

RDP 2007-2013 as an Instrument for Diversification the Rural Economy in Poland

Agnieszka WOJEWÓDZKA-WIEWIÓRSKA

Warsaw University of Life Sciences, Warsaw, Poland
agnieszka_wojewodzka@sggw.pl

Abstract. The article deals with the implementation of the Rural Development Programme 2007-2013 in Poland and is a part of research evaluating the use of available financial resources within the framework of EU policy. The aim of the paper was to present the Rural Development Programme 2007-2013 as an instrument supporting changes in the diversification of the economy in rural areas in Poland. The data of the Agency for Restructuring and Modernization of Agriculture provided by the Ministry of Agriculture and Rural Development as at 31 Dec 2015 were used. It was found that the diversification of the rural economy was the objective of two measures under axis 3 of the programme and under the Leader approach. In the analyzed period, PLN 1,517.7 million of public funds were spent on diversification towards non-agricultural activities, and PLN 2,785.5 million on creation and development of micro-enterprises. Regional differences in the allocation of public funds for diversification of the rural economy were found, much less in the case of measures supporting micro-enterprises. Support under the RDP allowed for the creation of 28,285 jobs, mainly in the field of services for agriculture and forestry (39% of the total), services for the population (21.7%) and construction and installation services (15.6%).

Keywords: Multifunctional Rural Development, Non-Agricultural Workplaces, RDP 2007-2013.

1 Introduction

In the rural development policy in Poland, a multifunctional rural development model is implemented, the implementation of which in practice is subject to evolution from the moment of the systemic transformation at the beginning of the 1990s. The concepts of multifunctional rural development presented in literature emphasize the need to diversify rural space and economic activity by developing economic functions other than agricultural. Multifunctionality refers to the need to create new jobs in rural areas, which may result in the emergence of new sources of income for residents [1]. A part of the multifunctionality of the village is the multifunctionality of agriculture [15, 16], where farms offer a wide range of products and services, develop non-agricultural business and obtain additional income of a non-agricultural nature. Due to the declining

role of agriculture as the basic source of income in rural areas, the creation of the possibility of supplementing income from agricultural production with income from other activities becomes a priority. The implementation of the concept of multifunctional development of rural areas may contribute to increasing the attractiveness of rural areas as a place of work and residence [13].

The need to apply the concept of multifunctional development of rural areas results directly from the specificity of rural areas in Poland. The most common form of economic activity in rural areas is agriculture, which as a result of systemic transformation of the economy has become an economic activity with low-income. In the rural areas, changes in the income structure have been occurring for many years, consisting in an increase in the share of income from hired labor and from non-profit sources, and a decrease in the share of income from work in agriculture. Nevertheless, income from agricultural production is still important in the structure of income, which according to data for 2016 is the main source of income for 34.2% of rural households (decrease by 0.7 percentage points compared to 2013), while income from non-agricultural activity is indicated only in 15.2% of households [7]. An important source of income in the countryside is salaried labor and income from retirement and disability pensions, indicated respectively by 47.7% and 33% of households.

Among many problems of rural development, on the one hand, high unemployment and large manpower resources are mentioned, which results in migration of people in search of jobs. On the other hand, there is a poorly developed network of services for the population [11]. Supporting the creation of new jobs outside agriculture can bring effects desirable from the point of view of the development of the Polish countryside, such as increasing the income of the rural population, reducing unemployment, reducing depopulation of rural areas and improving rural residents' access to services provided at the local level.

A characteristic feature of socio-economic changes in recent years in Poland is the dynamic development of entrepreneurship in rural areas, which is illustrated, inter alia, by a slow increase in the number of agricultural holdings that run non-agricultural economic activities mainly in the field of services such as agritourism, trade, processing, construction, transport and storage. In 2016, 40.8 thousand agricultural farms conducted non-agricultural activities, which is an increase of 10.6% compared to 2013. In addition, the number of people who undertake non-agricultural activities on their own is increasing in rural areas, as evidenced by the increase in average income from self-employment outside agriculture in rural households; in 2007 this income was equal to PLN 46 per capita, and in 2016 PLN 87 per capita [6, 5]. Economic entities in rural areas, and especially micro-enterprises predominating there, encounter problems of various nature, such as market and financial barriers (high costs of external capital, high labor costs). Among the specific barriers resulting from the location of entities in rural areas should be mentioned poor access to infrastructure and to education and counseling, which results in low innovativeness of enterprises.

The instruments available under the Common Agricultural Policy of the European Union are of particular importance for the implementation of the multifunctional rural development model in Poland and its intensification [14], for which the diversification of the economy in rural areas is a priority. One of the significant financial instruments

supporting the diversification of the rural economy in Poland is the Rural Development Programme.

The aim of the paper was to present the Rural Development Programme 2007-2013 as an instrument supporting changes in the diversification of the economy in rural areas in Poland. To reach the purpose, the following tasks have been set: 1) to identify of individual measures of the program, which support the diversification of the economy and determine the amount of support from public funds; 2) to show the regional differentiation of the allocation of public funds; 3) to indicate the effects of the implementation of the measures and types of activity supported.

2 Materials and Methods

The subject of research is RDP 2007-2013 as a CAP instrument supporting changes in the diversification of the rural economy in Poland. The paper used the data from the Central Statistical Office [4] and detailed data of the Agency for Restructuring and Modernization of Agriculture concerning the implementation of projects under axis 3 and 4 of the Rural Development Programme 2007-2013 [11]. The data was made available for the purposes of the study by the Ministry of Agriculture and Rural Development as at 31 Dec 2015 [10]. In addition, the programme documents were analysed. The research period covers the years 2007-2015, which means the implementation time of projects co-financed from the RDP 2007-2013.

The amount of the funds spent means the total public payments made in absolute terms according to the provisions of agreements of all beneficiaries. In the comparative analysis of the allocation of funds in the regions, the indicator of expenditures per agricultural farm and per capita of rural areas was used according to the data for the Central Statistical Office of 2016 [4].

3 Results and Discussion

The main objective of the RDP 2007-2013 was to implement the concept of multifunctionality of agriculture and rural areas. The programme consisted of four axes that concerned: improving the competitiveness of agriculture and rural areas (axis 1); improving the environment (axis 2); improving the quality of life (axis 3) and Leader approach (axis 4). On the basis of the analysis of the document, it was stated that the diversification of the rural economy was the target of two measures in axis 3 and their counterparts under the Leader approach. One could distinguish two basic directions of spending. The first concerned the diversification into non-agricultural activities. As part of the implemented projects, assistance was provided for the farmers, their spouses and household members to undertake or develop in the field of production or services, which was to influence the creation of non-agricultural sources of income, promote non-agricultural employment in rural areas and contribute to the creation of conditions for sustainable socio-economic development of rural areas. As part of the second direction of spending funds, the creation and development of micro-enterprises was fostered in order to diversify economic activity and improve employment opportunities.

The effect of the implementation of measures concerning the diversification of the rural economy was to be the increase in the economic competitiveness of rural areas, the development of entrepreneurship and the labor market.

Under axis 3, a total of PLN 3,991.5 million was spent on measures to diversify into non-agricultural activities and support micro-enterprises (tab. 1), which accounted for 27.3% of axis 3 expenditure; 30460 projects were implemented. The allocation of funds under Axis 4 was much smaller and amounted to only 311.7 million PLN or 9.2% of the whole Leader approach; 3,387 projects were implemented. It was found that public expenditure on the creation and development of micro-enterprises dominated in the structure of allocation of total funds for diversification of the economy, accounting for 65% of the total allocation of funds for this purpose. Referring the amount of funds spent on the diversification of the rural economy to the entire RDP budget, it can be concluded that their share was small. Funds designated for starting non-agricultural activities by farmers accounted for 2.04% of total payments under RDPs, while for micro-enterprises support 3.7% of total payments.

Table 1. Measures supporting the diversification of the rural economy under the RDP 2007-2013 in Poland.

Axis/ measure	Title of the measure	Total public funds RDP 2007-2013		Number of completed projects	Value of project co-financing (PLN)		
		(PLN million)	%		min	max	average
3/(311)	Diversification into non-agricultural activities	1,375.3	92.8	15,733	91.0	500,000	87,414.4
3/(312)	Establishment and development of micro-enterprises	2,616.2	7.2	14,727	230.5	300,000	177,643.8
4(413_311)	Implementation of Local Development Strategies	142.4	35.3	1,922	5,680	100,000	74,088.8
4(413_312)	Implementation of Local Development Strategies	169.3	64.7	1,465	1,136.5	300,000	115,574.6

Under measure 311 ‘differentiation towards non-agricultural activities’ there was the highest number of beneficiaries – 15,733, of which 82% were farmers, 15% of farmers' spouses, 3% were other household members. One fourth of the beneficiaries were women. As a result of the measure, the number of farmers conducting non-agricultural activity increased by 15,246 persons. Under measure 312 ‘establishment and development of micro-enterprises’, support was granted to 13,496 micro-enterprises, of which 73% are existing enterprises, as was also found in other EU countries [12,8]. The co-financing received from public funds influenced the resignation by farmers from running the farm. As shown by data [10], approximately 24% of the total number of supported micro-enterprises were run by former farmers or their household members.

Public support for starting non-agricultural activities under the Leader approach (axis 4) was most often used by farmers who accounted for 86% of beneficiaries, the percentage of female beneficiaries was 26%. As a result of the implementation of projects, the number of farms of farmers running non-agricultural activities increased by 1,812. Under axis 4, 1368 micro-enterprises were supported, of which 70% were existing entities. The share of micro-enterprises run by former farmers or their household members in the total number of micro-enterprises covered by the aid was 16%.

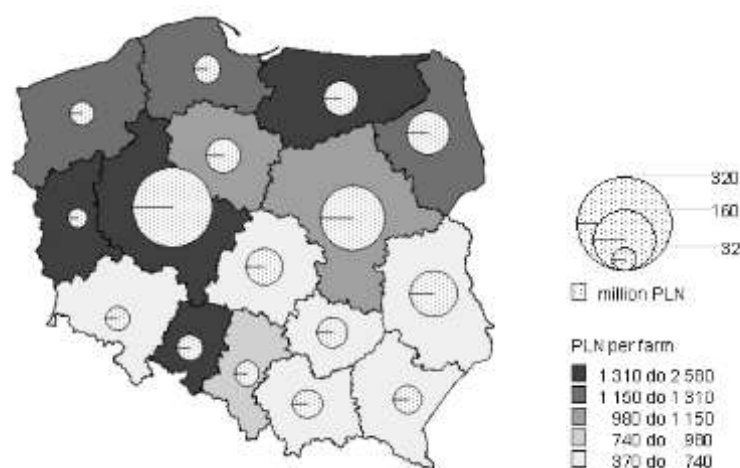


Fig. 1. Regional diversification of public funds allocation under measure 311 ‘diversification into non-agricultural activities’ of axis 3 RDP 2007-2013 in Poland [10, 4].

Regional differences in the allocation of public funds supporting the diversification of activities towards non-agricultural activities were found (Fig. 1). In absolute terms, most funds were spent in the Wielkopolskie (PLN 311.6 million), Mazowieckie (PLN 208.7 million), Lubelskie (PLN 124.5 million) and Podlaskie voivodeships (PLN 103.8 million). Regarding public expenditure in relation to the number of functioning agricultural farms, the largest amounts were spent in the Wielkopolskie voivodeship (PLN 2,572 per farm), Warmińsko-Mazurskie (PLN 1,687 per farm), Opolskie (PLN 1,471 per farm) and Lubuskie (PLN 1,310 per farm). The

smallest allocation of public funds per farm was found in the regions of south-eastern Poland and in the Dolnośląskie voivodeship.

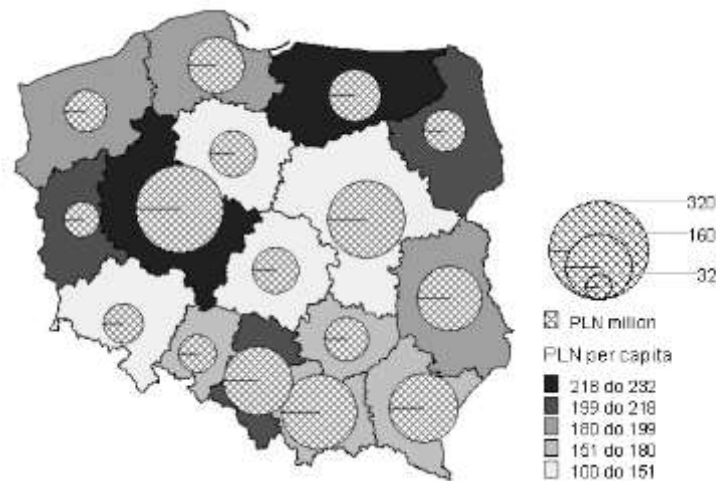


Fig. 2. Regional diversification of public funds allocation under measure 312 'establishment and development of micro-enterprises' of axis 3 RDP 2007-2013 in Poland [10, 4].

The allocation of funds for the creation and development of micro-enterprises was slightly less varied between regions than for diversification towards non-agricultural activities (Fig. 2). Definitely the most funds were spent in the Wielkopolskie voivodeship - PLN 350.6 million, and the least in Lubuskie and Opolskie (73.7 and 75.4 PLN million respectively). In Central Poland and the Dolnośląskie voivodeship, there were the least funds per capita, while the largest allocation of public funds was in the Wielkopolskie and Warmińsko-Mazurskie voivodeships.

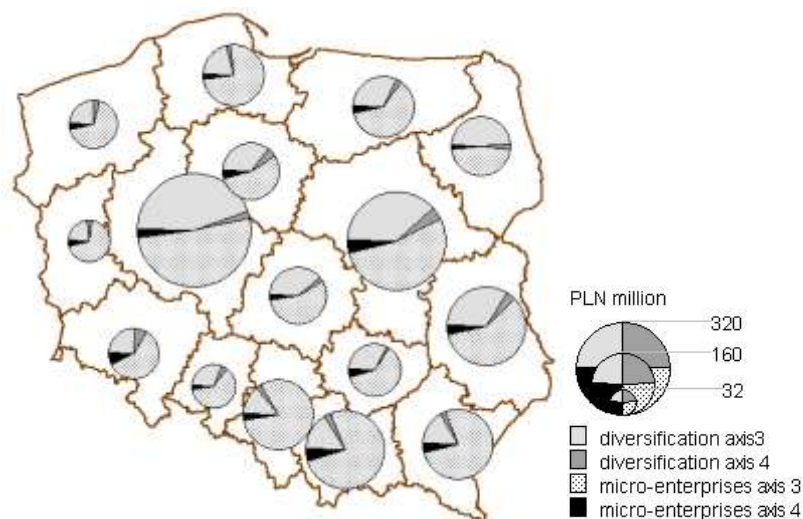


Fig. 3. Allocation of public funds for the diversification of the rural economy under RDP 2007-2013 in regions in Poland [10].

In all regions, the importance of financial support for diversification of the rural economy under axis 4 RDP 2007-2013 in relation to axis 3 was marginal (fig. 3). In all regions, with the exception of the Podlaskie voivodeship, the structure of the allocation of funds was dominated by funds supporting the creation and development of micro-enterprises, whose share was between 53% (Wielkopolskie voivodeship) and 83% (Śląskie voivodeship).

Most jobs (fig. 4) were created in services for farms and forestry (39.1% of all jobs), services for the population (21.7%), construction and installation (15.6%), tourism (6.5%), trade (9.7%) and crafts and handicrafts (3.3%). The beneficiaries carried out projects concerning also other activities, but their effects in terms of create new jobs were small. The support for tourism was surprisingly small, taking into account the assumptions of the Programme [11], where agrotourism was indicated as the most important form of possible non-agricultural activities and effects that occurred in other countries, e.g. in Slovakia, where $\frac{3}{4}$ projects focused on agrotourism [3].

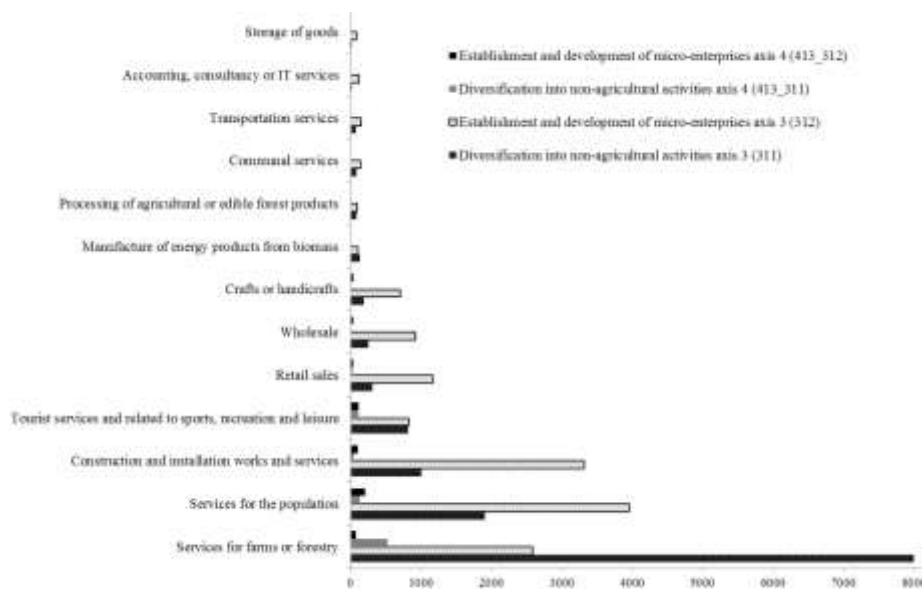


Fig. 4. Number of jobs created in Poland as a result of implementation of RDP 2007-2013 activities concerning the diversification of the rural economy by support areas [10].

As a result of the implementation of projects related to the undertaking of non-agricultural activities by farmers, 13,795 jobs were created. More jobs in rural areas (14,790) were created thanks to the support of micro-enterprises, as was the case in Latvia [12]. The increasing number of jobs in the countryside is confirmed by the increase in rural income compared to cities [14]. Target results established in the RDP 2007-2013 in the scope of created jobs have been achieved in the case of axis 3 measures, also due to the reduced allocation of funds in relation to the original assumptions. In the case of measure 312 ‘establishment and development of micro-enterprises’, the results regarding the implementation of workplace indicators, as well as the total value of investments and added value exceeded expectations, although the number of operations and supported micro-enterprises was lower than expected [9]. Nevertheless, it is indicated that the effects of RDP in creation of non-agricultural jobs are insufficient in relation to the needs of unnecessary workforce in the Polish countryside [14], what was also pointed out in the RDP evaluation in the Czech Republic [2].

It was confirmed very little role of Leader approach in the creation of jobs [17], which resulted from a smaller allocation of funds for this purpose. Research shows that activities related to the development of entrepreneurship were the most difficult for local action groups to implement from among all their tasks and caused the most problems [9]. These problems were related to the lack of interest of potential recipients of this type of investment and resulted from difficulties in the process of applying and implementing projects.

4 Conclusions

On the basis of conducted research, the following conclusions can be reached:

- RDP 2007-2013 supported the diversification of the rural economy in Poland. The amount of PLN 1,517.7 million from public funds was spent on non-agricultural activities by farmers, and PLN 2,775.5 million on the creation and development of micro-enterprises. The total amount of support aimed at diversifying the economy accounted for 5.8% of total payments under the RDP. Projects implemented under axis 3 were definitely dominant, taking into account the amount of support and the results obtained. The small significance of the Leader approach (axis 4) was found in contributing to changes in the labor market. This resulted from a much smaller allocation of public funds in relation to axis 3 (by 12.8 times) and problems with the implementation of these activities by the local action groups.
- There was regional differentiation of the allocation of public funds spent on the diversification of the rural economy. It was smaller in the case of the development of micro-enterprises, which may mean that the inhabitants of rural areas in Poland are interested in taking up a job on their own account. Among the regions, Wielkopolskie voivodeship distinguished the largest allocation of funds earmarked for both non-agricultural activities and the development of micro-enterprises.
- With the support of RDP 2007-2013, 28,285 jobs were created in rural areas, mainly in the field of agricultural and forestry services, services for the public and construction and installation services. Financial assistance was most often directed to micro-enterprises already existing on the market, only every fourth supported enterprise was a newly created entity.

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