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Role of territorial government in the development of agriculture and non-agricultural entrepreneurship in rural areas

Abstract: *The main objective of the research is to evaluate the significance of gmina local government in the field of agriculture and non-agricultural activity development in rural areas. To achieve this, questionnaires were designed and rural areas inhabitants were interviewed. The interviewees were farmers and entrepreneurs of non-agricultural business activity from rural areas of south-east Poland. The survey was carried out in 2007 and was directed to a randomly selected sample of 856 farmers – owners of individual farms – and among them there were 182 farmers - entrepreneurs. The analysis concentrated on activities of local government units realized for local development, in particular those supporting agriculture and non-agricultural entrepreneurship in rural areas. On the basis of the information gathered, we also attempted to determine those activities of local government that shall be intensified or taken in order to better use local resources for the development of rural areas and agriculture itself.*

Keywords: *local government, non-agriculture entrepreneurship, agriculture, rural areas, Poland.*

Introduction

The general message of the strategy of agricultural development is aiming at modern agriculture, i.e. agriculture that is technically and economically efficient, human and environment friendly, based mainly on family farming, integrated with the whole national economy and especially complementary in respect to other activities in rural areas (Woś 2004). Such an attitude provides for not only manufacturing role of agriculture but also social and environmen-

tal one, it also clearly connects agriculture development with the development of rural areas, the latter being determined to great extent by the increase and development of economic activity of rural area inhabitants in a form of non-agricultural entrepreneurship offering employment there.

The institutional approach has been more and more frequently used while discussing the socio-economic development of rural areas. As such, institutions - often considered as organizations and also legal norms, behavioural patterns, rules (Wilkin 2002) - have an impact on factors connected with obtaining and developing resources of a given area and create possibilities of their active use for the sake of rural area development. One of the key parts of the institutional system is local government, whose activity is of great significance in the process of rural development. Local authorities can influence local area development and thus manage it by means of various instruments such as expenditures, taxes and fees, legal regulations, marketing etc. In rural areas the role of territorial government is especially important since, as it often happens, they are the only institution to act in this field.

Agriculture and non-agricultural entrepreneurship are of key importance to the development of rural areas. Although they are not within direct management of territorial government, they should get their support. Various units attempt to influence this area of activity in a different manner. As research shows, local governments use a wide range of support instruments and forms in the field of entrepreneurship development (Zając, Kata 2004).

After the Polish accession to the EU, units of local government have been evidently more challenged in the field of new principles of competition, procedures and standards. Moreover, inhabitants and investors themselves have higher expectations concerning better quality of services provided by units of local governments. Investors in particular expect local governments would offer them on the one hand low taxes, and on the other hand customer-friendly service, partner relationship and efficient dealings with formalities. Inhabitants, however, would expect a pragmatic attitude towards solving local problems and fulfilling particular goals. At the same time, in Poland and other countries of Central and Eastern Europe, local authorities are challenged to make up for delays in the development of basic infrastructure such as roads, schools, water supply and sewage systems. There is also a new task for local governments, i.e. making local society function in the environment of the global economy. Besides, there are other challenges such as determination of conditions of business activity so that there can be a balance between the economic, social and natural spheres allowing for inhabitants' subjectivity. To make such activities successful, local governments should be able to design appropriate projects supported by local partners and certainly manage the whole undertaking efficiently (Sakowicz 2007).

Methodology

The objective of the article is to evaluate the significance of gmina[1] local government in the field of agriculture and non-agricultural activity development in rural areas. The analysis concentrated on activities of local government units realized for local development, and also determined what actions shall be taken by local governments in this field according to farmers and farmers-entrepreneurs.

The sources of empirical data were questionnaires and the interviewees were farmers of Southeast Poland. The survey was carried out in 2007 and was directed to a randomly selected sample of 856 farmers – owners of individual farms[2]. Of all the respondents, 182 of them (i.e. 21.3%) are farmers-entrepreneurs who, apart from being farmers, also run non-agricultural business activity. In the structure of non-agricultural activity, farmers deal with services closely related to agriculture (i.e. agro-tourism – 34.6% and agricultural services – 25.8%). The share of other services is 12.6%, trade – 13.7% and other – 13.3%. 48.9% of farmers run registered non-agricultural business activity, the others deal with non-registered ones.

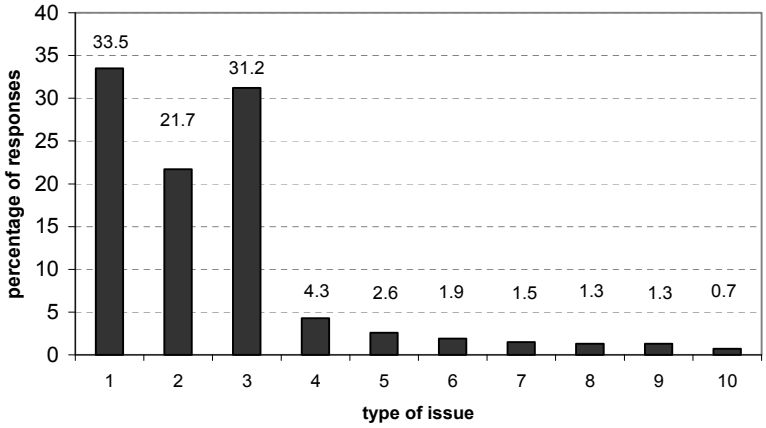
Results

Farmers in a region of dispersed farming of Southeast Poland rarely deal with the Gmina Office and local government, on average the number of visits equals six visits annually, however, the number varies and the variation coefficient is 101.8%. Moreover, what shall be emphasized is that farmers visit the Gmina Office in order to settle only current and necessary issues of administrative character such as: taxes, fees, certificates etc. They hardly ever get involved in local government activities in aid of gmina socio-economic development, and they rarely take advantage of such services that the Gmina Office and local government offer: counseling, information, trainings etc (Fig. 1).

In the questionnaires, farmers and farmers-entrepreneurs were asked their opinion on activities were successfully undertaken by gmina authorities in order to develop agriculture and non-agricultural entrepreneurship (Tables 1 and 2). It shall be noted, however, that opinions of farmers (dealing only with agriculture) on local government support for entrepreneurship is of equal importance here because such farmers being village inhabitants and food producers are potential entrepreneurs interested in the matter.

1 Gmina – the third (the lowest) level of Polish administrative division

2 The research was carried out within the scientific project ”Function of local institutions in the process of restructuring dispersed agriculture (after Poland’s accession to the EU)” financed by the Ministry of Science and Higher Education in Poland.



Explanations: 1 – taxes and fees, 2 – certificates, 3 – various current issues, 4 – social aid, 5 – counselling , information, trainings, 6 – non-agricultural issues, 7 – building permits etc., 8 – natural disaster claims, 9 – local government sessions, committees, 10 – interventions.

Figure 1. Types of issues connected with farmers' visits to Gmina Office (%)
Source: own research.

Among activities that have been undertaken so far by gmina authorities to develop agriculture, those connected with technical and social infrastructure in rural areas are most often appreciated (Table 1). Respondents, nevertheless, see also a lot of failures in this field, e.g. approach roads to farm lands, land improvement, organization of marketplace, buying stations etc. Information activity of local government is evaluated as good by every fifth farmer, and 14% farmers (12.1% farmers-entrepreneurs) positively evaluate direct aid for agriculture organized in the form of grants (used for examination of soil and seed material, for soil liming, veterinary services, biological development, and for fuel and agricultural insurance etc). Other activities are hardly mentioned by respondents. Every sixth farmer does not notice any positive activities of gmina authorities that would develop agriculture, and some respondents even claim local government is not interested in the issue. There are no significant differences in replies given by farmers and farmers-entrepreneurs, which means both socio-professional groups see gmina activities in aid of agriculture development in a similar manner (Table 1).

Improvement of technical and social infrastructure is also well evaluated by respondents operating in a non-agricultural environment (Table 2). According to respondents, local governments take advantage of possibilities resulting from Poland's membership of the EU to get financial aid in this field. Next, farmers mention the support entrepreneurs receive in a form of tax break and remission, however, the percentage of replies indicating other types of activities is small (Table 2). At the same time, 30.3% farmers do not see any local government activities in favour of entrepreneurship development. The

research also shows that, according to farmers, local governments support both agriculture and rural entrepreneurship indirectly by means of technical and social infrastructure improvement. In the field of non-agricultural entrepreneurship, governments to some extent also organize direct support such as trainings and establishment of special units in gmina offices dealing with entrepreneurship.

Table 1. Gmina local government activities in aid of agriculture development

Types of activities	% of replies*	
	farmers [N=674]	farmers-entrepreneurs [N=182]
• technical and social infrastructure	25.4	28.6
• information for farmers	20.3	21.4
• grants for farmers	14.2	12.1
• trainings	9.6	8.2
• help in filling in applications for EU funds	7.4	9.9
• tax break and remission	6.1	5.5
• natural disaster emergency help	5.3	4.4
• environment protection	3.6	4.4
• approach roads to farm lands	2.5	1.6
• land merger	2.5	1.6
• low agricultural tax	2.4	1.1
• land improvement	1.5	1.1
• organization of marketplace, buying stations etc	1.2	0.5
• none, lack of interest in agriculture	16.8	19.2

Source: own research.

Table 2. Activities of gmina local government in aid of non-agricultural entrepreneurship

Types of activities	% of replies*	
	farmers	farmers-entrepreneurs
•technical and social infrastructure	48.5	63.2
•tax break and remission	10.7	20.9
•promotion, advertising, local press	6.4	14.8
•trainings	4.7	10.4
•information for entrepreneurs	4.0	7.1
•investments in environment protection	0.4	5.5
•promotion and support for the development of tourism and agro-tourism	0.3	24.2
•geodetic designation of plots of land according to the investor's needs	0.3	8.2
•attracting external investors	0.3	7.1
•none	30.3	12.1

Source: own research.

Farmers-entrepreneurs, i.e. people who apart from farming also run non-agricultural business, evaluate local government activities to develop entrepreneurship a bit better. In this group of respondents there are more indications to

particular types of activities, and fewer showing lack of activity of local government in this area (Table 2). It can be explained by farmers-entrepreneurs' direct involvement in non-agricultural activity, and therefore their better knowledge in this matter. High percentage of indications made by farmers-entrepreneurs in the field of promotion and support for tourism and agro-tourism development can be only a proof here, which is totally neglected by farmers who do not run non-agricultural business (Table 2).

During the research, farmers and farmers-entrepreneurs were asked their opinion on activities that should be taken by gmina local government to develop agriculture and non-agricultural enterprise (Table 3 and 4). In the field of agriculture, in most cases respondents expect local government to support development of technical infrastructure, especially to improve the shape of approach roads to farm lands and to improve land. This issue is clearly seen to be the priority in the field of government activity. Moreover, farmers expect information support, organization of trainings, assistance in obtaining EU funds and establishing cooperation with Centres of Agricultural Counselling and other institutions (Table 3). Support in land merger is also mentioned by farmers, which, on the area of disperse farming, is an important issue. Farmers would also see local government in the process of organization of output market of agricultural products (e.g. by informational and promotional activities). Finally, they expect financial help in a form of grants (examination of soil and seed material, soil liming, veterinary services, biological development, and fuel and agricultural insurance) and tax breaks (Table 3).

Table 3. Activities that should be taken by gmina local government to develop agriculture

Types of activities	% of replies*	
	farmers	farmers-entrepreneurs
• technical infrastructure (including approach roads to farm lands and land improvement)	27.3	28.0
• information, trainings, obtaining EU funds	23.0	24.7
• land merger	10.8	8.8
• organization of output market of agricultural products	8.3	11.5
• grants for farmers	7.3	10.4
• promotion of local products	5.8	7.1
• lower taxes and tax remission	5.3	4.4
• legal and consulting assistance	5.2	4.9
• development of food processing market	4.7	3.8
• help farmers associate	3.9	2.7
• protection of environment	2.8	2.2
• spatial planning, mainly in the field of soil classification and forestation	2.5	2.2
• natural disaster emergency help	2.1	1.6
• limiting bureaucracy and hastening administrative procedures	2.1	1.6
• supporting ecological farms	1.3	1.1
• promotion of new technologies, innovations, progress	1.3	1.1

Source: own research.

According to farmers, there is also a need of more efficient work in the field of such basic issues as e.g. spatial planning, environment protection or administration improvement. There are no significant differences in replies given by farmers and farmers-entrepreneurs, which means both socio-professional groups see gmina activities in aid of agriculture development in a similar manner (Table 3).

Among the activities that ought to be undertaken by gmina authorities to develop non-agricultural business, farmers most often choose attracting investors and supporting new companies, as well as continuing development of technical and social infrastructure. Then, they state how important the gmina informational and promotional system is (e.g. in the field of tourism and agro-tourism), besides: training organization, legal and counselling assistance and limiting bureaucracy (Table 4). There is, however, a significant difference between replies given by farmers and farmers-entrepreneurs. The latter more often indicate activities that shall be taken by gmina local government to develop non-agricultural enterprise. The activities most often mentioned are: geodetic designation of plots of land according to the investor's needs, promotion of gmina and local enterprise, and also assistance in searching for partners, new output markets, establishing cooperation with other institutions supporting entrepreneurship (Table 4). The hierarchy of activities is also a little different as shown by the number of replies given. For example, for farmers-entrepreneurs two most important issues are support in technical and social infrastructure development and geodetic designation of plots of land according to the investor's needs; farmers, on the contrary, see encouraging external investors to run business in the gmina area as the priority.

Table 4. Activities that should be taken by gmina local government to develop non-agricultural enterprise

Types of activities	% of replies*	
	farmers	farmers-entrepreneurs
• attracting investors and support for new companies	36.6	22.0
• technical and social infrastructure	24.0	36.8
• information, trainings, legal and counseling assistance	9.2	22.0
• limiting bureaucracy	8.6	12.1
• promotion and suport for the development of tourism and agro-tourism	7.1	14.8
• geodetic designation of plots of land according to the investor's needs	5.9	28.0
• development of the area of services	3.0	11.0
• promotion of gmina and local enterprise	1.3	20.3
• assistance in searching for partners, new output markets, cooperation with institutions supporting enterprise	0.4	20.3

Source: own research.

Discussion

Development of rural areas and agriculture, also with the participation of EU financial aid, requires involvement of many units of local socio-economic environment. One of them – territorial government – at present can legally and formally act in aid of entrepreneurship development both in agriculture and its surroundings (non-agricultural enterprise). It is important, though, to make such activities accessible and useful for their direct or indirect beneficiaries.

The research shows that farmers of Southeast Poland rarely deal with Gmina Office and local government and the visits concern mainly administrative and fiscal matters. At the same time farmers, and farmers-entrepreneurs, expect local authorities support in development of agriculture and non-agricultural entrepreneurship in rural areas. According to the research, most farmers see local government's activities in this sphere, especially in the field of technical and social infrastructure. Here, activities of local government are accepted and welcomed because they are seen as the most important within the scope of local government's competencies supporting local development. Besides, the research shows that local authorities also support agriculture and development of non-agricultural entrepreneurship by means of the easiest instruments they have, i.e. low taxes, tax breaks, informational and promotional activities, trainings etc.

There are some differences between activities being realized by local governments and activities they ought to take to support agriculture and non-agricultural enterprise. First of all, the list of activities expected by respondents is a lot longer than the one including activities being undertaken by local government. A lot of expected issues deal with improvement of local administration (limiting bureaucracy, spatial planning, better informational system etc.). The other expectations are beyond direct responsibilities of local governments (assistance in searching for partners, new output markets, establishing cooperation with other institutions supporting entrepreneurship etc.).

The research also shows that farmers-entrepreneurs' evaluation of local authorities' activities supporting non-agricultural enterprise is higher that the one of farmers who do not deal with any business activity. Therefore, to attract local partners who would get involved in local development, local government should make their activities and plans more accessible. Perhaps the fact that farmers so rarely participate in various types of projects organized by local governments (eg. trainings, fairs) results from the weak information flow. Cooperation of various local partners – especially including the ones most interested in a given area of economic activity – is essential in the process of successful introduction of more complicated and indirect developmental instruments.

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