

## THE COMPARATIVE ANALYSIS OF AGRICULTURAL FINANCIAL SYSTEMS IN POLAND AND AZERBAIJAN

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**Abstract.** This paper makes a comparative analysis of agricultural financial systems in Poland and Azerbaijan. Poland as a member of the EU has developed its system under Common Agricultural Policy of the EU and so-called domestic support. The system is consisted of financial intermediaries, state agencies (ARMA, AMA), instruments (preferential credits, and subsidies) and regulations. In comparison, Azerbaijan's agricultural financial system is mainly based on support by state agencies. Thus, share of agriculture credits in portfolio of banks and non-bank credit organizations is very small. Azerbaijan state agencies use instruments such as preferential credits, direct and indirect subsidies, and technological support. However, there are serious challenges which make agricultural financial system and the support less effective. It is concluded that Azerbaijan should benefit from good experiences of Poland in order to make the system more effective.

**Key words:** agricultural financial system, Azerbaijan, Poland, financial intermediaries, state agencies, comparative analysis

### INTRODUCTION

In the agricultural financial system we can find the same elements like in general financial system which encompass financial: institutions, instruments, markets and regulations – rules of game. Agricultural financial system can be treated as a subsystem of the financial system of economy. Of course, it has its own special characteristics which are an effect of individuality of agricultural production, agrarian structure, ownership rights, and the history.

The aim of the paper is to present and compare the agricultural financial systems of the two countries which are located very far each other, have different historical experiences, different agrarian structures and tradition. The logic of such comparison stems from the fact that in the time of globalization, ideas, tools, modes of organisations are

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disseminated very quickly and their promising elements can be adopted creatively and developed successfully, even in countries located on different continents.

## MATERIALS AND METHODS

Data and information were taken from sources like: World Bank, The Central Statistical Office in Poland, National Bank of Azerbaijan, Azerbaijan Ministry of Agriculture, Agency for Restructuring and Modernisation of Agriculture in Poland, scientific literature.

In the paper two methods prevail: descriptive and comparative.

## AGRICULTURAL FINANCIAL SYSTEM STRUCTURE IN POLAND

### Characteristics of the Polish agriculture

Even in the communistic period, individually-owned farmers were dominating in the Polish agriculture structure with owning 76% of the total agriculture land area [Banski 2011]. The role of agriculture in economy estimated as the proportion of agriculture in GDP in years 2000–2012 ranged 2.6–4.5% is rather small, but from the perspective of proportion in employment and export of agrifood sector, quite important. The employment in agriculture was falling very slow which stemmed from changes in employment in the economy (Table 1). It is worth to underline that after Poland's accession to the European Union, export of agrifood sector soared in comparative terms as well as in absolute terms.

Table 1. Agriculture sector in Polish economy

Year	Agriculture Production (millions USD)	% in GDP	% in employment	% of export
2000	7 554.4	3.1	26.3	8.4
2002	7 916.6	2.7	15.6 <sup>a</sup>	8.0
2004	11 466.4	4.5	16.1	8.7
2006	12 870.3	3.8	16.1	9.8
2008	17 307.8	3.3	15.1	10.1
2010	14 620.2	3.3	15.6	11.2
2012	×	3.5	15.5	12.5

<sup>a</sup>The fall comparing to previous year was caused by change in methodology.

Source: Authors' own creation based on Statistical Yearbooks of the Republic of Poland 2001–2013.

The present financial system of the Polish agriculture is a result of mixture of processes which have taken place in the past. Among them, the Poland's accession to the EU deserves for special attention because the Polish agriculture has undergone Common Agricultural Policy (CAP) which is the most developed policy in EU and disposes of enormous financial means. As aforementioned, the system consists from some key elements: organisations, instruments, and regulations.

### Organisations and instruments of agricultural financial system

Organisational structure of agricultural financial system and instruments used by those organizations are illustrated in Figure 1. Financial system of agriculture encompasses financial intermediaries such as banks and state agencies, those are responsible for distribution of subsidies directed to agriculture.

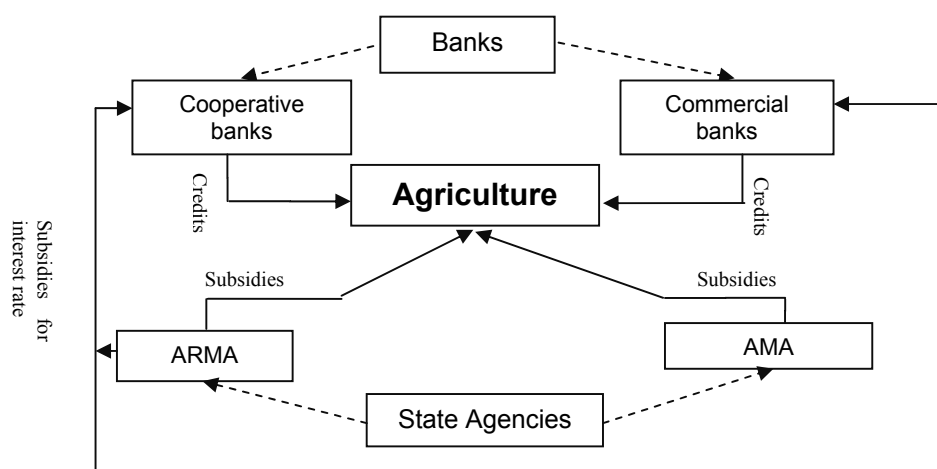


Fig. 1. The scheme of organisations in financial system of the Polish agriculture

Source: Authors' own elaboration.

There are two types of banks servicing the agriculture in Poland – cooperative banks and commercial banks. In 2012, 572 cooperative banks and 45 commercial were conducting activity in Poland.

In 1999, the two kind of banks have the same share in agricultural credit market but in the some following years, the commercial banks focused on wealthier groups of society and in 2009 the proportion of cooperative banks in agricultural credit market arrived at 73%. Next year, this tendency changed and the proportion slipped back to 62% in 2012. It shows the competition between cooperative and commercial sectors of banking for the clients. It is necessary to underline that in conditions of membership in the EU with its CAP offering great support for agriculture and rural areas, the attractiveness of agriculture for banks has risen.

There are two kinds of credits in the Polish agriculture: commercial which are allowed on market terms like for other sectors of economy and preferential which preferential terms were expressed by lower interest rate, longer grace period, and longer maturity. In the case of the most popular credit lines: for young farmers and for purchase of land, farmers paid interest rate equal to only one quarter of central bank discount rate, the grace period was 2 years, the years of maturity – 15 years.

The commercial banks were especially interested in granting preferential credits, whereas cooperative banks granted both kinds of credits (Table 2). In the years 1994–2003 (till Poland's accession to the EU) banks granted nearly 290 thousands of investment preferential credits of value in nominal terms estimated at about 5 billions USD.

Moreover, farmers were offered preferential credit for working capital. Every year, 300–400 thousands of farmers took this kind of credit. After accession during 2004–2012 the number of preferential credits sank to 140 thousands but of approximately value estimated at 6 billions USD.

Table 2. Structure of agricultural debt by groups of banks and type of credits (%)

Year	Structure of agricultural debt by type of credit		Structure of agricultural debt in cooperative banks		Structure of agricultural debt in commercial banks	
	Commercial credits	Preferential credits	Commercial credits	Preferential credits	Commercial credits	Preferential credits
2000	18.7	81.3	17.8	82.2	34.0	66.0
2002	20.3	79.7	22.6	77.4	18.3	81.7
2004	14.9	85.1	20.3	79.7	3.2	96.8
2006	20.3	79.7	26.3	73.7	4.8	95.2
2008	21.6	78.4	26.4	73.6	7.6	92.4
2010	28.7	71.3	32.9	67.1	19.9	80.1
2012	38.2	61.8	38.9	61.1	36.7	63.3

Source: As in Table 1.

State agencies are the other group of organisations important for the agriculture finances. At the beginning of market economy, setting up agencies responsible for financial help for agriculture was popular form of intervention in post socialistic countries. Such organizations were established in Czech Republic, Slovakia and Hungary [Chrastinova 1999, Silar, Doucha 1999, Ulrich 1999]. Hungary set up even two funds: one for small and medium holders and one for large farms [Koester 2001].

In Poland, state agency – Agency for Restructuring and Modernisation of Agriculture (ARMA) was established in 1993. It has been responsible for running the credit support system for the Polish agriculture. It has cooperated with banks that have granted preferential credits to farmers from their own resources and on own risk. Agency administers the subsidies for interest rate on preferential credits and controls the banks if they follow the rules on preferential credits issued by Council of Ministry. After the accession to the EU (2004), the Agency was assigned the function of the accredited paying agency for the majority of the CAP measures. The second state agency supporting Polish agri-food sector is Agricultural Market Agency (AMA). It was established in 1990. Since 2004, like ARMA, the AMA is an accredited EU Paying Agency, engaged with distributing financial support to, and performing controls over manufacturing of agricultural products under the CAP. To agriculture, the scheme of purchase of cereals at intervention price is directed. Other schemes influence the situation of agricultural producers indirectly.

The membership in the EU has enabled the Polish farmers to access to the support under the CAP. Under financial perspectives 2004–2006 and 2007–2013<sup>1</sup> CAP offered many measures to agriculture. They can be divided into direct payments for farmers (income support, Pillar I) and payments connected with rural development policies (Pillar

<sup>1</sup>In EU, the terms and targets of the support are established for the 7-years periods called financial perspectives. Poland entered EU in May of 2004 during the financial perspective 2000–2006, so the program of the support was prepared for years 2004–2006.

II). Every year about 1.4 million of farms applied for the direct payments, additional, 740 thousand farms got payment because of carrying activity in less favoured areas. The yearly value of support at the beginning was estimated at 2–3 billion USD and was rising till 5 billion USD in 2011 (Table 3).

Table 3. Direct payment in the frame of CAP support in 2004–2012

Year	Direct payments (millions PLN)		Payments for Less Favoured Areas	
	Subsidies per season <sup>a</sup> (millions PLN, in parentheses millions USD <sup>b</sup> )		Number of beneficiaries (thousands)	Subsidies (millions PLN, in parentheses millions USD <sup>b</sup> )
2004	6 015	(1 648)	628.8	1 145 (314)
2005	6 680	(2 062)	708.8	1 442 (450)
2006	7 792	(2 514)	717.6	1 294 (417)
2007	8 281	(2 990)	737.7	1 076 (388)
2008	8 588	(3 563)	744.6	1 089 (452)
2009	12 148	(3 894)	741.9	1 088 (349)
2010	12 579	(4 165)	729.3	1 081 (358)
2011	14 105	(4 765)	725.0	1 086 (367)
2012	1 221 <sup>b</sup>	(407)	611.5	865 (288)

<sup>a</sup>Payment for season is paid in the fourth quarter of the current year and in the first half of the next year.

<sup>b</sup>The exchange rate – average in year, it changed distinctly.

Source: Own calculations based on Report of Agency for Restructuring and Modernisation of Agriculture.

The scope of the support targets has been rather vast and the size of support quite big. For example, the subsidy in the measure “setting up young farmers” equals 75 thousand PLN (about 25 thousand USD) whereas in measure “the modernization of farms” can cover 40–75% of the value of investment. The number of the agreement made with farmers in the frame of the most popular investment measures: “start up young farmers” and “modernization of farms” in years 2004–2012 was amounted at 120 thousand of value 4 billion USD.

Although, the advantages of the support in the form of subsidies is evident in comparison to repayable instrument like credit even preferential, the farmers are still interested in credit. There are some reasons of this phenomenon. First, the scope of CAP measures is wide but not all targets can be supported. Second, farmers get the subsidies after bringing investment to operation, so they have to finance the investment. Banks are exploiting this situation and offer special credit for financing such investment. Third, farmers need money for required own contribution in financing the investment. In result, debt of agriculture climbs consistently.

Regulations as an element of financial system of agriculture include state law issued by the Parliament, Council of Ministers, Ministers or other eligible state agencies and internal regulations in different organisations which are significant only for them. Among them, the acts of Parliament like Banking Act, Cooperative Law and acts establishing the aforementioned state agencies are basic. The detailed rules which ultimately decide about the terms of preferential credits or subsidies are described in the Regulations of Council of Ministry and President of ARMA. In the case of involvement of public money, the

proper allocation of subsidies is the important issue what means that subsidies are granted to agents who are eligible by law and use the subsidies for acceptable by regulations aims. The evaluation of correctness of the allocation is general positive. The very low proportion of irregular claims in the preferential agricultural credits estimated at 2.7% in 2012 [Monitoring... 2012] expresses it. The state regulation that farmers who delay with repayment, loose the right to preferential interest rate and those who use the credit for other than declared aim have to give back the subsidies, seems be very effective. In the case of subsidies under CAP, the regulations are very strict and the system of enforcement is effective.

## **AGRICULTURAL FINANCIAL SYSTEM IN AZERBAIJAN**

Like Poland, Azerbaijan has also been a part of similar economic system until regaining of its independence in 1991. The transition process from planned to market economy system was already started in first years of independence. However, 1991–1994 severe economic crises destructed Azerbaijan economy and delayed the transition process. After 1995, Azerbaijan government initiated mass privatization process and accelerated the transition process. Especially in agriculture, government implemented reforms such as distribution of land among private sector and privatization the property of old “Sovhozes” and “Kolhoses” [Thomas 2006]. Agriculture system was totally destructed and strong government policies and financial support was required to re-build the system in this sector.

### **The Characteristics of the Azerbaijan agriculture**

Mass privatization was performed successfully in agriculture sector last decade of past century. Thus, in 2002, 96% of “cultivated land” and 98% of “livestock inventories” were divided among individual farms and 80% of them did farming by themselves, just 1/10 of total land was leased to others [Dudwick et al. 2007]. In 1999, 97% of agricultural production was realized by private farms and household plots [Spoor and Visser 2001].

According to the World Bank indicators, agricultural land contains more than 57% of land area in Azerbaijan. Suitable climate conditions enable cultivation of many agricultural products. World Bank study indicates that Azerbaijan has comparative advantage in production of Fruit and Vegetable and Dairy Production [World Bank 2005, p. 13]. Data (Table 4) show a continuous decline in proportion of agriculture in GDP and merchandise export, except 2012. It stems from increasing oil production and export until 2012. In fact, agricultural production was rising throughout all the period. Share of agriculture in employment is significantly high – more than 1/3 of total labour force. That is why Azerbaijan government considers agriculture as a strategic sector in economy and implements policies targeted to its development.

### **Agricultural financial system structure in Azerbaijan**

Like Poland, Azerbaijan agricultural system structure is also based on activities of the financial intermediaries, and state agencies (Fig. 2).

Both public and private organizations take a significant role in financing agriculture.

Table 4. Agriculture sector in Azerbaijan economy

Year	Agriculture Production (millions USD)	% in GDP	% in employment	% in merchandise export
2000	848.10	17.14	41.00	2.38
2002	870.20	15.17	40.20	1.26
2004	953.80	11.84	39.50	1.15
2006	1 487.90	7.50	39.09	0.70
2008	2 721.50	5.97	38.40	0.04
2010	2 933.40	5.95	38.20	0.06
2012	3 433.04	5.49	37.70	0.08

Source: World Bank, World Development Indicators.

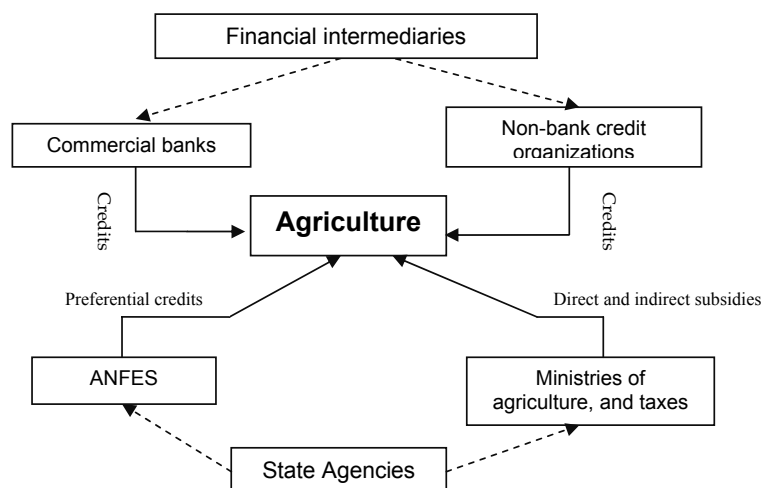


Fig. 2. The scheme of organisations in financial system of Azerbaijan agriculture

Source: Author's own elaboration.

According to the Azerbaijan Central Bank, there were 43 licensed banks and 148 non-bank credit organizations in the country at the end of 2013 [NBA 2014]. Nevertheless, most of those organizations are not interested in crediting agriculture sector. On the other hand, creditor organisations require farmers to declare a “guarantee” such as real estate. That is why share of agricultural loans in total credit portfolio of both organizations is small (Table 5).

Table 5. Agriculture and processing loans in credit portfolio

Specification	2005	2006	2007	2008	2009	2010	2011	2012
Total (millions USD) <sup>a</sup>	125.12	175	258.82	335.25	506.15	565.76	598.33	700.25
Share in total (%)	6.8	5.8	4.2	3.6	4.7	4.8	4.7	4.5

<sup>a</sup>1 USD = 0.78 AZN.

Source: National Bank of Azerbaijan.

Amount of credit portfolio of agriculture has increased continuously but, its share in total portfolio has decreased 2.3 percentage point in 2012 in comparison with 2005 (Table 5). This implies that lesser part of the increase in total credit portfolio has gone to agriculture sector. On the other hand, 4.5% share of this sector in total is very small and requires making agricultural farmers more attractive for banks and non-bank credit organizations to give loans.

Azerbaijan Republic National Fund for Entrepreneurship Support (ANFES) was establishment after the declaration of independence, aimed to “provide credits from the state budget for entrepreneurship” (ANSEF). The fund has been mainly active after 2002 which had ensured 154.5 million AZN (198,040.12 thousand USD) preferential credits for processing of agricultural products, and nearly 500 million AZN (640,073.58 thousand USD) credits for agricultural production. Almost for every year, more than 50% of total credit amount of ANFES has gone to Azerbaijan agriculture (Table 6). In 2013, nearly 96% of total accepted projects were related to processing of agricultural products or agricultural production, and more than 66% of total credit amount has gone to this sector.

Table 6. ANFES support to the Azerbaijan agricultural

Year	Fields of economy	Amount of projects	Share in total (%)	Credit amount (thousands USD)	Share in total (%)
2002	Processing of agricultural products	8	16.3	444.61	23.5
	Agricultural production	19	38.8	566.66	29.9
2003	Processing of agricultural products	30	9.7	2 536.02	18.4
	Agricultural production	177	57.1	4 886.28	35.4
2004	Processing of agricultural products	70	5.2	3 522.94	14.9
	Agricultural production	1 055	78.8	9 716.66	41.0
2005	Processing of agricultural products	44	2.0	9 042.82	19.4
	Agricultural production	1 767	80.2	16 651.02	35.8
2006	Processing of agricultural product	54	3.0	16 123.71	14.0
	Agricultural production	1 256	70.9	30 107.69	26.1
2007	Processing of agricultural products	29	3.3	17 872.56	15.4
	Agricultural production	572	64.9	30 936.41	26.6
2008	Processing of agricultural products	25	3.1	10 823.71	9.6
	Agricultural production	547	68.6	36 871.41	32.8
2009	Processing of agricultural products	19	0.9	25 183.97	15.2
	Agricultural production	1 939	92.3	28 940.12	17.4
2010	Processing of agricultural products	16	1.1	13 269.23	9.0
	Agricultural production	1 303	91.1	71 284.48	48.4
2011	Processing of agricultural products	13	0.8	21 606.41	12.2
	Agricultural production	1 503	91.5	90 203.20	51.0
2012	Processing of agricultural products	10	0.4	35 717.94	12.8
	Agricultural production	2 234	92.3	128 164.74	45.8
2013	Processing of agricultural products	10	0.2	41 896.15	11.9
	Agricultural production	4 276	95.7	191 680.76	54.4
Processing of agricultural products in total		×	×	198 040.12	×
Agricultural production in total		×	×	640 073.58	×

Source: ANFES.



Loans provided by ANFES are given with maximum 6% interest rate, and the amount may become between 5 thousand and 1 million AZN (6,410-1,282,051 USD) for the period maximum 10 years based on amount of the credit.

Azerbaijan government grants agricultural farmers financial support, directly and indirectly, in terms of direct subsidies, tax cut or technical support through Ministries of Agriculture, and Taxes. The state pays for 50% costs of fertilizers and fuel used by farmers, finances purchasing of more productive seeds, and grant subsidies for wheat plants per hectare. Thus, until August 2013, 644.89 million AZN (826.78 million USD) direct subsidies have been given to agricultural farmers, respectively for costs of fertilizers 87.29 million AZN (111.91 million USD), costs of fuel and motor oils 378.25 million AZN (484.93 million USD), purchasing seeds 33.05 million AZN (42.37 million USD), and wheat plants 146.3 million AZN (187.56 million USD). On the other hand, agricultural farmers are free of taxes that until August 2013, total amount of tax concessions has been 1.4 billion AZN (1.79 billion USD). In addition, farmers get technical support from Aqrolizing ASC – a state company supervised by Ministry of Agriculture. So that, until August 2013, Aqrolizing ASC has ensured farmers with 5,142 tractors, 1,286 harvesters, 10,723 other kinds of techniques.

In Azerbaijan, activities of banks and non-bank credit organizations are regulated by the Law of the Republic of Azerbaijan on Banks. Obviously, all banks and non-bank credit organizations follow the principles of this law while giving loans to the agricultural farmers as well. On the other hand, agricultural support done by ANFES refers to the Charter of the National Fund of the Republic of Azerbaijan for Entrepreneurship Support and the Rules on use of funds from the National Fund for Entrepreneurship Support of Azerbaijan Republic. Moreover, direct and indirect subsidies issued by Ministry of Agriculture and tax concessions by the Ministry of Taxes refer to the Decree of the President of the Republic of Azerbaijan on additional measures in the field of improvement of the activities of the agricultural and food products market, and the Law of the Republic of Azerbaijan on granting temporary tax concessions for agricultural producers. As a state company, Aqrolizing ASC follows the Rules on leasing of agricultural machinery and equipment belonging to “Agro” Open Joint Stock Company to businesses and individuals or their sale by way of lease, approved by the Cabinet of Ministries of the Azerbaijan.

### **Challenges for the agricultural financial system in Azerbaijan – efficiency issue**

Above, we looked through the agricultural financial system in Azerbaijan, as well as parties of this system. At first sight, it seems pretty good with legal basis, instruments, and amount of support. However, when we look at changes in the share of agriculture sector in Azerbaijan economy as well as the agricultural production, this amount of support seems as not used efficiently. Thus, despite of this amount of continuous direct and indirect state support, agriculture still produces a little part of total GDP which employs significant part of the total labour force. Production in this sector is still labour incentive.

Challenges for the Azerbaijan’s agricultural financial system may be classified as issues derived from characteristics of country’s agriculture sector, and system related issues. Ownership structure in agriculture sector is the biggest challenge for development

of agricultural production as well as the efficient use of subsidies and preferential credits. Thus, according to the Statistical Committee of the Republic of Azerbaijan, 96% of plant-growing products and 90.7% cattle-breeding products are produced by individual farmers and households, which are generally very small. Too small share of entrepreneurs in agricultural production does not enable efficient application international experience and technology by using preferential credits and subsidies. In addition, households cultivate agricultural lands with traditional ways or labour intensive methods rather than actively employing new technology, and there is serious qualified personal problem in this sector which causes to lower production than possibilities. On the other hand, households and most entrepreneurs are uninformed or less informed about how realise marketing of their products in internal market even if they achieve high productivity. Impossibility of exporting their products to international markets for households and small and medium entrepreneurs is another serious issue. Households and small entrepreneurs cannot invest in technology purchasing, and research and development (R-D) projects. All these issues related to characteristics of Azerbaijan agriculture lead to less efficiency of direct and indirect financial support of the government to agriculture.

The biggest system related challenge is controlling the use of preferential credits given for agricultural purposes. Available funds at ANSEF given to agricultural farmers are used for other purposes in part or totally. Banks and non-bank credit organizations are not interested in crediting agriculture farmers most probably because of high risk, and less amount of large agricultural enterprises. In addition, those financial intermediaries request farmers to indicate “guaranties” such as real estate with high liquidity in order to take even a small amount of commercial credit which is out of most farmers’ potential.

Financial intermediaries and ANSEF require farmers to submit detailed business plans of their agricultural projects despite the fact that most farmers does not know even what the business plan is. In order to get credit from ANSEF, farmers pay someone or an organization to write a business plan for their agricultural project. In most cases, those business plans do not represent actual numbers or estimations. In addition, farmers face many other challenges until gaining subsidies and credits, such as preparing required documents as well as pursuing defined official procedure. In Azerbaijan, giving “receipt” after purchasing-selling operations has not been developed yet, that we do not know how farmers get direct payments for 50% of fuel and fertilizer costs.

## **COMPARATIVE ANALYSIS – RECOMMENDATIONS FOR AZERBAIJAN**

Above, agricultural financial system structure of Poland and Azerbaijan, were discussed separately. Since 2004, Poland as a member of EU has introduced measures of CAP. In this sense, studying agricultural experience of Poland means studying the agricultural system of EU. There are many things Azerbaijan can benefit from this experience.

In comparison with Azerbaijan, the average area size per farm in Poland has been rising steadily and in 2012, it had been about 45% higher comparing to 2000, but in 2012 still 76.4% of farms was smaller than 10 ha. However, the process of concentration of land is observed and the biggest farms (50 ha and more) owned 32.5% of agricultural

land in 2012 whereas in 2002 only 15.5%. This is obviously big success for Poland. Unfortunately, in the case of Azerbaijan the similar characteristic is not available. However, as it was mentioned above, although all agricultural enterprises produce very small share of total agricultural production, Azerbaijan agricultural policy-makers should benefit the experience of Poland about how to encourage farmers to enlarge their enterprises or join within a union. This would make agricultural production more effective. It would also increase the effectiveness of preferential credits, and direct and indirect subsidies ensured by Azerbaijan state agencies.

The other issue Azerbaijan may benefit from Poland experience is related to the type of support to agricultural farmers and enterprises. Polish farmers get direct payments such as income support as well as payments because of carrying activity in less favoured areas. Agricultural land in Azerbaijan also divides into favoured and less favoured areas. That is why state agencies should suggest special financial and technical support to the farmers and enterprises in less favoured agricultural areas in order to ensure balanced development of this sector in all regions of the republic.

Other essential point in Polish experience is related to support to “setting up young farmers” and “the modernization of farms”. Such kind of direct financial support, especially for “setting up young farmers” should be implemented and trainings for young farmers would make those payments more effective. On the other hand, as a result of subsidies for modernization of farms, Azerbaijan may solve traditional way of production issue through application of new agricultural technologies. We consider that Azerbaijan government should support financially the establishment and development of medium and large agricultural enterprises with direct payments for young farmers and to modernize the old farms.

As the last, Azerbaijan may benefit from the experience of Poland in efficient controlling the use of agricultural credits and subsidies as well as repayment of the preferential credits. If Azerbaijan policy-makers achieve the effective use of funds for agricultural purposes – preferential credits and direct and indirect subsidies, as intended, agriculture in Azerbaijan economy is expected to grow rapidly.

## **CONCLUSIONS**

The aim of this paper was to study agricultural financial system in Poland and Azerbaijan, and compare the system in these countries. In comparison with Azerbaijan, Poland launched effective agricultural policies, and after joining to EU, it followed Common Agricultural Policy (CAP) within the Union.

After analyzing agricultural financial system in Poland, we concluded that the system is well developed. Before the EU membership, the financial support was mainly in the form of preferential credits. In conditions of membership in EU, the domestic sources of financing changed their role and importance. The support offered by CAP is of much greater value and as non-repayable form is more advantageous for farmers. However it does not mean that it has eliminated the credits. The credits still play important role in agriculture and are indispensable condition of using subsidies offered under CAP. The performance of the agricultural financial system is constructive partly due to well

operating banking system and concentration of financial support in one state agency, accurate rules and enforcement of these rules.

Authors' analysis of agricultural financial system in Azerbaijan found out that banks and non-bank credit organizations are not so much interested in crediting farmers. Instead, state agencies are very active in financing agriculture sector through offering preferential credits, direct and indirect subsidies as well as technological support. Despite of huge amount of financial support, less development of agriculture in Azerbaijan economy brings some challenges. Azerbaijan can benefit the experience of Poland in some aspects which would make agricultural financial system and government support more effective.

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## **SYSTEMY FINANSOWANIA ROLNICTWA W POLSCE I AZERBEJDŻANIE – UJĘCIE PORÓWNAWCZE**

**Streszczenie.** W opracowaniu dokonano porównania systemów finansowania rolnictwa w Polsce i Azerbejdżanie. Polska jako członek UE ma rozwinięty system finansowania, który podlega regulacjom w ramach WPR i tak zwanej pomocy krajowej. System w Polsce składa się z pośredników finansowych (banki) państwowych agencji (ARiMR ARR), instrumentów (kredyt i subsydia) oraz regulacji. Dla porównania w Azerbejdżanie system wsparcia rolnictwa jest oparty na subsydiach z agencji państwowych. Udział kredytów rolniczych w portofolio banków i niebankowych instytucji kredytowych jest bardzo mały. Państwowe agencje w Azerbejdżanie stosują kredyt preferencyjny, pośrednie i bezpośrednie subsydia oraz wsparcie technologiczne. Jednak system wsparcia jest mało efektywny. Wykorzystanie polskich dobrych doświadczeń może pomóc zwiększyć efektywność systemu.

**Słowa kluczowe:** system finansowy rolnictwa, Azerbejdżan, Polska, pośrednicy finansowi, agencje rządowe, analiza porównawcza

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