurance subsidies with insurance undertakings, which are selected objectively and impartially on the basis of an open call for tenders.
- 10) Risk: not applicable
- 11) Manager: Minister for Agriculture and Rural Development.

The objective of the programme is to reduce income risks and minimise the consequences of adverse weather events.

Agricultural production insurance stabilises agricultural incomes and enables agricultural producers to continue production processes quickly, providing liquidity in case of insured risks. Insurance products should be customised to match the risk profile of the agricultural holding. Climate and weather factors are the most relevant determining factors for high levels of production risk.

The high level of risk has not been reduced by the significant technological developments observed in recent decades, minimising a range of risks. As a result of climate change and the increase in specialisation resulting from the need to reduce production costs, income fluctuations resulting from losses in the agricultural production process can be expected to increase.

The introduction of subsidies to insurance premiums for crops and livestock has clearly increased the number of insurance contracts to be concluded.

The sum insured is also increasing. In 2009, the sum insured amounted to PLN 6.33 billion, in 2022 at PLN 40.8 billion in nominal terms (PLN 27.12 billion in real terms).

On the basis of the Act of 7 July 2005 on crop and livestock insurance, subsidies to premiums from agricultural producers for the conclusion of insurance contracts are applied from the State budget against the occurrence of the following random events:

- ⌚ for plant production (such as cereal crops, maize, rape, colza, hops, tobacco, field vegetables, fruit trees and bushes, strawberries, potatoes, sugar beet and grain legumes) due to: hurricane, floods, naval rain, hail, lightning, landslides, avalanches, droughts, negative effects of wintering or spring frost. The period from sowing or planting to the harvest is covered;
- ⌚ for animal production (such as cattle, horses, sheep, goats, poultry or pigs) due to: hurricane, flood, torrential rain, hail, lightning, landslides, avalanches, emergency slaughter.

Contribution from the State budget to the insurance premium:

- agricultural crops shall be 65 % of the contribution up to 1 hectare of crop;
- livestock – 65 % of the contribution per animal.

The premium rates set by insurance companies for insuring crops for all risks shall not exceed:

- 9 % of the sum insured for crops grown on Class I-IV agricultural land,

- 12 % of the sum insured for crops grown on class V agricultural land,
- 15 % of the sum insured for crops grown on Class VI agricultural land.

The sum insured, separately for each agricultural crop and each livestock, shall be determined by the agricultural producer with the insurance company in the insurance contract, except that they may not exceed the maximum amounts of insurance laid down in the Regulation of the Minister for Agriculture and Rural Development.

III. Assumptions of the ex-post evaluation

1. The objectives of the aid scheme to be assessed will be the scope of the scheme's objective of promoting crop and livestock insurance to stabilise agricultural income in the event of losses in agricultural production caused by adverse weather events.

The activity indicators obtained are measured by the value and area of the agricultural crops insured, the value and quantity of insured livestock and the value of the sum insured.

2. Assessment questions

In order to assess the effectiveness of the implementation of the aid scheme, it is necessary to answer the following questions:

- a) Did the aid have a significant impact on the way the aid beneficiaries acted (incentive effect), i.e. did it encourage agricultural producers to increase the area of agricultural crops insured and to increase the number of insured livestock? If so, to what extent did the aid encourage agricultural producers to increase the area of insured agricultural crops and to increase the number of insured livestock?
- b) Did the aid have an impact on the financial situation of the agricultural holdings? If so, to what extent has crop and livestock insurance reduced income volatility?
- c) Did the aid scheme sufficiently meet the expectations of agricultural producers in terms of compensation?

- d) Has the aid programme contributed to the achievement of the intended policy objective?
- e) Could the same results be obtained with a lower amount of aid or other form of aid?
- f) Did the aid scheme have any spill-over effects on the activities of other undertakings or other geographical areas?

The answers to the evaluation questions will make it possible to assess result indicators (direct impacts):

- 1) the value of the insured agricultural production,
- 2) area of agricultural crops insured and number of insured livestock,
- 3) the ratio of compensation paid to the value of losses in the insured agricultural production,
- 4) the impact of the aid on reducing the volatility of agricultural income,
- 5) reduction/increase of aid paid to agricultural producers from the state budget in the form of compensation under other aid schemes granted after the occurrence of losses in agricultural production caused by adverse weather events.

Evaluation criteria for the ex-post evaluation of an aid scheme

Criterion	Definition of criterion
Relevance (relevance)	The relevance of the planned objective to the challenges posed by moral gambling. The analysis of this criterion will be carried out in the first period of implementation of the Plan.
Effectiveness	The relationship between the results and the funds to be obtained. The performance assessment will analyse whether results have been achieved at a reasonable cost (whether the level of funding is adequate).
Effectiveness	The extent to which the aid affects the achievement of the objective pursued (area of agricultural crops insured and number of animals insured).

Impact (impact)	Assessment of the wider consequences of the aid and the actual effects (results) and impact of the aid, both positive and negative, including effects
	incidental. The assessment of the net impact of the aid will be carried out through an analysis of impact indicators.
Cohesion (coherence)	Assessment of synergies of assistance with assistance provided under the Strategic Plan for the Common Agricultural Policy 2023-2027.

3. Evaluation methodology

1) Analysis of desk research resulting from insurance companies' reports on the implementation of crop and livestock insurance contracts. Desk research is a research method involving the use of secondary data, i.e. from publicly available sources such as the Internet, the press, reports, reports, offices, statistical yearbooks, conference materials, commercial offers from companies, as well as own information.

2) Questionnaire surveys on a representative sample (CAWI as leading data collection technique, supported by telephone helpdesk), statistical and econometric analyses (including comparisons in sub-groups, with theory-based/theory-based evaluation and supported by relevant expertise at the preparatory stage (e.g. adaptation of measurement methodology, conceptual categories used, alignment of definitions of indicators, etc. with official statistics). The surveys will be carried out on a group of agricultural holdings participating in the aid scheme, i.e. receiving subsidies for crop and livestock insurance premiums.

3) Optionally, complementary qualitative studies (e.g. in-depth interviews, expert interviews, case studies, microeconomic analyses, etc.) to understand and explain observed results, trends and phenomena (interpretation and evaluation of empirical data as part of a comprehensive counterfactual theory – based impact evaluation approach).

Counterfactual methods will be used as far as possible to assess the impact of the intervention on the economic effects of the aid beneficiaries. This includes the Propensity Score Matching (PSM) method, which, by comparing two groups, i.e. beneficiaries and control (with similar characteristics on the basis of selected variables), addresses the questions of how the CAP's mechanisms for insurance premiums and compensation payments affect the economic

situation, i.e. the effectiveness and net effect of the premium subsidies. IERiGŻ-PIB data from the Farm Accountancy Data System will be used to characterise the economic and financial situation of agricultural holdings. "Polish FADN". The production and economic results of agricultural holdings covered by the Polish FADN, their representativeness and the scope of the data collected are in accordance with the principles of the European Farm Accountancy Data Network (FADN, Council Regulation (EEC) No 79/65/EEC, as amended). The data collected from agricultural holdings monitor the effects of the Common Agricultural Policy and other Union and national policies and support farm management. In particular, they shall allow the monitoring and analysis of the performance of different groups of farms separated in terms of economic size and production type. Detailed information on the support received by agricultural holdings makes it possible to identify the links between the level of support and the production and economic performance of individual groups of agricultural holdings.

4) All efforts made and test methods used will aim to ensure the appropriate triangulation of the different data sources that are most optimal for evaluation.

4. Requirements for data collection purposes

The implementation of useful evaluation studies is based on access to valuable, reliable legacy data and high standards of primary data collection.

As part of the evaluation data, data on subsidies for crop and livestock insurance premiums will be collected at the Ministry of Agriculture and Rural Development. These data are collected from reports submitted by the Insurance Companies in accordance with the scope laid down in the contracts concluded by the Minister for Agriculture and Rural Development with those establishments. These data will be sent to the body (consortium) carrying out the ex-post evaluation of the aid scheme on the basis of an agreement concluded by the Ministry of Agriculture and Rural Development with that entity (the Consortium). The entity (consortium) assessing the programme will also use publicly available data published by the Central Statistical Office; and

In addition, the State Aid Registration System for Agriculture (SRPP) collects data from reports on State aid granted. The SRPP database is administered by the Ministry of Agriculture and Rural Development and is updated on an ongoing basis and should, in accordance with the law, take into account information on the beneficiaries of State aid granted to agricultural producers in

Poland. Record data (as opposed to statistical survey data) are publicly available (no statistical secrecy but can be protected under other legal provisions, e.g. the protection of personal data). The source of data to measure complementary result indicators will be a questionnaire survey on a representative sample. Based on the beneficiaries' questionnaire surveys, relevant data will also be collected to analyse, inter alia, the incentive effect and the impact of the support on the competitiveness of agricultural holdings.

In terms of building and developing evaluation capacity, it will be necessary to continuously build competences, raise awareness of the evaluation processes of the experts involved in the process, including among others those who determine the directions of public aid.

In order to ensure a sufficiently high level of performance of the tasks relating to the evaluation of the aid programme, activities related to the development and improvement of the capacities of those directly involved in the process are envisaged. Experts, as appropriate, will participate in training courses, workshops, conferences, postgraduate studies on:

evaluation testing methodologies, including new testing methods and techniques, use of analytical tools,
communication tools for the dissemination of evaluation results, protection of personal data in the activities carried out in the evaluation process.

5. The time limit for the assessment, including the submission of the final evaluation report.

5.1. An interim evaluation report on the on-going and ex-post evaluations of the aid scheme will be carried out by the same contractor during the period of:

5.1. — from 1 March to 30 November 2024 and published until 31 December 2024, on the website of the Ministry of Agriculture and Rural Development under the Insurance tab: <https://www.gov.pl/web/rolnictwo/ubezpieczenia>.

— from 1 March to 30 July 2028

5.2. The final ex-post evaluation report of the aid scheme will include an interim evaluation report submitted by 30 November 2024 and an interim evaluation report submitted by 30 July 2028. The final report will be published by 30 September 2028 on the website of the Ministry of Agriculture and Rural Development

under the tab. Insurance:

<https://www.gov.pl/web/rolnictwo/ubezpieczenia>.

6. Approach to the selection of the independent body carrying out the evaluation

The evaluation of the aid scheme will be carried out by an entity (consortium) selected in a competitive procedure (in accordance with the Public Procurement Law in force) and will be based on criteria and conditions confirming relevant expertise and experience in the provision of such services). Due to the on-going and ex-post evaluations, the choice of the price offer will take into account the inflation factor and the preparatory period for the final ex-post evaluation at different times.

This approach is well established in the practice of carrying out evaluation studies commissioned by the Ministry of Agriculture and Rural Development (i.e. MARD's best practices in this regard, developed in 2004-2022). Particular emphasis will be placed on ensuring appropriate experts among the members of the executive team who demonstrate appropriate knowledge and experience in the application of counterfactual methods in the evaluation process of the assistance programme (if justified by the scope of the evaluation), e.g. related to a research institute.

The functional independence condition is fulfilled, through the institutional organisation of the evaluation process of the aid scheme, as follows:

- 1) entrusting the evaluation to experts,
- 2) strict and clear separation and description of the duties of the staff carrying out the evaluation of the aid scheme.

The evaluation process of the aid scheme (including the collection of relevant data) will be carried out both on the basis of:

- 1) external resources (external evaluations) as well as
- 2) internal (in this respect detailed design of the evaluation methodology, extraction of data from selected sources for the evaluation process, procurement of external research and evaluation work, supervision of the evaluation process, receipt and dissemination of results).

Funding for the evaluation of the aid scheme will be provided in the budget of the Minister for Agriculture and Rural Development.

7) How to ensure that the evaluation is made public.

Ex-post evaluation of State aid scheme SA.107026 (2023/N) – Premium subsidies for crop and livestock insurance and partial refinancing of compensation to agricultural producers for damage caused by drought (reinsurance) will be published on the website of the Ministry of Agriculture and Rural Development

<https://www.gov.pl/web/rolnictwo/ubezpieczenia>