Knowledge as a factor of rural development
Editors: Paweł Chmieliński, Agnieszka Baer-Nawrocka

Chapter 6
Assessment of farmers role in relation to the support of rural communities

Authors: Marie Trantinová, Marie Štolbová

Citation:

Publisher:
European Rural Development Network, www.erdn.eu
Institute of Agricultural and Food Economics – National Research Institute, Warsaw, Poland, www.ierigz.waw.pl

ISBN 978-83-7658-378-5 © Institute of Agricultural and Food Economics – National Research Institute, Warsaw, Poland
Chapter 6
Assessment of farmers role in relation to the support of rural communities

Abstract: All EU countries prepare new Rural Development Plan 2014-2020 for agriculture and rural areas incl. LEADER. An integral part of the planned document is analysis of rural areas and the LEADER programme. Some key questions were solved during the analysis. Such as: “How to target financial support to rural areas to achieve high effect in the social, economic and environmental terms.” The analysis requires objective documented data of results of many studies and surveys. Experience shows that often it is not easy to obtain the required data concerning awareness among applicants, the potential of social capital or the needs to improve infrastructures or level of enterprise in rural areas. Very important source was the RDP 2011 Mid-term review in the Czech Republic. The main results of the analysis showed that it is vitally necessary to increase employment in rural areas by strengthening rural economy and social capital. It is very important to exchange experience among European countries during the preparation, implementation delivery and evaluation of the RDP.

Keywords: Rural Development Plan, LEADER, evaluation of measures of the Axis III of the RDP
Introduction

Within the preparation for the coming programme period it is necessary to elaborate thorough analyses of operation of the Common Agricultural Policy (CAP). This analysis focuses on subsidies provided within measures of Pillar 3 of the CAP in the Czech Republic. The European Union, within its “Europe 2020” strategy, aims to achieve new economic growth in the coming decade (European Commission, 2010A). It aims to generate smart, sustainable and inclusive economic growth in the EU. These three mutually reinforcing priorities should help the EU and the Member States deliver high levels of employment, productivity and social cohesion.

The future CAP should aim at the following targets:
- viable food production;
- sustainable management of natural resources and measures within the sphere of climate; and
- balanced territorial development.

In accordance with the Europe 2020 strategy there were set the following six priorities for the rural development in the period 2014-2020: (European Commission, 2011):
1. support of sharing of knowledge and innovation in agriculture, forestry and the rural areas;
2. enhancement of competitiveness of all types of agricultural activity and improvement of viability of agricultural companies;
3. support of organisation of food chain and risk management in agriculture;
4. reconstruction, preservation and enhancement of ecosystems dependent on agriculture and forestry;
5. support of efficient utilisation of resources within the branches of agriculture, food industry and forestry and transfer to low-carbon economy resistant to climate changes;
6. support of social inclusion, poverty reduction and stimulation of economic development in rural areas.

This article focuses on results of the work achieved in detailed analyses of the problem related to the 6th priority. Both the elaborated analyses of the present situation in agriculture and in rural areas of the Czech Republic, as well as the findings on operation of the programme cycle measures concerning rural communities and provided under the existing Axis III of the RDP 2007-13, that were obtained on the basis of negotiations with representatives of the concerned institutions and stakeholders, were used as basis for framing of measures for the next programme period. Authors of the article are involved in preparation of programme documents for the RDP of the Czech Republic for the period 2014-20.
This work tries to define - what is a barrier to more effective utilisation of subsidies of the RDP in order to increase employment and improve living conditions in Czech rural areas.

**Sources and Methods**

The primary methodology of definition of rural areas is the OECD regional typology based on the ratio of inhabitants living in communities with population density below 150 inhabitants per square kilometre. The Czech rural areas at the NUTS 3 level (regions) were defined according to this typology. Vysočina region was marked as a predominantly rural region (over 50% of inhabitants live in rural communities), only the City of Prague is a predominantly urban region and all the other regions fall into the group of significantly rural regions. This basic definition also provides the general frame for the RDP for the coming period.

Apart from this general typology of rural communities, there were also used other definitions, e.g. according to size of the community with regard to number of inhabitants. In 2011, there were 5,578 communities with less than 2,000 inhabitants in the Czech Republic, which represented nearly 90% of all municipalities in the Czech Republic and nearly 73% of acreage of the Czech Republic. There lived 26.4% of inhabitants of the country.

This article analysed statistical data, gathered on rural communities by the Czech Statistics Office, as well as data from Eurostat, the Farm Accountancy Data Network (FADN) database as well as data from administrative sources (e.g. The State Agricultural Intervention Fund and the Land Parcel Identification System). There were also used outcomes of surveys of subjects operating in rural areas (Local Action Groups – LAG) and negotiations with representatives of NGOs operating in rural areas. A brainstorming on outcomes of the analyses was organised within the group composed of representatives of research organisations, universities, and government departments as well as representatives of communities and individual groups of stakeholders. Information gathered within activity of working groups preparing the RDP 2014-20 was used to identify causes of problems. There were made inquiries on opinions of representatives of NGOs and relevant experts and scientists dealing with problems of rural areas.

In order to assess the previous performance of the measures with regard to institutional policy and approach to realisation of the programme cycle there were questioned representatives at three levels:

I. Level of communities (decision of the representatives of communities and farms leading to improvement of quality of life in rural areas)

II. Level of policy implementation (agricultural administration implementing special procedures and monitoring)

III. Level of policy making (policy makers at national and regional level)
Results and Discussions

Conditions at Czech Rural Areas

Structure of communities on the territory of the Czech Republic was subject to historical development. Compared to other European countries, the Czech Republic has quite a high number of autonomous communities LAU 2 (over 6 thousand). The average area of community acreage in the Czech Republic is 12.5 km² and it is similar to France or Cyprus.

Such a structure of communities causes problems related to access to services, inadequate technical infrastructure and traffic service. On the other hand, small and remote communities have better qualifications in the sphere of leisure activities related to attractiveness of the area (serenity, scenery).

In the last decades the rural communities in the Czech Republic became remarkably polarised, namely depending on their geographic position. While communities within urban proximity are growing, numbers of inhabitants in communities and whole micro-regions in peripheral areas (Musil, Müller 2008; Jančák et al., 2008) stagnate or even drop. This is accompanied by worsening of socio-demographic indicators in individual communities (ageing of inhabitants, higher unemployment rate, loss of employment opportunities etc.).

The map in figure 1 shows migration of inhabitants into communities in proximity to big cities (Prague, Pilsen, Brno) in the last decade. The phenomenon of the last couple of years is movement of young families to newly built family houses in communities surrounding big cities. This type of migration contributes to strengthening of social capital in the given areas, as proved by a study done in Ireland (Farrell M., Mahon M., McDonagh J., 2012). In the given areas the age, educational and income situation of rural communities showed a positive development and this distorts data presented by statistic surveys for evaluation of rural areas in general.

However, there still prevails disadvantageous educational structure of population in smaller communities. Share of population with basic education and higher education in the total number of inhabitants above 15 years-of-age in average per categories of communities according to their size and number of inhabitants is shown in figure 2.

The average annual registered unemployment rate in rural areas in 2010 reached 10.2%, while in towns and cities it reached 8.6%. The economically active population in rural areas is predominantly dependent on job offers in towns and cities, rural areas themselves are not able to generate sufficient number of working positions for their own population. Therefore the unemployment rate in the Czech Republic is subjective for each region and it substantially hits especially the remote regions. This demonstrates figure 3.
Figure 1. Change in number of inhabitants according to administrative areas of communities with extended powers in 2011: 2001 (%)  
Source: CZSO, Population and Housing Census 2010  
Note: Some operations of the state administration were transferred to the so-called communities with extended powers (CEP), these in average include area of about 30 LAU 2.

Figure 2. Educational structure of inhabitants according to size of communities in 2011  
Source: CZSO 2011
The income level in rural areas is lower compared to towns and cities (in 2010 people in rural areas achieved 89.9% of gross and 91% of net income of population in towns and cities). The highest share in incomes of population of rural areas comes from incomes from employment (employees) and their share is slightly growing. On the other hand incomes from private businesses stagnate. However, viable rural areas are highly depending on development of small and medium businesses in these areas. Development of such economic activities in predominantly rural areas is more complicated compared to other regions. For example the predominantly rural Vysočina region has the smallest number of micro-businesses per 1.000 inhabitants (15.9), while indicators in the significantly rural regions reach the values 16.9-21.9.

**Conditions of Czech Agriculture**

More than one half of the Czech territory has soil and climatic conditions unfavourable for agriculture. The ratio of mountain regions in the Czech Republic puts it to the 10th position among the EU 27. The mountain regions with conditions unfavourable for agricultural production in many cases correspond with areas with the high unemployment rate and a negative migration rate.

The Czech Republic belongs among countries in which the absolute majority of agricultural land, even in the LFA, is managed by bigger farms, unlike for example in Slovenia, Poland, Italy, or Austria. In the Czech Republic the farms over 500 ha manage 70% of land registered in the LPIS. At the same
time, according to the Farm Structure Survey (FSS) of the CZSO of 2010, 70.9% of agricultural land in the Czech Republic was managed by legal entities, i.e. limited liability companies and joint-stock companies and co-operatives. According to the CZSO (2012) survey the numbers of legal entities are increasing (in ten years up to 2010 by 9.1%), while the numbers of private farms are dropping (in the same period by 16.6%).

Farming is not the dominant economic activity in the Czech rural areas anymore. The number of people employed in agriculture dropped remarkably. In the period of 10 years (up to 2010) it dropped by 43% and according to the structure survey of the CSZO FSS 2010 there were 108,000 workers (AWU) in agriculture. The drop in number of agricultural employees continued even after accession of the Czech Republic to the EU and it applies to all its regions (figure 4). According to the FADN in the recent years the average number of workers is 3 workers per 100 ha UAA and lowers in all natural conditions.

![Figure 4. Development of number of workers per 100 ha UAA](source)

With regard to the measures taken for development of rural settlements, we have to take into account that most of this agricultural working force is employees. But a manager only is making decision on diversification of farm activities. Following accession of the Czech Republic into the EU the importance of farming in the Czech Republic is gradually decreasing even with regard to production indicators. There also decreases share of arable land accompanied by drop in acreage of crops and drop in numbers of live-stock (Stolbova et al., 2012).

From 2004 there increased dependence of economic results on subsidies in all types of farms. In the last couple of years, income of many farms comes only from subsidies (figure 5).
The increase of dependence of farmers on subsidies is a serious problem in the entire EU, Harvey (2004). **The longer are the subsidies granted, the more beneficiaries become dependent on it.** According to the author the state is also establishing many other structures depending on subsidies, whether distribution or control bodies, or political structures, therefore it is not easy to get out of this dependence. The Czech Republic belongs among the EU countries with strong dependence of agriculture on subsidies. According to analyses carried out by the European Commission (2010B) the share of direct payments and all other subsidies on the agricultural income in the Czech Republic is about 75% and it is nearly double compared to average of the EU countries (40% share of subsidies on the income). Quite high subsidies per a farming worker can be one of the causes of small activity of representatives of farmers in the LEADER type programmes.

The champions among the Czech agricultural companies are the big and very big farms, as they manage to maximise their income from subsidies with a minimum number of employees. We cannot expect that the existing trend of decline of livestock production which demands more workforces can be easily diverted. Withdrawal of more farming workers will create pressure on increase of unemployment in rural areas. **In future the problems of rural communities should be solved by the RDP measures that are directly targeted at rural communities.**

**The Most Serious Current Problems of Rural Areas:**

1. Inadequate transport, technical and community facilities in smaller and remote communities

The smaller the community, the less facilities present. Technical infrastructure facilities are the lowest in the smallest communities. **For example small com-**
munities up to 200 or 500 inhabitants are in many cases absolutely depending on the local water sources (wells). There is also unfavourable situation concerning cleaning of waste waters. Apart from connection to gas, sewage system with sewage treatment plant or public water supply, also kindergartens, school, doctor or availability of social services are important for development of a community. There is dropping number of communities with schools, libraries and post offices. The actual limit indicators or even standards of level of availability of individual facilities (post offices, healthcare services, and social care) are not always explicitly set, however they may be expressed indirectly, e.g. by the minimum number of pupils in a class. There is dropping number of communities with a doctor’s office. On the other hand there increased number of flats with care-taking service. According to Škabal et al. (2006) the biggest problems with primary services have inhabitants in communities with less than 1.000 inhabitants.

The most frequent cause of problems with availability of civic facilities in rural communities is insufficiency of its own financial sources. The inquired representatives of interest groups within the rural areas see the fundamental cause of problems in insufficient subsidising of rural areas, difficult access to loans and other financial services (small communities with small budgets frequently cannot apply for a subsidy as they do not dispose of sources for co-financing or pre-financing of the investment prior to receipt of the subsidy). These communities are not interesting for private investors either, as returnability of investments is too lengthy even for the private capital.

It is also due to the fact that mayors of small communities only execute their duties after their own working hours and they cannot devote their full capacity to needs of the village.

2. Unfavourable situation at the job market

Lower economic activity of inhabitants is also due to unfavourable age and educational structure of the population. The remarkably lower educational level of the rural population on one hand determines the potential extent and qualification level of their working positions, on the other hand rural areas offer only few working position for people with higher education compared to towns and cities.

The low population density is unfavourable for some types of businesses e.g. services. Inhabitants of rural areas are much more directly dependent on production, agricultural as well as industrial. Related to development of new business structures in rural areas (especially micro-businesses) there is also increasing competition among newly established lines of businesses and trades. It is more and more demanding to succeed at this market. Another serious problem is insufficient promotion and infrastructure of non-farming activities at the farms. The current situation in the Czech Republic requires an emphasis
on similar activities as mentioned in their research by Katona-Kovács, High, and Nemes (2011). Moreover the accommodation, catering and information services do not meet the EU standards (DHV, 2010). Entrepreneurship in Czech rural areas is still insufficiently utilising potential of the human capital available there.

There is also limited utilisation of the local natural resources, e.g. for energetic purposes, as a potential source of incomes and working positions for rural population. The problems of utilisation of the local energy production are usually high costs and problematic distribution of energy within rural areas. Distribution of heat produced locally is difficult due to technological issues and little effective in rural areas with low density of potential consumers.

More detailed analyses (Konečná, Pražan 2009) show that regions with high human capital utilise most of the funds, while the regions with low economic activity do not show demand for suitable development projects nor capacity to draw such subsidies. One of the causes is the low human capital – insufficient competence, insufficient experience in funding policy of individual applicants, public administration representatives (especially small communities, which do not have sufficient personnel even for the ordinary agenda and no capacity for development activities), as well as of businessmen and farmers and smaller voluntary non-profit organisations (associations, church organisations, associations of voluntary firemen etc.).

3. Relatively low activity of farmers in the LEADER programme

Philosophy of the LEADER method is based on the presumption that only local communities are well aware of strong and weak points of the given region and they themselves are capable of solving their own problems. Local communities and partnerships of citizens, public administration, non-profit organisations and businessmen form organisations called local action groups (LAG), these should elaborate territorial development strategy and should be responsible for its implementation.

M. Delín (2012) monitored development of a number of farming subjects that are LAG members. He tested the concept of external social inclusion (Thuesen 2010), or how the share of individual sectors changes in time, particularly of one of segments of the business sector, especially with regard to the legal form.

Even though in the absolute numbers the number of farming subjects, that became LAG members, increased, their increase was the lowest among all the sectors and in fact their relative rate is decreasing. Nevertheless it is also due to limited number of farming subjects in rural areas and due to the fact that unlike other business and non-business subjects it is harder to increase their numbers.
4. Insufficiently developed LEADER principles

Among the LEADER principles there seem to be not completely settled the issues of independence, responsibility and competence of the LAGs in realisation of the LEADER Strategic Plan, the issue of partnership at the project level and the issues of integrated action and innovation at the plan and project level. As well as in the other post-communist countries, even the Czech Republic had insufficient counselling and assistance with project animation (Katona-Kovács J., High Ch., Nemes G. 2011).

On the other hand thanks to the RPD support there substantially increased absorption capacity to 112 supported LAGs (DHV, 2010). Currently there is established 150 LAGs in the Czech Republic.

**Results of Assessment of the Programme Cycle**

On the bases of the elaborated analyses and observations gathered from actors in the sphere of policy focused on support of rural communities, at central as well as regional level, there was assessed the programme cycle of these measures. It aimed at identification of weak points of the existing policy and to point at them so that these findings could be taken into consideration for the programme period 2013-20. The general scheme of the programme cycle is shown in figure 6.

![Figure 6. Programme Cycle Scheme](Image)

**Source:** amended according to the OECD

**Identification of Problem**

On the basis of analysis of the situation mentioned in the existing RDP we may say that the problems were identified correctly. However it is obvious that in many cases their extent and causes were not sufficiently studied in such a way so that it would be possible to set targets and en-
able responsible process of policy evaluation (Pražan, 2009). The existing policy is based on knowledge of local problems and identification of needs was based more on intuition. Results of the research, however, were not transparently utilised in the strategy and especially not in the financial allocation of sources in the Axis III and IV of the RDP. For the next programming period it is advisable to analyse the situation and define the targets in more detail on the basis of thorough analyses and findings of previous measures. These aims become an important part of planning and assessment of the RDP in relation to the European Commission (assessment of millstones and subsequential release of the remaining budget etc.), as well as it shall enable more exact assessment of the RDP in its regular evaluation.

Proposal of Measures

Proposal of measures and coordination of their targeting to rural areas in some cases did not successfully manage to cover the entire rural areas. There were insufficiently set limits of competence of individual programmes in rural areas (RDP – Rural Operation Programme – other Operation Programmes).

It was also proved that too detailed formulation of legible expenses together with inconsistent interpretation of the rules in individual regional branches of the SAIF (State Agricultural Intervention Fund) caused complications in the first phase of the programme and even caused financial losses due to non-recognition of the expenses and imposed sanctions.

In general there seems to be insufficient volume of allocated sources of the Axis III (with regard to the needs). For example up to 2010 it was possible to pay out only 10.3% of the required amount for the registered projects for revitalisation of villages. Allocation of the sources was influenced by particular interests of some agricultural lobbies, which were stronger than the un-organised representatives of rural communities. The 52% share of the total RDP 2007-13 sources places the Czech Republic among countries with majority of financial sources directed towards the Axis II “Improvement of environment and landscape”. The highest shares allocated into the Axis III “Quality of Life in Rural Areas and Diversification of Rural Economy” among the EU countries were allocated by Bulgaria, Netherlands, Romania, Germany, and Poland. The Czech Republic allocated 17% of the RDP sources into this Axis. The amount of sources allocated to the LEADER (5.7% of the RDP sources) did not enable the LAGs to have substantial influence on the territory and to implement development policy according to the LEADER programme strategy. On the other hand it consolidated the LAG institution and it gradually improved their ability to manage support of the rural areas from below.
Implementation

The insufficiencies became obvious especially in the initial years after the measures were introduced, the situation is gradually improving. The individual assessed measures were not implemented in such a way to enable assistance to the applicants e.g. by examples of successful cases from neighbouring areas and there was not available adequate counselling. This became evident in regions with lower business activity (e.g. Vysočina region). There were fewer applications for support in such regions than desirable with regard to real needs of the region. There failed promotion and counselling in areas with insufficiently developed social capital. In general it became evident that in the sphere of measures of the Axis III of the RDP, apart from insufficient financing, there was also missing complex counselling, which would look for solutions for the given area, community, region.

The LAGs did not have access to methodologies and instruments for project evaluation, utilised by the SAIF, which caused high failure rate in applying for support from the LEADER. With regard to problems and needs of rural areas, LEADER did not become horizontal priority of the RDP implementation, it was not successfully promoted in other rural areas (outside the area of competence of the supported LAGs) nor was it organically included in the system of management of rural areas.

Monitoring and Evaluation

Only drawing of resources for regular reports for the European Commission was formally monitored. Apart from this the monitoring committee of the Ministry of Agriculture carries out annual evaluations of the LAGs. On the basis of the multi-criteria point evaluation, the LAGs are classified into four groups.

Group A 150-130 the best functioning LAGs
Group B 129-105 well functioning LAGs
Group C 104-80 average LAGs
Group D 79-0 LAGs, these should re-consider their attitude, as the only meet the formal rules.

The figure 7 shows that work of the LAGs gradually improved in the past years.

The Ministry of Agriculture did not submit research tasks or more profound methodical and methodology studies of influence of subsidies in rural communities. There were not elaborated studies which could explain why certain policy achieved or did not achieve the required results. Within the mid-term assessment there were only made single surveys in order to answer monitoring questions. These assessments did not prove presupposition that for communi-
ties, where certain LAG is working, such a LAG is the best mediator of planning, the most liked favourite of the council, or the most frequent mediator of partnership projects etc., it is not even the primary source of financing of community projects.

Figure 7. Development of results of evaluation of the LAGs in the period 2010-12

Source: Ministry of Agriculture

Within the LAG sphere, there were not set uniform monitoring indicators, therefore it is very difficult to make clear assessment of success of the LAGs and compare the proposed measures.

Conclusions and Suggestions for the Coming Programme Period

It became evident that formulation of measures for support of development of rural areas 2007-13 included many failures preventing better utilisation of the Pillar 2 of the CAP for the benefit of rural areas. In the last couple of years there is increasing differentiation among regions that are part of the Czech rural areas. On one hand part of the urban population prefers living in rural areas and leaves for newly built houses in villages with good transport services in the neighbourhood of big towns and cities. The age and educational structure of this type of rural areas is good, the unemployment rate is low. On the other hand, remote areas have increasing unemployment, especially smaller villages have poor community facilities. They have unfavourable educational structure and a higher rate of problematic groups of inhabitants, this also causes increase of social tensions. All these phenomena are reflected in the negative migration rate in population.

We may say that contribution of farmers to employment in rural areas and development of business activities in rural areas of the Czech Republic is quite negligible. It is not only due to permanently dropping numbers of employees in agriculture. We also have to take into consideration that most of the farming
land in the Czech Republic is managed by big farms. Their employees, apart from the management and owners, have no chance to make decisions on focus of the farms towards increase of number of working positions. Such activity may also be slowed down by quite high average subsidies per one worker. This is also related to also quite low activity of farmers in the LEADER programmes.

In conditions of the Czech Republic it might be desirable to support development of rural communities by sources directed to the communities directly from the axis 3 of the Programme of rural development and directing of other structural funds focusing preferably into the most lagging regions. However, the problem of these areas is the very low social capital and it proves to be the main obstacle in successful utilisation of subsidies. In the coming programme period it shall be necessary to improve adequate counselling, improve transfer of necessary information towards potential beneficiaries of the subsidies and animation of projects.

Analysis of the programme cycle related to measures of the Axis III of the RDP proved that the Czech Republic experienced failing of policy in nearly all of its phases. The analyses of the state were in majority based on intuition of proponents of relevant measures. There was not, and still is not, established a long-term research which would deal with causes of success or failure of the proposed measures. Some areas were not covered. Proposals of the measures did not include well estimated amount of total financial sources needed. Some conditions and rules proved to be over-complicated. This was also proved by initial chaos in implementation of the measures. It became evident that there was not properly defined competence of individual funds in rural areas. The implementation phase was missing adequate counselling. Therefore the grants were successfully obtained by areas with sufficiently strong social capital at the expense of areas lagging in this sphere. The monitoring primarily consists of collection of administrative data on number of applications for individual types of projects, the sum required and progress of their administration. Certain surveys were carried out only once with the aim of answering the evaluation questions inquired by the Commission. However, these evaluation questions do not seem to be well set-up. The Ministry of Agriculture does not require any detailed research of effectiveness of individual measures. All of these findings are currently being incorporated into the RDP proposals for the period 2014-20.
Literature


Delín M. (2012). The role of farmers in Local Action Groups: The case of the national network of the Local Action Groups in the Czech Republic Agricultural Economics, Czech, 58, 2012 (9), 433-442


DHV. (2010). Průběžné hodnocení programu rozvoje venkova ČR za období 2007-2013 (Ongoing evaluation of the RDP 2007-2013 CZ), Sdružení DHV CR, spol. s r.o. a TIMA Liberec, s.r.o.,