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PROGRAMMING REGIONAL RURAL DEVELOPMENT FOR POLAND: A RESEARCH PERSPECTIVE

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PROGRAMMING REGIONAL RURAL DEVELOPMENT FOR POLAND: A RESEARCH PERSPECTIVE

Abstract

Since Mai 2004 Poland is a new EU member country and has, due to the short membership period, little experience in creating rural policy according to the EU regulations. Additionally, there is a centralised planning of rural policies. The aim of the poster is to present how financing of rural policy can be improved by means of scientific programming methods.
The study shows how the modelling approach can be used to analyse the optimal budget allocation for the Polish Plan for Development of Rural Areas from a regional perspective to better reach defined objectives.

Keywords: rural development (Q10), policy for rural areas (Q18), linear programming (C61), Poland (Z0)

Financing rural development in Poland

In Mai 2004 Poland accessed the European Union and accepted thereby all rules of the Common Agricultural Policy (CAP). In the pre-accession period there were specifically defined financing strategies for Polish agriculture in order to make it congruent with the CAP. The adjustment process to EU standards was, however, a great challenge for the Polish economy and in particular for the agricultural sector. For that reason several measures were taken to facilitate the implementation of EU standards in the agricultural sector and to solve specific problems in rural areas. The very first EU programme focused on financing the transition process in the Polish economy was Phare (Poland and Hungary: Assistance for Restructuring of the Economy) launched in 1990. The programme Phare – realised in several orientation phases with increasingly strong focus on agricultural problems – was and still is a very important measure supporting changes in the agricultural sector. Simultaneously it was a direct measure helping Poland to prepare for EU integration (see: FAPA, 2002).
Continuing the idea of co-financing structural changes in agriculture by the European Union the Special Accession Programme for Agriculture and Rural Development (SAPARD) was implemented according to the Agenda 2000 with the co-financing share from the EU of 75%. The main goal was to support Poland in implementing the *acquis communautaire*. The objectives of SAPARD were: improvement of agricultural competitiveness and of processing industry on domestic and foreign markets, adaptation of the agri-food sector to requirements of the European market as well as development of multifunctionality in rural areas.

Since Poland's EU accession the policy for rural areas is co-financed from the European Agricultural Guidance and Guarantee Fund (EAGGF). The distribution of EU funds in the agricultural sector is executed in terms of the Plan for Development of Rural Areas (Plan Rozwoju Obszarów Wiejskich – PROW) and the Sectoral Operational Programme "Restructuring and Modernisation of the Food-Sector and Development of Rural Areas" (Sektorowy Program Operacyjny "Restrukturyzacja i modernizacja sektora żywnościowego oraz rozwój obszarów wiejskich" – SOP) both adopted for the period 2004-2006. While PROW was created as a completely new programme for the first membership period in the EU, the SOP is interpreted as continuation of the programme SAPARD.

The Plan for Development of Rural Areas comprises some measures being actually realised in the former EU-15 countries like structural pensions, agri-environmental programmes and animal welfare improvement, afforestation of agricultural land and support for farming in less favoured areas. Other

measures are: support for semi-subsistence farms, support for groups of agricultural producers, adaptation of farms to EU standards, technical assistance as well as complements to direct payments (as supplementary means from the first pillar). These are additional new instruments realised due to specific conditions in Polish agriculture. According to the PROW there are 3452,4 million € [(1)] to dispose in the period 2004-2006 in order to improve the quality of rural areas and to facilitate rural development. The current allocation of second pillar funds in Poland is shown in figure 1.

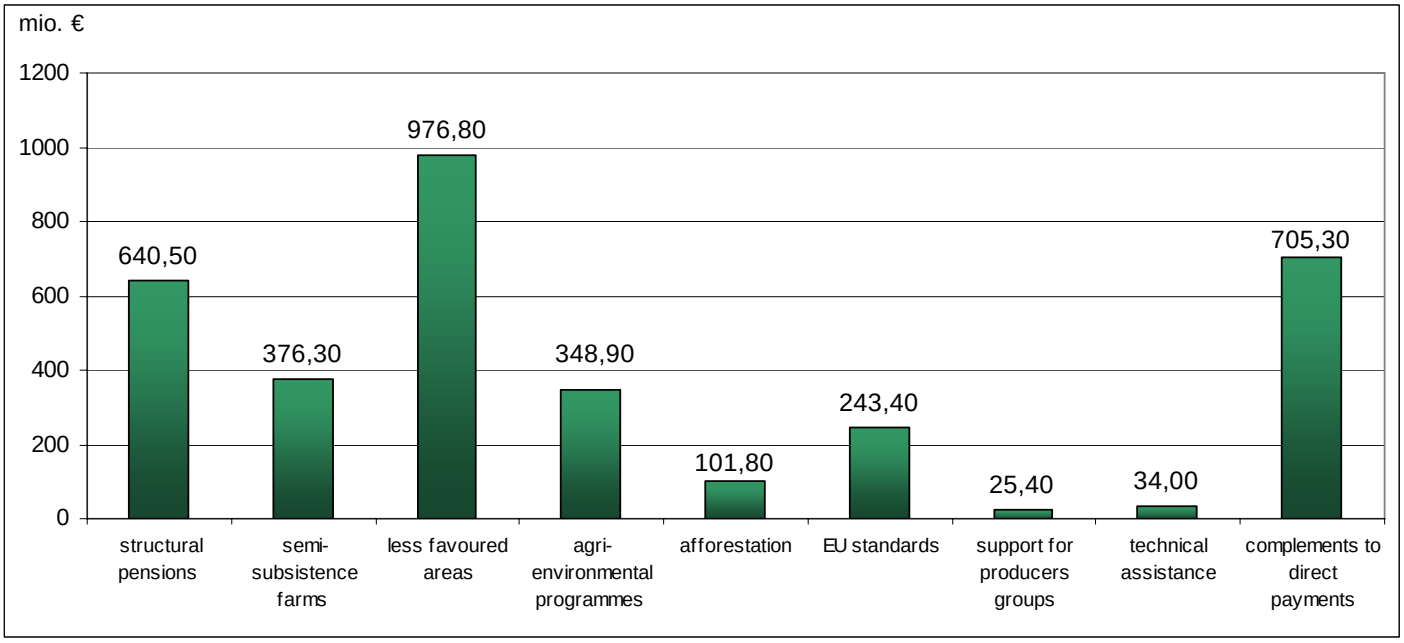

Figure 1. Financial support for rural development in Poland according to the PROW in the period 2004-2006.

Source: Ministerstwo Rolnictwa i Rozwoju Wsi (lipiec 2004). Plan Rozwoju Obszarów Wiejskich na lata 2004-2006. Warszawa.

In accordance with the EU regulations the support level for rural areas depends on the average level of the Gross Domestic Product in the respective country regions. The co-financing share from the European Union for the so called objective-1-regions can amount to 75% while for the objective-2-regions to 50% of total expenditures for agricultural measures. Due to the low level of GDP and additionally to specific conditions in Polish agriculture, all country regions were classified as objective-1-regions. The overall Polish participation in financing rural development with the programme PROW amounts thereby to 691 million € in the period 2004-2006.

Referring to the ex ante evaluation of the Plan for Development of Rural Areas formulated by the Institute for Agricultural and Food Economics in Poland there are some questions with regard to financing the respective political measures. On the one hand more than 27% of expenditures are planned to be spent on support for less favoured areas which indicates a social character of the programme. On the other hand a missing support for agri-environmental schemes (solely 9% of total expenditures) and for structural pensions (16%) is pointed out (Wigier, 2004).

The question is, however, how to allocate the budget to effectively reach the objectives defined in the PROW.

Problem setting

The membership in the European Union and the formation of rural development policies is a new challenge and a chance for developing rural areas in Poland. Furthermore, it requires an efficient application of EU funds. This question is of crucial importance especially due to the great importance of agriculture in Poland, where the employment rate amounts to 26%. Also the question of differentiated employment rates in agriculture in different regions of Poland should be kept in mind. Whilst in western and northern Poland big and market-oriented farms are concentrated, there are small semi-subsistence farms in eastern and southern country regions. This indicates different problems and necessities with regard to the labour market and the entire agricultural sector.

The financing strategies of rural policy for the analysed period were adopted in the Ministry for Agriculture and Rural Development in co-operation with ministers for finance issues, regional development, labour and environmental issues. The opinions of farmer chambers and farmer unions as well as the opinions of the National Economical Chamber had to be considered in the project planning phase (Ustawa z dnia 28 listopada 2003 r. o wspieraniu rozwoju obszarów wiejskich ze środków pochodzących z Sekcji Gwarancji Europejskiego Funduszu Orientacji i Gwarancji Rolnej, 2003, Art. 2). The funds from the EAGGF are thus centrally divided. Therefore, there is no possibility for decision-making in voivodships (administrative unit on regional level). The centralisation of the decision making process in this range was explained as necessary because of the horizontal and new character of political measures which could not be easily realised being managed on the regional level. On the other hand, the experience in creating regional policy in Poland shows that taking into account regional preferences is an important prerequisite for successful realisation of political measures (see: European Commission, June 1998). As an example, the regional administrative reform in Poland can be named which was implemented in 1999. Due to this reform it was possible to transfer a part of financial means and subsequently the responsibility for some issues from the central to regional levels of the country. The reason for this decision was a notion that decision makers in the respective voivodships have a better view of the existing necessities in regions.

Analysing the policy for rural areas in this context it is an important question to what extent the national concept of the PROW can reflect regional preferences. Are regional preferences really met by this approach? How should the budget be allocated from a regional perspective?

These questions are particularly urgent in the modernisation and restructuring process of the agricultural sector as it was in recent years a sort of puffer zone for many unemployed citizens. The measures offered with the Plan for Development of Rural Areas are a new challenge for Poland. Problematic is the expected declining importance of the agricultural sector in the next years, due to a low productivity in this sector compared with other EU member countries. On the other hand, an increase in agricultural productivity would result in a growing unemployment rate in this sector (Europäische Kommission, 1998). The main objective of national policy is thus to efficiently design rural policy in order to manage the structural changes and to buffer social disadvantages.

The importance of regional conceptions in creating and developing rural policy is discussed in this paper.

Programming regional rural development: a first look

As a new EU member country Poland has little experience in managing the EU funds for agricultural policy. In this context, there is the question of objective-oriented financing of policies for rural areas considering regional needs and preferences.

The aim of the study is to present how political decisions can be supported by means of scientific methods. For this purpose a linear programming model (Kirschke; Jechlitschka, 2002) will be used. With the model of linear programming an optimal allocation of the available budget can be calculated. For this approach political measures, objectives, objective coefficients and restrictions have to be known in order to demonstrate how such an approach can be used as an explorative model for PROW. The political measures, objectives and two restrictions (upper and under bounds of the polish

financing share) were derived from the PROW. In order to derive the objective coefficients, expert judgements have been used. For this purpose, rural experts of the marshal office in the voivodship Podkarpackie in South-Eastern Poland have been asked to give their judgment. They assessed the importance of the respective policy measures on an ordinal scale between one and nine with regard to three objectives (improvement of farm competitiveness, sustainable development of rural areas, and equal chances for regions) from the regional point of view. The objective coefficients for the respective measures were included in the model as an interval mean value of all given answers.

The structure of the model for the Polish Plan for Development of Rural Areas, referring to regional actors' estimations, is shown in figure 2.

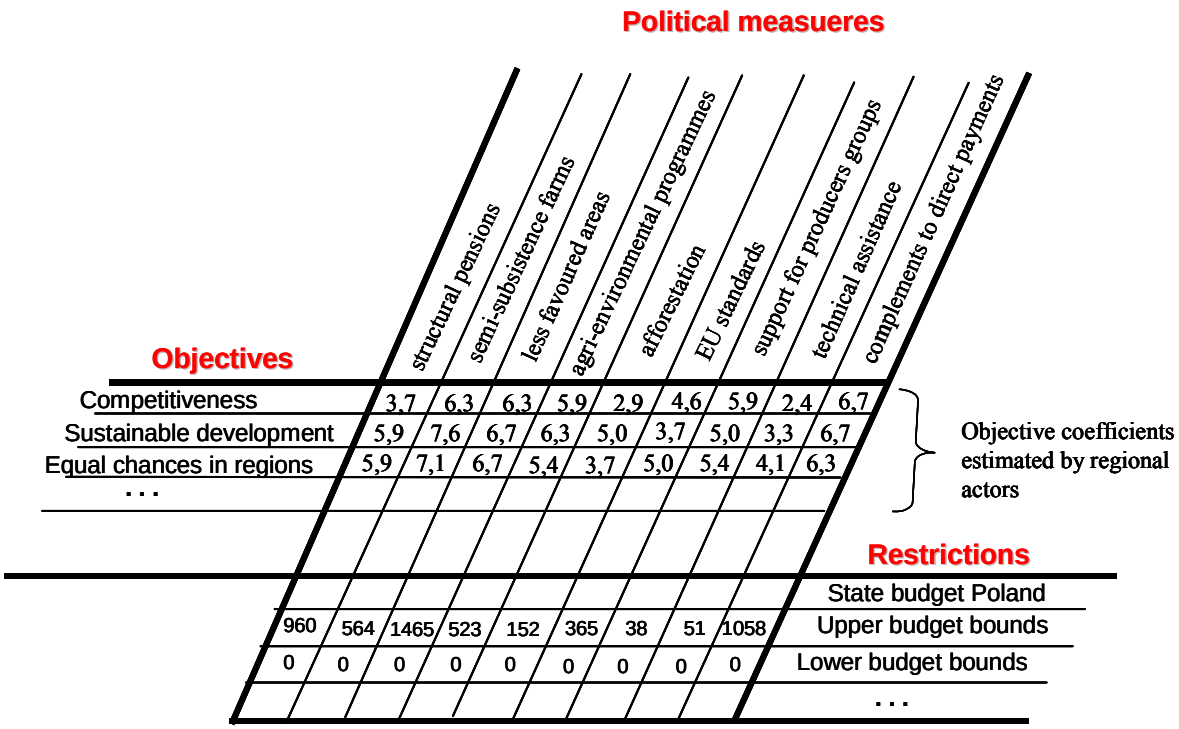

Figure 2. Budget designing and setting of priorities by means of linear optimising.

The experts assessed the following measures as most important: support for semi-subsistence farms, support for less favoured areas, and complements to direct payments. Moreover, there are structural pensions for farmers and agri-environmental programmes, which denote similar estimates. It can be assumed that these are competing measures.

The estimates of the actor's correspond with the current situation in the agricultural sector in the voivodship. Support for semi-subsistence farms and support for less favoured areas were classified as most important, which reflects the importance of these problems in the region Podkarpackie characterised by a large number of small family farms and poor cultivation conditions in mountain areas. It also indicates problems with labour force surplus in the agricultural sector in the voivodship which employs more than 45% of all employees (Podkarpacki Urząd Wojewódzki, 2004).

Using the linear programming approach an exemplary budget allocation according to regional preferences in the voivodship Podkarpackie can be computed for the national plan in Poland. In this example the equal weights for the objectives were considered as well as the upper budget bounds increased by 50% of the national financing share. So, it is just a first look but it confirms that regional preferences can differ from the national scheme. The difference to the actual allocation is displayed in figure 3.

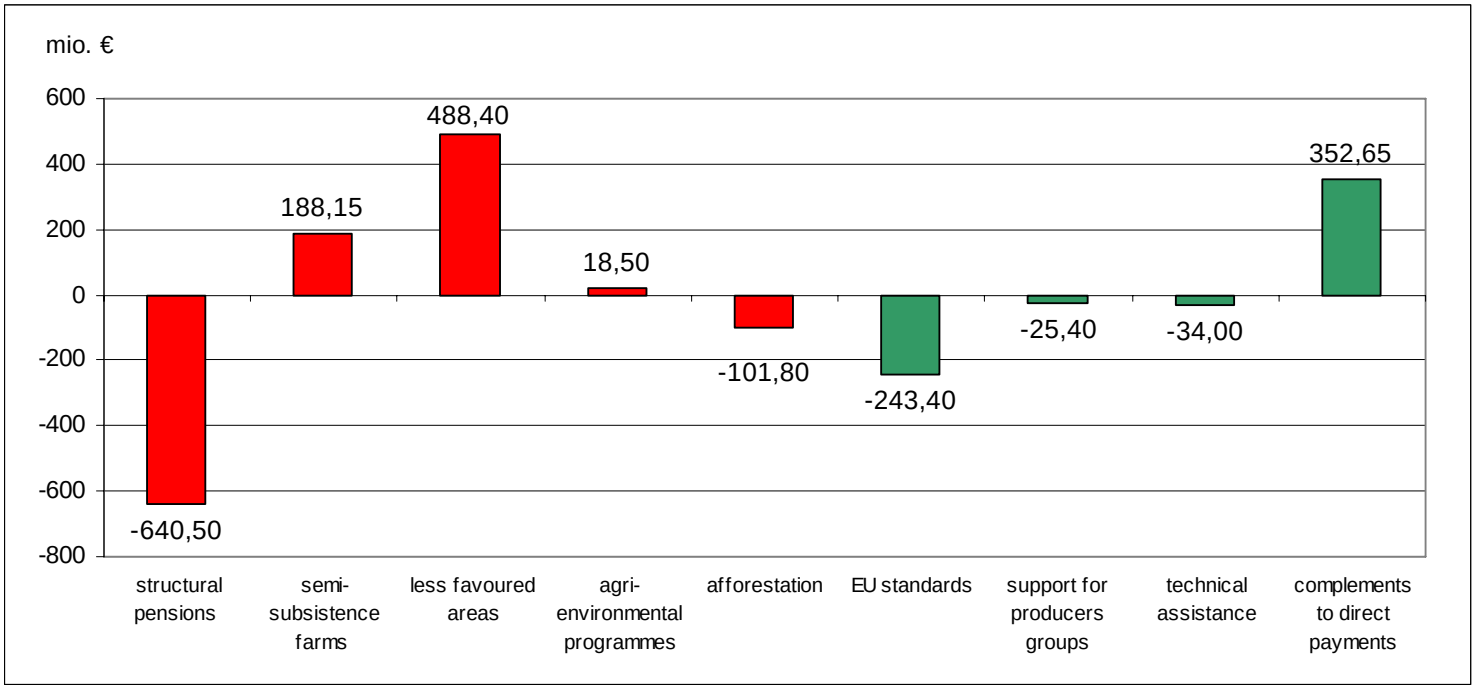

Figure 3. Difference to current allocation resulting from the linear programming approach.

Figure 3 reveals that regional preferences regarding rural development can differ from the current allocation accepted in the PROW. Hence, the consideration of regional preferences can help to better allocate funds to meet regional needs. The interactive linear programming approach could thus help to better consider regional decision making for rural development in Poland.

Research perspective

The future research objectives focus on the application of the linear programming approach on the agri-environmental programmes in Poland. For this purpose rural experts and farmers in the voivodship will be interviewed. Because of the novelty of the political measures the acceptance and notion of these programmes will be assessed. Referring to this estimation the current allocation and the LP-allocation (from a regional perspective) will be analysed. Thereupon sensitivity analyses and different policy scenarios will be discussed to investigate an objective-oriented financial strategy for agri-environmental policies from regional point of view.

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(1) For research purposes the overall PROW budget was shortened by the measure "projects adopted by the agreement no. 1268/1999" (140,0 mio. €) because of its limited validity solely for the year 2004.