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## REGIONAL DIVERSIFICATION IN FINANCING RURAL AREA DEVELOPMENT IN POLAND IN THE YEARS 2007-2013

*The article presents diversified use of EU funds on rural areas in Poland by region in the years 2007-2013. The objective of the article is to present and assess diversification in financing development of Polish rural areas within the framework of the Rural Development Program for the years 2007-2013. The majority of funds has been provided for implementing the activities from the Axis 1, however, the activities from the Axis 2 have been observed as the most popular among beneficiaries. The most resources from RDP 2007-2013 have been provided for the following provinces: mazowieckie, wielkopolskie and lubelskie, whereas the lowest level of resources has been provided for such provinces as: opolskie, lubuskie and śląskie.*

**Key words:** RDP 2007-2013, EU funds, rural areas

### INTRODUCTION

On 1 May 2004 ten new countries with a combined population of almost 75 million joined the EU. This historic enlargement of the EU from 15 to 25 members is the culmination of a long accession process leading to the reunification of a Europe that had been divided for half a century by the Iron Curtain and the Cold War. The driving force behind the fifth EU enlargement has been the desire to ensure peace, stability and economic prosperity in a re-unified Europe.

The objectives of European unification include:

- ensuring peace and political stability throughout the continent;
- securing greater prosperity for Europe's citizens by extending the European socio-economic model and the euro-zone, while at the same time protecting the environment;
- furthering democracy through compliance with the EU's Charter of Fundamental Rights, which is based on the principles of dignity, equality, solidarity and justice;
- reinforcing Europe's role internationally, particularly in trade matters;
- cultural enrichment.

The last ten years have shown that joining the European structures does not automatically translate into a country's better economic performance and improved standard of living. EU membership presents itself as an opportunity, not as a guarantee of development. Whether a country can fully capitalise on this opportunity depends on how it decides to conduct its economic policy. Over the last decade Poland has

become a construction site. EU funds have played a major role in helping the country modernize faster. Financial resources coming from EU programs, available in Poland, have become a significant factor for development on the local, regional and also national scale.

Local and regional development is the topic discussed in the literature on this subject on numerous occasions. However, no one, universal definition thoroughly depicting complexity of this topic has been created so far. Broł stresses that a coherent manner of explaining development mechanism should be understood under the notion of the theory of (regional or local) development, namely the manner of effecting development factors on changes in the scope of changes in development fields and creating observable effects of development of different nature<sup>1</sup>. There are many factors of development, which have been mentioned in this definition and they are provided as one of the causes for a given phenomenon. Wojtasiewicz highlights that although there are many of them, yet the set of factors of development closely corresponds with and is a reflection of commonly assumed objectives of development<sup>2</sup>. However, Wiatrak notices a very crucial matter that factors can constitute a basis of development, if conditions are created for their application<sup>3</sup>. Union resources can undoubtedly be included in such factors, out of which Polish local governments can take benefit of, from the time of Poland's accession to the European Union. They often have been a cause of undertaking activities enabling local or regional development, which is stressed in numerous publications and reports. Famulska also describes this topic in her works, saying that financial resources in the form of EU funds, constitute an important source of financing of activities aiming at improving living conditions of residents and social and economic development on the local and regional scale at the same time. As non-returnable funds they constitute a very important source of financing investments and tasks of local authorities. However, analyses show that in reality, there is a considerable diversification of using EU funds by local government units in Poland<sup>4</sup>.

Development of local government units can be examined in three dimensions, i.e. economic, social and ecological. Their discrepancies, which occur, are visible on each level of administrative division of the country, which can also be observed in rural areas. These differences are equalised by local governments through a conducted local policy. Financial resources available in Poland within the framework of the Rural Development Program for the years 2007-2013 constitute an important element of supporting this policy.

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<sup>1</sup> R. Broł: Teoretyczne koncepcje rozwoju regionalnego, [w:] Metody oceny rozwoju regionalnego, Red. Naukowa: D. Strahl, Wyd. AE Wrocław, Wrocław 2006.

<sup>2</sup> L. Wojtasiewicz: Czynniki rozwoju lokalnego- nowe ujęcia metodologiczne, [w:] Problematyka rozwoju lokalnego w warunkach transformacji systemowej, red. Naukowa: W. Maik, Biuletyn KPZK PAN, Warszawa, Z177/1997.

<sup>3</sup> A.P. Wiatrak: Skala regionalna i lokalna- istota, rozwój i zarządzanie [w:] Problemy zarządzania. Zarządzanie rozwojem regionalnym i lokalnym, Red. Naukowa: A. P. Wiatrak, Wydawnictwo Naukowe Wydziału Zarządzania UW, Warszawa 3/2006.

<sup>4</sup> T. Famulska: Finansowe aspekty rozwoju lokalnego na podstawie badań, Prace Naukowe AE w Katowicach, Katowice 2006.

## MATERIALS AND METHODS

The objective of this article is to present and evaluate diversification of regional use of financial resources dedicated to development of rural areas in Poland within the framework of the Rural Development Program for the years 2007-2013. A theoretical part has been prepared by applying the method of literature studies. Assessment of the scale of obtained funds has been made by using the method of a comparative analysis and selected methods of a descriptive statistics. The manner of disposing of funds has been analysed by dividing into individual activities. Secondary data has been used in this work, coming from the Local Data Bank of the Central Statistical Office, the Agency for the Restructuring and Modernisation of Agriculture and the Ministry of Agriculture and Rural Development.

## RESULTS AND DISCUSSION

### The Rural Development Program for the years 2007-2013

The Rural Development Program for the years 2007-2013 enables the continuation of the modernisation and development process of Polish food and rural areas launched in the previous years. According to the EU intentions, it is a program complementary to and supporting the implementation of the Common Agricultural Policy in a Member State. Under EAFRD, which finances the RDP in this period, Poland received EUR 13,2 billion that together with the national funds constitute a total budget in the amount of EUR 17,2 billion<sup>5</sup>.

RDP 2007-2013 includes 22 activities, which will be implemented within the framework of 4 priority axes (Figure 1).

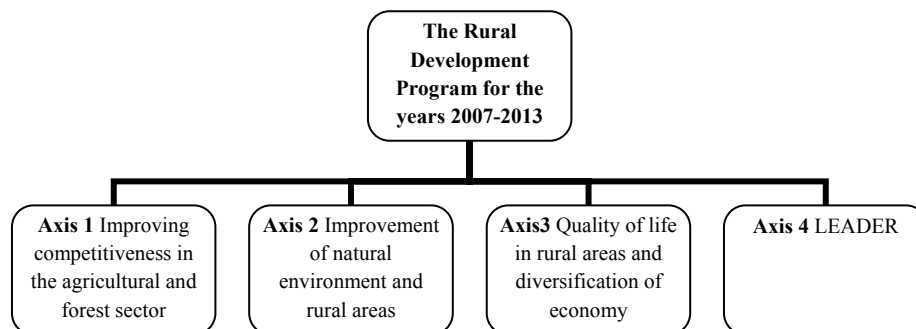


Figure 1. RDP by priority axes  
Source: own work prepared on the basis of [www.arimr.gov.pl](http://www.arimr.gov.pl)

Financial aid from RDP 2007-13 granted to: farmers, entrepreneurs and local governments and owners of forests is dedicated to building a modern, competitive agricultural and food sector as well as forestry, conducting a business activity in compliance with protection of the natural environment, developing culture and

<sup>5</sup> The internet website of the Agency for the Restructuring and Modernisation of Agriculture <http://www.arimr.gov.pl>

preserving traditions in villages as well as undertaking activities of improving quality of life of rural residents and their economic activation.

The activities cover the Axes 1 and 2 and mainly serve to adopt the agricultural and forest sector to escalating community requirements, including the ones related to environmental protection and they are mainly directed to agricultural producers.

Activities implemented within the framework of the Axis 1 meet such objectives as:

- Supporting process of restructuring farms,
- Improving competitiveness of the agricultural and forest sector,
- Improving production quality by modernising infrastructure of farms, creating groups associating agricultural producers and improving production and marketing of agricultural and forest production<sup>6</sup>.

Improvement of competitiveness of the agricultural sector has also been supported in the scope of production quality, improving infrastructure and creating groups associating agricultural producers. Activities of the Axis 1, relating to the needs of a wide support in the scope of completing education and improving qualifications has been realised by professional development, information and training activities as well as enabling to use counselling services. These tasks have been directed to the agricultural and forest sector.

Conducting activities within the framework of the Axis 2 aims at equalising use of agricultural lands, including the support of less-favoured areas (the so-called LFA), supporting unprofitable investments and these aiming at reimbursing farmers with the costs incurred due to location of a farm on the area of the NATURA 2000 network. The objective of the activities of the Axis 2 is also to encourage farmers to apply the methods of agricultural production compliant with the principles of environmental protection by implementing appropriate instruments of support and an incentive for farmers facilitating preservation and improvement of conditions of natural habitats. The activities corresponding to equalising a balance manner of management, appropriate use of soils, protecting waters and shaping landscape structure, have been undertaken to achieve this goal<sup>7</sup>.

Instruments available within the framework of the Axis 3, supplement the priorities defined for the first two axes and they can have positive impact on rural area inhabitants in the synergic manner. The first group of activities corresponds to diversifying towards non-agricultural activities. These activities constitute a great opportunity for rural inhabitants in Poland, especially due to big human resources and high unemployment level. Therefore, the burden of employing rural working labour resources should be taken over by non-agricultural activities. When looking from this perspective, it is especially important to broadly support the process of creating non-agricultural places of work and to facilitate employment in local city centres for persons coming from villages, which is mainly covered in the next activities of the axis 3 RDP that is establishing and developing micro-enterprises and basic services for the economy and rural population, which increases economic competitiveness of rural areas. The next

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<sup>6</sup> The Ministry of Agriculture and Rural Development, RURAL DEVELOPMENT PROGRAM for years 2007-2013 (RDP 2007 -2013)

<sup>7</sup> The Ministry of Agriculture and Rural Development, RURAL DEVELOPMENT PROGRAM for years 2007-2013 (RDP 2007 -2013)

activity is also of vital significance, which is village renewal and development, whose aim is to create conditions for social and economic development of rural areas and activating rural population by improving quality of life and work in a village, increasing touristic and investment attractiveness of rural areas, satisfying social and cultural needs of village inhabitants, developing identity of rural communities, preserving cultural heritage and specificity of rural areas, as well as promoting them<sup>8</sup>.

The Axis 4 LEADER facilitates to realise and achieve objectives of the Axis 3. Its aim is, above all, to activate rural inhabitants by building a social capital in a village, as well as improving management of local resources and their valorisation. Leader is a cross-cutting approach, which contributes to activating rural communities by involving social and economic partners to planning and implementing of local initiatives. Leader is a bottom-up partner approach to developing rural areas, realised by local action groups (LAG), and based on preparing a local development strategy (LDS) by a local rural community. Such a bottom-up approach strengthens cohesion of decisions made on a local level, improves management quality and contributes to strengthening a social capital in rural communities, as well as inclines to apply innovative solutions in the scope of developing a new area. Undertakings of local activation groups are also supported within the framework of the Leader activity, including these, which have not been completed through co-operation projects<sup>9</sup>.

#### **Directions for usage of the RDP funds in the years 2007-2013**

The reforms of the Common Agricultural Policy (CAP) of June 2003 and April 2004 focus on rural development by introducing a financial instrument and a single programme: the European Agricultural Fund for Rural Development (EAFRD). This instrument, which was established by Regulation (EC) 1290/2005, aims at strengthening the EU's rural development policy and simplifying its implementation. In particular, it improves the management and controls of the rural development policy for the period 2007-2013. The Fund complements national, regional and local actions, which contribute to Community priorities. Assistance provided from EAFRD (within the framework of which RDP is realised for the years 2007-2013) places Poland at the leadership position in the ranking with other EU member countries in the scope of the level of resources devoted to development of rural areas until the end of the year 2013. This is confirmed by works prepared by the European Commission for Agriculture and Rural Development, also used in the Reports from the activity of the Agency for the Restructuring and Modernisation of Agriculture (Figure 2).

Implementation of the Rural Development Program 2007-2013 indicates that the amount of all agreements, which have been concluded so far, equals almost to PLN 69.34 bn. The greatest stream of funds available for the program RDP 2007-2013 was passed on implementing activities of the Axis 1. However, it can be observed that the activities of the Axis 2 (table 1) attract the biggest interest among individual beneficiaries, which is shown by the number of agreements.

As it results from the table 1 as much as 44.1% of the funds spent on concluded agreements have been devoted to the Improvement of the agricultural and forest sector

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<sup>8</sup> The Ministry of Agriculture and Rural Development, RURAL DEVELOPMENT PROGRAM for years 2007-2013 (RDP 2007-2013)

<sup>9</sup> Internet website [www.prow.mazovia.pl](http://www.prow.mazovia.pl)

implemented within the framework of the Axis 1 of RDP. The next position in the share structure of the amount of concluded agreements constitute the activities undertaken within the framework of the Axis 2 Improving natural environment and rural areas.

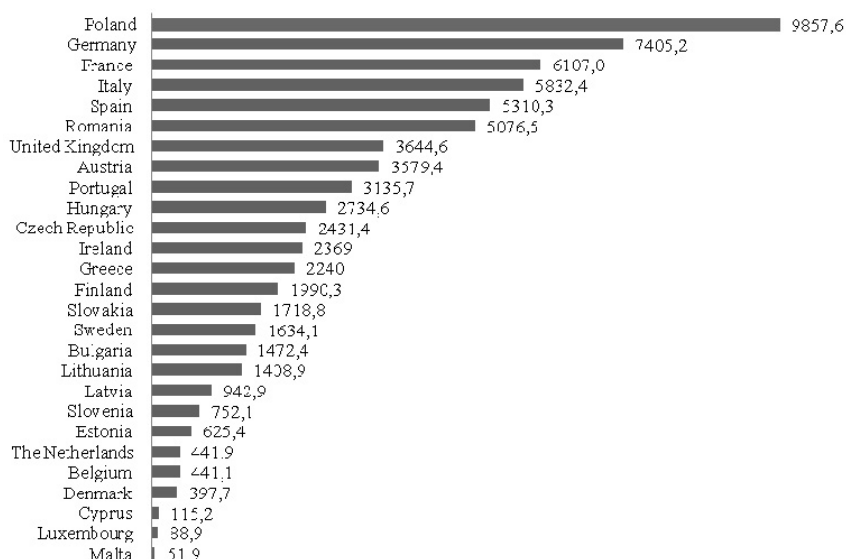


Figure 2. Implementation of EAFRD in Poland in comparison to other EU countries in mln. EUR (status as per 31.12.2013)

Source: own work prepared on the basis of the Report from activity of the Agency for the Restructuring and Modernisation of Agriculture for the year 2013

Table 1. Implementation of RDP 2007-2013 presented cumulatively from starting the Program as of 6.08.2014

Activity name	Limit of resources for the activity RDP 2007-2013 public total in PLN bn.	Concluded agreements			
		number of agreements	% from number of agreements	amount of agreements in PLN bn.	% from amount of agreements
Axis 1 Improving competitiveness of the agricultural and forest sector	32.87	193781	3.17%	30.14	44.10%
Axis 2 Improving natural environment and rural areas	20.89	5842775	95.55%	20.54	30.06%
Axis 2 Quality of life in rural areas and diversification of rural economy	13.81	42807	0.7%	14.56	21.31%
Axis 4 LEADER	3.29	35421	0.58%	3.1	4.54%
TOTAL	70.86	6114784	100%	68.34	100%

Source: own work prepared on the basis of Collective current weekly reports from implementing of RDP for the years 2007-2013 of the Ministry of Agriculture and Rural Development

Taking into account the number of concluded agreements, the discrepancy in their share seems to be surprising. As many as 95.55% of all agreements, which have been concluded, constitute contracts submitted by beneficiaries within the framework of the Axis 2, with a small share of agreements concluded in the other Axes<sup>10</sup>.

### Allocation of funds from the RDP by regions

Information summing up the Program in individual regions has been provided on the Figure 3 and the table 2. From the beginning of the Program implementation, the greatest funds from RDP 2007-2013, has been provided for the following provinces: mazowieckie (PLN 7,433.1 mln.), wielkopolskie (PLN 6,075.9 mln.) and lubelskie (PLN 4,966.8 mln.) and the lowest amounts have been granted to such provinces as: opolskie (PLN 1,166.3 mln.), lubuskie (PLN 1,479.7 mln.) and śląskie (PLN 1,485.9 mln.). It follows from the data that the biggest joint transfers of resources have been provided to the provinces of mazowieckie and wielkopolskie, which is a natural consequence of the size of these provinces, as well as applied mechanisms of dividing the resources from RDP 2007-2013.

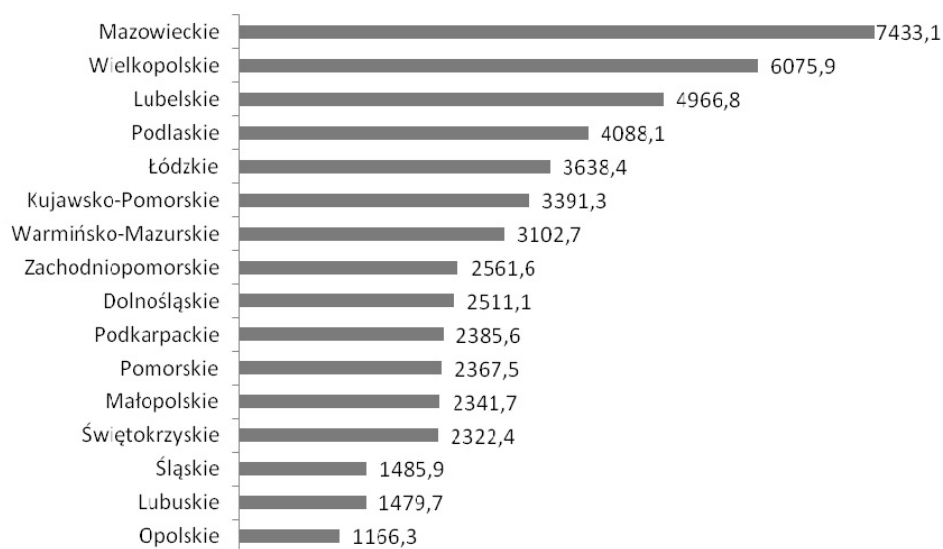


Figure 3. Regional diversification of payments within the framework of RDP 2007-2013, cumulatively until 31.12.2013, in PLN mln

Source: own work prepared on the basis of the Report from activity of the Agency for the Restructuring and Modernisation of Agriculture for the year 2013

<sup>10</sup> O. Podlińska: Wykorzystanie środków w ramach PROW 2007-2013 w województwie mazowieckim, Zeszyty Naukowe Uniwersytetu Szczecińskiego. Studia i Parce Wydziału Nauk Ekonomicznych i Zarządzania nr 826 (37), t. 2, Szczecin 2014.

In order to illustrate the level of transfers for individual provinces, they have been referred to agricultural areas and the number of inhabitants of rural areas (table 2). Taking into account the level of resources, on average for 1 ha of agricultural areas per province with the highest absorption level, it should be assumed that podlaskie province (PLN 3,362/1 of agricultural area). This province also has the first position, when the funds from RDP 2007-2013 has been calculated per 1 inhabitant of rural areas (PLN 8,600/1 inhabitant).

Table 2. Completed payments within the framework of the RDP 2007-2013, calculated per 1 ha of agricultural areas and per 1 inhabitant by provinces

Province	Payments per 1 ha of agricultural area	Payments per 1 resident
Dolnośląskie	2109	2834
Kujawsko-Pomorskie	2892	4065
Lubelskie	2817	4280
Lubuskie	2613	3938
Łódzkie	2820	3961
Małopolskie	2526	1366
Mazowieckie	3073	3914
Opolskie	1938	2417
Podkarpackie	2529	1910
Podlaskie	3362	8600
Pomorskie	2566	2987
Śląskie	2347	1434
Świętokrzyskie	3092	3309
Warmińsko-Mazurskie	2363	5255
Wielkopolskie	3133	3940
Zachodniopomorskie	2284	4763

Source: own work prepared on the basis of the Report on realising the Rural Development Program for the years 2007-2013

Taking into account the second end of the table, namely these provinces, which take the last position, opolskie province should be mentioned when calculating payments per 1 ha of agricultural areas (PLN 1,938) and małopolskie province while calculating payments per 1 inhabitant (PLN 1,366)

When analysing the aforementioned table, it is worth to notice that when it refers to a payment calculated per 1 ha of agricultural areas, the differences between provinces are not considerable (the amplitude amounts to PLN 1,424), however, when considering a payment for 1 inhabitant, then the situation is the opposite. Great deviations of values have been observed for these values and the difference between the highest and the lowest value amounts to PLN 7,234.



## CONCLUSIONS

Regional diversification in financing rural area development in Poland in the years 2007-2013 has been presented in this work. The analysis of spatial diversification while using the EU funds has been made on the basis of the statistical data and the reports on implementing the Rural Development Program for the years 2007-2013.

Both the activities, which have been undertaken and the projects that have been implemented within the framework of the RDP 2007-2013 indicate that 44.1% of the resources have been dedicated to the activities from the Axis 1. From the beginning of the Program implementation, mazowieckie province has been granted the highest level of resources and the lowest level of funds has been awarded to opolskie province. Podlaskie province takes the lead in both calculations, when referring the level of transfers to individual provinces to agricultural areas and the number of inhabitants of rural areas.

The analysis, which has been conducted proves that the funds coming from the European Union constitute a considerable source of financing for undertakings and activities taken thanks to co-financing and Poland is the leader in the scope of the level of resources dedicated to developing rural areas, while being compared with the other member countries of the European Union.

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Zbiornicze sprawozdania bieżące tygodniowe z realizacji PROW na lata 2007-2013 Ministerstwa Rolnictwa i Rozwoju Wsi

### **Streszczenie**

W artykule przedstawiono zróżnicowanie wykorzystania środków unijnych na obszarach wiejskich w Polsce w ujęciu regionalnym w latach 2007-2013. Celem artykułu jest prezentacja i ocena zróżnicowania w finansowaniu rozwoju polskich obszarów wiejskich w ramach Programu Rozwoju Obszarów Wiejskich na lata 2007-2013. W ramach Programu najwięcej środków przekazano na realizację działań Osi 1 zaś największym zainteresowaniem wśród beneficjentów zaobserwowano w realizacji działań Osi 2. W ujęciu regionalnym najwięcej środków z PROW 2007-2013 otrzymały województwa: mazowieckie, wielkopolskie i lubelskie, natomiast najmniej: opolskie, lubuskie i śląskie.

**Słowa kluczowe:** PROW 2007-2013, środki unijne, obszary wiejskie

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