

ANALYSIS OF ACTIVITIES IMPLEMENTED WITHIN THE AXIS III "THE QUALITY OF LIFE IN RURAL AREAS AND DIVERSIFICATION OF THE RURAL ECONOMY" RURAL DEVELOPMENT PROGRAMME 2007-2013

Bartosz Mickiewicz*, PhD, Professor; **Antoni Mickiewicz†**, PhD, Professor
West Pomeranian University of Technology in Szczecin, Faculty of Economics

Abstract. The article deals with the authors' discussion on the activities defined in the third priority axis of the RDP 2007-2013. The mentioned axis included the implementation of four activities which were directed at the diversification of rural areas economy and quality improvement of rural inhabitants functioning in these areas. The aim of the paper was presentation of research on the third priority axis in quantitative terms and the rate of the EU funds implementation. The research was conducted taking into account the implementation of tasks in quantitative and material (financial) terms. The comparison of the number of tasks in the programme was made with reference to the number of decisions issued and it was demonstrated that no task was fully implemented at the beginning of 2014. Better performance of planned activities was noticed with measures realized by the Marshal's Offices of Poland's provinces.

Key words: the quality of life, microenterprises, services for inhabitants, village renewal.

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Introduction

The quality of life improvement in rural areas is the aim, which is connected with both the basic directions of economic and social development of agricultural farms through the strengthening of economic potential, restructuring and modernization as well as with good life conditions as far as the quality of environment, landscape, social and technical infrastructure is concerned. These issues were also the goals of measures under some other funds, apart from the EAFRD, like for instance the Cohesion Fund. The new EU policy in the scope of rural development consisted in the preservation of the valuable factors influencing agrarian changes, and the characteristic feature was that on the one hand the continuity was preserved and on the other hand specific changes were implemented. The range of financial means was still offered so the Member States could choose and obtain financial help from the integrated

Corresponding author. * Bartosz Mickiewicz. Tel.: +48 9144 96980; fax: +48 9144 96980.
E-mail address: Bartosz.Mickiewicz@zut.edu.pl

rural development programmes. The way of developing these programmes was changed through supporting the strategies and sustainable development of rural areas. To achieve this aim, the policy of rural development concentrated on three, jointly determined main goals focusing on improving agricultural competitiveness, supporting land management, and improving natural environment condition. Each of the main goals was assigned to one thematic axis. Such an approach allowed the EU co-financing of rural development to focus on the union priorities, commonly agreed within the framework of the four thematic axes. Adopting the rural development programme within priority axes ensured the freedom of determining measures at Member States level. As a result, it was possible to achieve the balance between the sectoral (agricultural restructuring), territorial (land management) and socio-economic dimension (Mickiewicz, 2011).

Material and scope of research

The legal basis for adopting the programme of rural development was based on Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (Council Regulation (EC), 2005). The detailed principles of implementing this regulation were established by the European Commission in 2006 (Commission Regulation (EC), 2006). In Poland, the legal basis for shaping rural areas was adopted in accordance with the Act of 2007 on support for rural development financed by the EAFRD (the Act, 2007). The act provided for the realization of 22 measures as well as technical support. The rural development programme in 2007-2013 adopted the form of four priority axes and involved the measures consistent with the logic of grouping the goals and tasks, aiming at solving the problems faced by the Common Agricultural Policy. Under the RADP 2007-2013, the third thematic axis was subject to research which, on account of the number of activities and the level of financial support, constituted the instrument aiming at increasing the production potential and achieving added value. In terms of the sum of financial support from public expenditure in the general amount of EUR 17.1 billion, EUR 3.4 billion (20.0%) were earmarked for the third axis. Four measures (operations) constituted 18.2% of all measures under the RDP.

The novelty of research results from a comprehensive evaluation of all activities included in the third axis, which in Polish literature were not published and are available only in the internal materials agricultural agencies and rural development. The authors based on the materials presented a comprehensive assessment of the measures included in the third axis of the RDP.

The research on the third priority axis was carried out in quantitative terms as well as taking the rate of the EU funds implementation into consideration. The analysis was conducted on the basis of the rural development programme and the data from the Management Information System of the ARMA.

General characteristics of the third priority axis “The Quality of Life in Rural Areas and Diversification of the Rural Economy”

The third priority axis is not uniformed in terms of the analysed factors. The first group of activities was related to the diversification of economic activities and the support for micro-enterprises. In Poland, these activities constituted huge opportunities for the inhabitants of rural areas, mainly due to large human resources and high unemployment level. The main tasks included the development of non-agricultural activities and increasing added value to products, for instance, by generating new job places, stimulating local and regional products market, tourism, trade, advisory services and other services or the use of alternative energy (Mickiewicz, 2014).

In this context, the measure aiming at guaranteeing jobs and income through the development of non-agricultural activities constituted the priority. It was generally known that agriculture will absorb increasingly smaller workforce and the strategic vision assumed maintaining the vitality of rural areas. Therefore, non-agricultural activities should take the burden of employing rural labour force. From that point of view, particularly essential was comprehensive support for the process of creating off-farm job places in rural areas and facilitating the employment in the local urban centres for people from rural areas. Tackling unemployment in rural areas was undertaken by improving qualifications, facilitating access to the labour market as well as creating off-farm jobs in rural areas. These activities constituted one of the most important challenges for politics of rural development in the context of social capital analysis. The support for enterprises providing forestry services, constituting in some regions of the country an essential forest sector, was crucial for the development of non-agricultural forms of activity in rural areas.

The second group constituted instruments designed to improve the quality of life in rural and urban areas. They were related to village renewal, the improvement of cultural and natural heritage condition as well as the improvement of rural infrastructure through the provision of services for inhabitants. The measures fully took into account significant social and cultural functions that certainly contributed to improving the quality of life and constituted an additional factor, shaping structural changes, and they even created a sense of identification of rural inhabitants with their region with its traditions and values. In Poland, both the instruments for job creation and improving the quality of life were related to each other and implemented with the preservation of complementarity with the measures under other funds, for instance, the Cohesion Fund (RDP).

The specific nature of measures involved in the third thematic axis of the RDP 2007-2013

The characteristics of measures within the framework of the third axis indicate various reactions of beneficiaries on the proposals of submitting applications, which were announced by the Agency for Restructuring and Modernization of Agriculture. The measure “Diversification towards Non-agricultural Activity” was given priority in the third RDP axis. The aim of the

measure was to diversify agricultural activity to initiate or develop activities outside agriculture by farmers or members of their family, which aimed at the creation of non-agricultural sources of income and promoting employment outside agriculture but in rural areas (RDP, 2007). In accordance with the regulation of the Minister for Agriculture and Rural Development as of 17 October 2007, a farmer, a member of his family or a farmer's wife could apply for aid within the meaning of law regulations on social insurance of farmers. A beneficiary had to meet certain requirements, e.g. he had to live in rural areas and be adult but below 60. Another requirement, among others, was that a beneficiary could not apply for obtaining structural rents. The financial aid, which a beneficiary obtained, had the form of refund of some costs of qualified operations. The maximum amount of aid granted to one beneficiary in agricultural enterprise, in the period of programme implementation, could not exceed PLN 100 thousand (EUR 25 616.1). The level of financial aid amounted to a maximum 50% of eligible costs of operations (MARD Regulation, 2007).

Another goal of the third RDP axis related to supporting the economic competitiveness in rural areas, developing entrepreneurship and job market and, consequently, increased employment in rural areas. Under this measure financial aid was granted to entities for investments related to the creation or development of micro-enterprises. The implementation of "Formation and Development of Micro-enterprises" measure created conditions for diversification of economic activity and improvement of employment opportunities, thus, contributing to sustainable socio-economic development of rural areas. The aid was granted to entities for investments related to creation or development of micro-enterprises that provided, among others, services for agricultural enterprises or forestry, services for people, construction, tourism or transport services as well as wholesale and retail sale. The MARD Regulation as of 17 July 2008 stipulated specific conditions and procedures for the granting of financial aid. A microentrepreneur was considered an entrepreneur within the meaning of the European Commission Recommendation 2003/361/EC as of 6 May 2003 concerning the definition of small and medium-sized enterprises. However, to calculate the average annual employment and estimate the net turnover, aiming at determining the status of a microentrepreneur related to the granting of aid, the regulations on freedom of economic activity were applied. Any individual or entities living in rural or rural-urban gminas could apply for aid (MARD Regulation, 2008). In order to facilitate the access to the measure, a new MARD regulation on 24 March 2010 was issued that specified the requirements concerning job places planned for the creation and functioning of micro-enterprise.

The aid had the form of refund of some part of operational costs. The amount of the aid granted for the implementation of operations could not exceed 100 thousand zlotys if the business plan provided for the creation of 1 or 2 job places, calculated as full time annual average equivalents, PLN 200 thousand for 2-5 job places and PLN 300 thousand if at least 5 job places were created (RDP, 2007). Under this measure, 45.4 thousand applications were submitted, from which 12.6 thousand (27.7%) were approved by the Agency.

Another measure related to the removal of barriers in rural areas through the formation of basic technical infrastructure elements, such as construction of waterworks or sewerage, the development of waste segregation system and energy production from renewable sources (RES). The criterion for aid obtaining was the place of operations (investment) implementation, according to which the aid could be granted for the operation implemented in a location belonging to rural or rural-urban gmina. Aid applications were accepted and processed by Marshal's Offices of the Poland's provinces. The score-based assessment of the planned investment was the criterion for the granting of aid in which basic gmina's income, the unemployment rate and the regional criterion, established by the Management Board of the Province Marshal's Office, were taken into account. In order for an operation to be qualified, it had to obtain minimum 4 points in the case of investments related to water and sewage management or 3 points for investments related to the creation of the system of collection, segregation or export of municipal waste. With regard to operations related to basic services for economy and rural inhabitants, 21.2 thousand contracts were provided for acceptance. In the end, the criterion was met by 5.4 thousand entities (25.5%). As a result, 3.9 thousand contracts (73.3%) were signed.

The assumption of the measure "Village Renewal and Development" was the creation of conditions for the development of socio-economic rural areas and stimulation of rural areas residents through investment support, granted for the implementation of operations related to space management, including maintaining, restoration and improvement of the condition of cultural and natural heritage as well as increasing the tourist attractiveness of rural areas. Moreover, the aim of the measure was to improve the quality of life in rural areas through meeting social and cultural needs of rural inhabitants. The aid was granted to gminas, cultural institutions, churches or non-governmental organisations of the public benefit status. The amount of aid could not exceed PLN 500 thousand and could not be smaller than PLN 25 thousand for one measure. Aid applications were accepted by Marshal's Offices of the Poland's provinces. The score-based assessment of the planned operation (investment) was essential for the granting of aid and it was issued taking into account gmina's tax income, the rate of unemployment of the given gmina's powiat as well as the regional criterion. The new criterion, for which an operation could get an additional point, was declaration that the amount requested on each stage of investment realization will not exceed 50% of the eligible costs. 6.3 thousand (74.6%) out of 8.5 thousand applications were approved by Marshal's Office.

Table 1

**The number of measures to be implemented and completed
under the third RDP axis 2007-2013**

Name of the third axis measure	Planned number of measures (operations) to be realised	Number of submitted applications	The percent of submitted applications in relation to the plan	Number of decisions issued	The percent of issued decisions in relation to submitted applications	Who was responsible for the realisation of measures
Diversification towards non-agricultural activity	19 750	30 029	152.0	15 087	50.2	ARMA
Formation and development of micro-enterprises	27 300	45 454	166.5	12 573	27.7	ARMA
Basic services for the rural economy and inhabitants	21 210	5 402	25.5	3 959	73.3	Province self-governments
Rural development and renewal	9 670	8 467	87.5	6 315	74.6	Province self-governments
Axis 3 in total	77 930	80 885	103.8	37 934	46.9	

Source: The RDP 2007-2013 and the ARMA Management Information System

For the total number of planned measures (operations) under the third RDP axis at the level of 77.9 thousand, the potential beneficiaries submitted 80.9 thousand (103.8%) applications, indicating at the same time the willingness to participate in competitions announced by the Agency. The relative high level of acceptance (over 73%) was gained by the applications submitted to Marshal's Offices of the Poland's provinces mainly by the local action groups. The correlation between the measures and the local community brought tangible results for bigger communities. At the lower level, however, the completion of activities was noted in the case of the measures realized by the ARMA (38.9% on average) due to high formal requirements and the need to make a business plan by future entrepreneurs.

The financial aspect of the completion of measures under the third RDP axis 2007-2013

Initially, a total of EUR 4 799.3 million, including EUR 3 430.2 million of European sources (EAFRD) as well as EUR 1 369.2 million of own funds, were earmarked for the implementation of the third RDP axis in 2007-2013. In 2011, the budget was amended by increasing the resources for the measure related to the services for rural inhabitants from EUR 1 471.4 million to EUR 1 614.0 million (by 8.8%). There was a close link between the measures under the third axis and another Leader Axis 4. The implementation of measures under the third axis aimed at the diversification of rural economy and improvement of rural quality of life through the support for creation and development of non-agricultural activity as well as products and tourist infrastructure. Moreover, the measures realised were directed at ensuring the basic services for rural areas and the related small infrastructure. They also involved projects and investments connected with the programme of improving the quality of life in rural areas. The improvement of the quality of life in rural areas was the aim related to the basic directions of economic and social development of agricultural farms through the strengthening of economic potential, restructuring and modernization. The synergy consisted in combining good life conditions in rural areas with the quality of environment and landscape as well as social and technical infrastructure. The instruments available under the third axis are complementary to the priorities defined under the first two axes and may together positively influence the rural population. It was expected that the stimulation of economic activity in rural areas will indirectly influence the possibility of concentration of agricultural production and the transfer of many people involved in agriculture to work in other sectors of economy. The activities were designed in such a way to create conditions for changes in the agricultural sector, including in particular the reduction of hidden unemployment rate, extension of agricultural land, its modernization, and improvement of competitiveness and market orientation of production. The essence of the measures in the third axis consisted in transferring the activities to local action groups and only in that way one could apply for financial support.

The Structural Funds granted to Poland were in euro, and thus, there was a need to annually convert them to PLN in accordance with the exchange rate specified by the European Central Bank. In the individual years Euro exchange in accordance with the European Central Bank was as follows:

2007	2008	2009	2010	2011	2012	2013
3.773	3.396	4.229	3.984	4.405	4.019	4.185

The average Euro exchange rate converted to Polish zloty in the years 2007-2013 was PLN 3.999, which was rounded to PLN 4.0, and the conversion in the table below was based on this exchange rate.

**The planned and implemented support means under the third axis in 2007-2013
(in million EUR)**

Name of activity in Axis III	Public expenditure in 2007	Public expenditure in 2011	Public expenditure in PLN equivalent (in mln)	Concluded contracts (in mln PLN)	Percent
Diversification towards non-agricultural activity	345.6	345.6	1 382.3	1118.9	80.9
Formation and development of micro-enterprises	1 023.6	1 023.6	4 094.3	1296.5	31.7
Basic services for the rural economy and inhabitants	1 471.4	1 614.0	6 455.9	3023.2	46.8
Rural development and renewal	589.6	589.6	2 358.3	1364.0	57.8
Axis 3 in total	3 430.2	3 572.8	14 290.8	6802.6	47.6

Source: The RDP 2007-2013 and the ARMA Management Information System

Analysing the rate of implementation of financial support instruments, it should be taken into account that this measure did not expect beneficiaries to have their own contribution, except for two cases, that is, in the provision of basic services for the rural economy and inhabitants as well as in the case of rural renewal and development. In the remaining two cases, the contribution of beneficiaries was at the level of 50% of costs. The highest amount of implemented public expenditure was noted in the measure "Diversification towards Non-agricultural Activity" (80.9%). The other three measures exhibited relatively low rate of implementation of the means and thus, probably, the Agency using the powers from the EC to extend the deadline for submitting applications to 2015 in accordance with "n+2" formula, announced another competitions for these measures.

Concluding remarks

The measures under the third RDP priority axis in the years 2007-2013 were characterised by the specific feature consisting in the implementation of the aims defined under two first thematic axes and were together linked with the fourth Leader axis. These measures were intended to positively influence the conditions of work and life of rural population. The first group of measures related to the support for creation and development of non-agricultural

activity. The second group constituted instruments aiming at improving the quality of life. They were related to village renewal, the improvement of cultural and natural heritage as well as facilitating the access to public utility services, such as water and renewable energy supply, waste collection and waste management. At least two basic aims under the third axis were realized, namely the diversification of rural economy and the improvement of rural population's quality of functioning.

According to the authors the assessment of the functioning of measures under the third RDP axis 2007-2013 should be considered in the context of the Council Regulation (EC) from 2005 and the Commission Implementing Regulation from 2006 and it should be stated that this priority axis met the requirements of the European Union. Four measures, intended to influence one another synergically and lead to new developments in agriculture and rural areas, were involved in the measures related to the quality of life in rural areas. The Member States could develop their own measures meeting their needs, while at the same time maintaining general objectives of the Common Agricultural Policy (CAP). The amount of granted aid was EUR 3.4 billion, which constituted 18.2% of the total amount in the adopted rural development programme.

In authors' opinion the advantage of the analysed measures was that the programmes were available in the whole country. Moreover, it was possible to allocate the means in different axes and measures. Submission of applications and the rate of implementation of the European funds were not always in accordance with the programmes' assumptions. The third and fourth measure was assessed to have been well implemented in quantitative and financial terms. However, future beneficiaries were not always prepared in organizational terms and mentally to meet the challenges related to programmes of creating micro-enterprises. The confirmation of the need for changes was the measure undertaken by the Monitoring Committee, which made allocations in axes and measures, aiming at taking full advantage of the instruments of financial aid of the RADP 2007-2013.

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