

**The CAP and national priorities
within the EU budget
after 2020**



INSTITUTE OF AGRICULTURAL
AND FOOD ECONOMICS
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The CAP and national priorities within the EU budget after 2020

Editors:

dr Marek Wigier

prof. dr hab. Andrzej Kowalski

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Instytut Ekonomiki Rolnictwa i Gospodarki Żywnościowej

– Państwowy Instytut Badawczy

ul. Świętokrzyska 20, 00-002 Warszawa

tel.: (22) 50 54 444

faks: (22) 50 54 636

e-mail: dw@ierigz.waw.pl

<http://www.ierigz.waw.pl>

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12. Distribution of interventions of the Rural Development Programme and Regional Operational Programmes in 2007-2013 in the context of territorial development

*Dr Paweł Chmieliński, Dr hab. Marcin Gospodarowicz, prof. IERiGŻ-PIB
Institute of Agricultural and Food Economics – National Research Institute
Warsaw, Poland
pawel.chmielinski@ierigz.waw.pl, marcin.gospodarowicz@ierigz.waw.pl*

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Abstract

Making up for differences in the regional development is one of the main challenges facing the European Union in the context of the integration of European countries. Against this background, particularly visible are the relations among the EU sectoral policies, in this case (regional) cohesion policy instruments and CAP second pillar instruments (rural policy). The article analyses the types of interventions of the CAP second pillar instruments and regional operational programmes in the implementation period from 2007 to 2013. The paper analyses the relations between inputs for the individual axes and subjects of the rural and regional policy subjects and the selected characteristics of the socio-economic development at the local level (districts). Information on the amount of support under 16 Regional Operational Programmes (ROPs) comes from the SIMIK database, while the data on the Rural Development Programme (RDP) and regional characteristics – from the Local Data Bank of the Central Statistical Office (GUS). The study showed that, at the local level, the effects of implementing the RDP and ROP are complementary while the measures within the individual axes of intervention of both sectoral policies are related to different regional development characteristics.

Keywords: regional policy, rural development programme, correlation, local development, districts, complementarity, Poland

JEL codes: O18, R58, E61, G28, J18, Q18

12.1. Introduction

The process of integrating the European Union countries depends largely on improving the quality of life and the conditions for the emergence of new development initiatives in the regions. Against this background, particularly visible are the relations among the EU sectoral policies, in this case (regional) cohe-

sion policy instruments and CAP second pillar instruments (rural policy). As rural areas are also the largest part of the regions, many measures under both policies are addressed to the same areas [Bivand and Brunstad, 2003; Barca et al., 2012; Böhme et al., 2015]. Therefore, on the occasion of subsequent EU policy reforms there are opinions indicating a need to reduce the sectoral approach to its implementation, to the benefit of regional planning [Buckwell, 2015; Chmieliński et al., 2017].

The objective of the article is to determine how the instruments of the rural policy (second pillar of the CAP) and of the cohesion policy (or rather of its regional part) effectively determine changes in the socio-economic characteristics at the regional level. The joint analysis of inputs of the CAP second pillar instruments and regional development programmes during the implementation period from 2007 to 2013 will allow to determine whether the positive effects of implementing both policies contribute particularly to improving socio-economic cohesion in the regions and whether the measures of two sectoral programmes are complementary to each other.

12.2. Types of intervention of the RDP and 16 ROPs

The approach to the policy implementation in this programming period was based on strengthening the European territorial cooperation, as a guarantee of sustainable development of the Community territory. Strategic EU guidelines on shaping the spatial policy (in 2007-2013) promoted an integrated approach to the development strategy, combining the measures at the national, regional and local level. It was stressed that account should be taken of investment needs both on urban and rural areas, paying attention to their role in the regional development and aiming at the sustainable development, sustainable communities as well as social inclusion [Bureau and Mahé, 2008; CAP, 2008; Esposti, 2008]. In particular, the regional component of the cohesion policy allows to include the above assumptions in the process of planning and implementing individual measures. Also, in the case of the Common Agricultural Policy (CAP) instruments, targeting support on improving the competitiveness of the agricultural sector and the subsidy system – even more and more linked to environmental practices of agricultural producers – is a reason why the measures for the rural system development, i.e. in the field of enterprise, development of modern services, infrastructure base and human resources in rural areas are mainly implemented under regional programmes [Hansen and Teuber, 2010].

In the case of the CAP, its first pillar is focused on direct payments and market expenses, only the second pillar instruments (RDP) in Poland are instruments focused on the rural systems development, more broadly than the development of the agricultural sector.

The RDP budget 2007-2013 was more than EUR 17.4 billion, of which the EU funds from the European Agricultural Fund for Rural Development (EUR 13.4 billion) were supplemented by co-financing from the national budget (around EUR 4 billion).

The RDP was focused on 4 subjects under 4 axes:

Axis 1: Improving the competitiveness of the agricultural and forestry sector,

Axis 2: Improving the environment and the countryside,

Axis 3: The quality of life in rural areas and diversification of the rural economy,

Axis 4: LEADER.

The implementation of the cohesion policy in Poland has been defined in the document entitled the National Cohesion Strategy (NCS), for which a total of about EUR 85.6 billion was allocated. More than EUR 9 billion was spent on an annual average (until 2015) for the implementation of the NCS, which corresponds to around 5% of gross domestic product. This amount comprised the following:

- EUR 67.3 billion from the EU budget,
- EUR 11.9 billion from the national public funds (including about EUR 5.93 billion from the state budget),
- About EUR 6.4 billion from private entities.

Cohesion policy expenses will be coordinated with expenses allocated for structural instruments of the Common Agricultural Policy and the Common Fisheries Policy, as well as with the European programmes for strengthening competitiveness.

Types of implementing the European Union cohesion policy in the years between 2007 and 2013 were designated by the document Community Strategic Guidelines on Cohesion for 2007-2013 (CSG). It identified the areas where the cohesion policy can most effectively contribute to implementing the Community priorities oriented towards achieving the objectives of the renewed Lisbon Strategy.

The decision on the Community Strategic Guidelines was adopted by the EU Council on 6 October 2006 and published in the Official Journal of the European Union on 21 October 2006. The adoption of the document paved the way for the official launch of the talks with the Commission on the National Strategic Reference Framework and the resulting programming documents.

An informal discussion on the content of the document between the Member States and the European Commission began after publishing by the EC, in January 2005, the working document entitled “Working Document of the services of the Commission on the Community Strategic Guidelines 2007-2013”. Then, on 5 July 2005 the Commission published the Communication “Cohesion policy in support of growth and jobs. Community Strategic Guidelines, 2007-2013” which has become the subject of a technical discussion within the EU Council Working Party on structural funds and broad public consultations carried out by the Commission. The conclusions of the consultation were included by the EC in a special report published in October 2005¹.

In accordance with the provisions of the Regulation No. 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund, the Member States have been obliged to submit the following national documents to the Commission: NSRF and draft operational programmes prepared in accordance with the requirements of that Regulation, within 5 months from the date of adopting the CSG. The preparation of regional programmes was the responsibility of voivodeship local governments, but they used the guidelines which included, *inter alia*, a list of leading topics as a matrix for designers of individual axes and priorities.

The suggested areas of intervention as part of the programming of 16 Regional Operational Programmes involved 11 subjects (and a technical-administrative task called technical assistance):

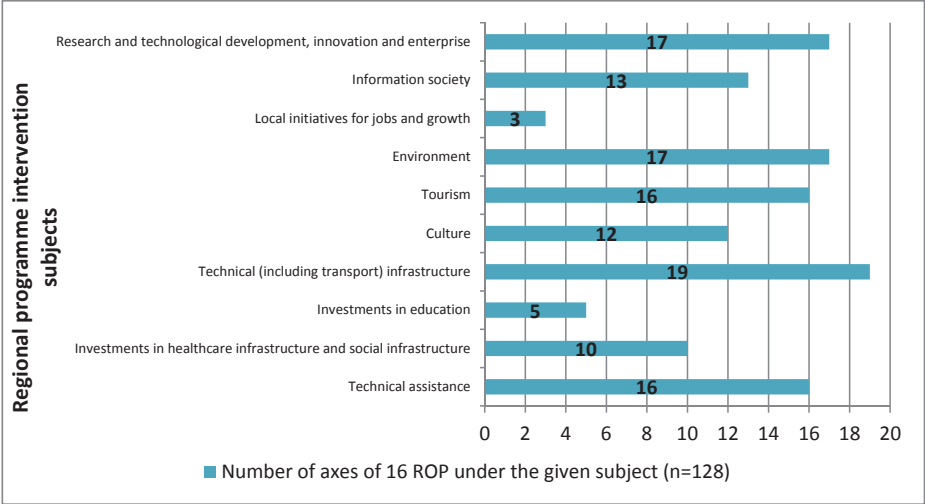
- Research and Technological Development (RTD), innovation and enterprise,
- Information society,
- Local employment and development initiatives and support for structures providing local services in creating new jobs,
- Environment,
- Prevention and combating of natural and technological risks,
- Tourism,
- Investments in culture,
- Investments in transport,
- Energy investments,
- Investment in learning (education),
- Investments in healthcare infrastructure and social infrastructure.

¹ European funds, <https://www.funduszeuropejskie.2007-2013.gov.pl/OrganizacjaFunduszyEuropejskich>.

The regional government units, based on a diagnosis of the socio-economic situation and public consultations, have developed the programme by selecting relevant subjects. As a result, in each voivodeship, the programme was targeted according to preferences, while such an approach did not give room for including specific needs, as well as for a flexible response to a time-changing basis for development, resulting e.g. from macroeconomic changes, shocks and financial crises.

Figure 1 presents the distribution of the axes of the Regional Operational Programmes for 2007-2013 by regional policy intervention subjects. Regional authorities preferred focusing the axes on implementing the infrastructural measures – 19 of 128 of all priorities of 16 ROPs had such objective, it should be stressed that in some voivodeships it was decided to create 2 axes geared towards various aspects of infrastructure development, with a particular focus on transport infrastructure. In prioritising the types of support under the ROP, a comparable emphasis has been put on issues related to the environmental protection and support for research, development, innovation and enterprise (17 axes in each of the two subjects in total), as well as to the measures related to the development of tourism.

Figure 1. Distribution of the axes of the Regional Operational Programmes for 2007-2013 by regional policy intervention subjects



Source: own study based on the documents of 16 ROP.

The distribution of expenses for the individual subjects and axes of the ROPs and RDP points to a significant role of regional programmes, which in the period from 2007 to 2015 spent, on average, PLN 3.4 thousand *per capita*,

against PLN 1.9 thousand of expenses under the RDP (Table 1 and Table 2). It should be remembered, however, that the RDP in Poland is complementary to the CAP first pillar instruments. This results from, e.g. the distribution of funds between them. Consequently, many areas of development of technical, social infrastructure and enterprise in rural areas are supported from the ROPs.

Table 1. Distribution of funds for the individual subjects and axes of the ROPs

Priority axis	Expenses <i>per capita</i>
Axis 1: Improving the competitiveness of the agricultural and forestry sector	865.10
Axis 2: Improving the environment and the countryside	572.60
Axis 3: The quality of life in rural areas and diversification of the rural economy	376.30
Axis 4: LEADER	87.80
RDP in total	1 901.80

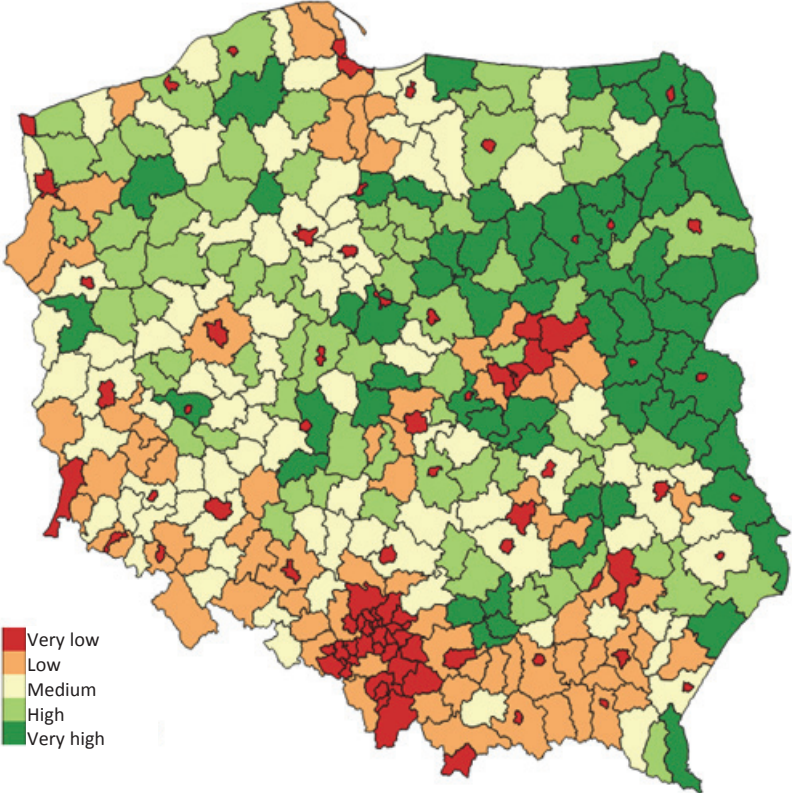
Given the intensity of support *per capita* in the given region, it can be concluded that in the RDP a large part of support has been allocated for modernising the agricultural sector and for the agri-environment programmes, while less than one-third of the overall budget was allocated for the measures aimed at improving the functioning of local economies. Support for the local development, where rural areas are in large majority of the territory, was enabled by the regional operational programmes. By analysing the distribution of expenses under all 16 ROPs *per capita* and under the priority subjects, it is easy to conclude that the amount of funds allocated by regional authorities for research, development, innovation and enterprise was not lower than that for infrastructure investments.

Table 2. Distribution of funds for the individual subjects of the Regional Operational Programmes

Priority subject	Expenses <i>per capita</i>
Subject 1. Research and development, innovation and enterprise	972.10
Subject 2-3. Information society	169.80
Subject 4. Environment	357.80
Subject 5-6. Tourism, culture, interregional cooperation	287.80
Subject 7. Urban development, revitalisation	335.80
Subject 8. Technical (including transport) infrastructure	986.00
Subject 9-10. Investments in education	94.70
Subject 11. Investments in healthcare infrastructure and social infrastructure	162.80
16 ROPs in total	3 428.70

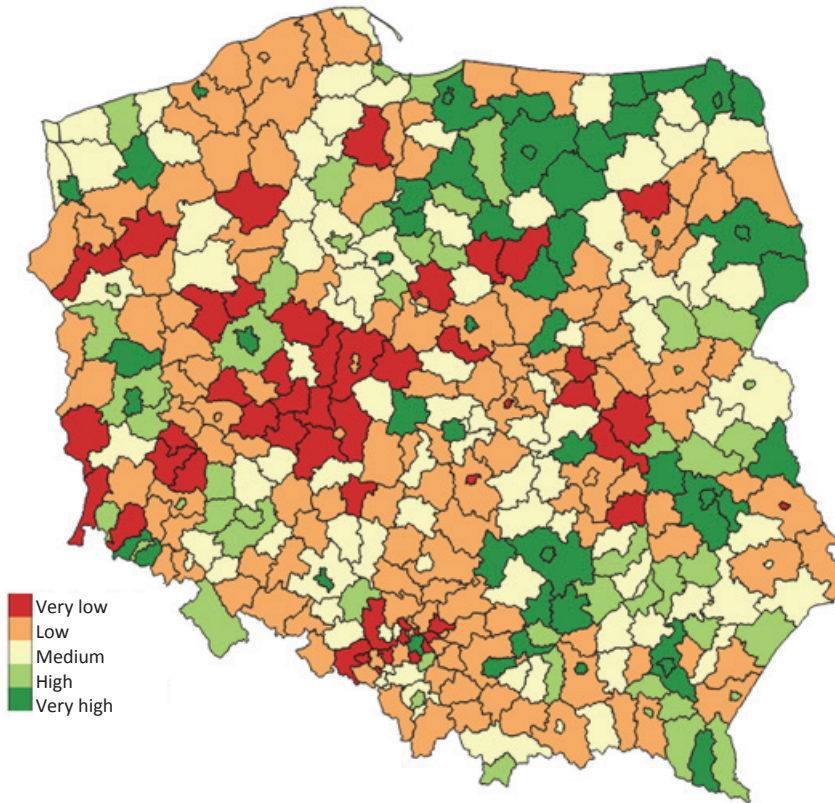
At the same time, by analysing the spatial distribution of the funds spent under both policies in the years between 2007 and 2013, it can be concluded that, while the RDP expenses have been concentrated in the eastern regions and decreased as the level of urbanisation increased, the funds of the regional programmes were allocated more evenly and again, were concentrated rather outside large agglomerations, which is related to, for instance, the size of infrastructure investments in the regions.

Map 1. Distribution of the RDP 2007-2013 expenses *per capita*, in districts



By analysing the level of expenses in the individual districts, it can be observed that in some cases there are some relations as regards the intensity of support under both instruments in the individual areas. Locally, at the district level, we can see the areas which use the rural programmes to a lesser extent, but are clearly characterised by higher intensity as part of the regional programmes. Consequently, the question arises to what extent these two instruments are complementary to each other, but, above all, to what characteristics of socio-economic development this complementarity can be demonstrated.

Map 2. Distribution of expenses of 16 Regional Operational Programmes in 2007-2013 *per capita*, in districts



12.3. Support for local development in the rural and regional policy between 2007 and 2013

Shucksmith, Thomson and Roberts [2005] analysed the impact of the CAP instruments on the regional development by implementing a research project financed by the EU Framework Programme, as part of which they selected a set of socio-economic characteristics at the regional level and checked relations between the individual directions of the CAP intervention and the changes in these indices. Pelucha, Kveton and Jilkov [2013], analysing the impact of agri-environmental payments on the local development, used this approach, while in adapting this methodology they introduced a number of amendments, e.g. indicating a need for analysis at the national (and preferably regional) level since the relative importance of the individual rural development instruments is very diverse in the individual EU Member States, which is primarily determined by different priorities and budgetary constraints in each Member State. Pelucha et al. [2013] suggested that statistical

analyses contained data on actual payments, and not on budgetary allocations (such an approach was applied by Shucksmith, Thomson and Roberts [2005] in their work), which may to a greater extent translate into the identification of the areas of effective impact of public support in the regions. Using the approach of both analyses, this study examined the actual expenses of funds for each priority axis in the programmes of both policies during the 2007-2015 programming period (according to the N+2 rule), as well as a change in socio-economic characteristics at the local level (district, NUTS4) during this period. The Pearson correlation coefficient was used to assess the relation between the level of expenses for the RDP and ROPs *per capita* and the selected indices describing the level of economic, social and demographic development in individual districts. The choice of this level of delimitation was dictated by the availability of data at the lowest possible level of territorial division so as to obtain the possibly complete picture of local development characteristics (Table 3).

Table 3. Selected characteristics of the socio-economic development of the regions

Variable	min	max	median	SD
Population (av. 2008-2016)	20,767.13	1,730,863.63	101,390.33	117,271.27
Area in km ²	13.00	2,975.00	822.84	520.80
Share of agricultural land in total area (2005)	0.0%	87.0%	57.8%	25.9%
Area of agricultural land in ha (2005)	0.0	181,522.0	47,916.9	31,584.0
Newly registered economic entities (av. number 2008-2016)	131.3	35,417.0	939.3	2,112.8
Newly registered economic entities (average change 2008-2016)	38.4	204.6	78.8	23.4
Newly registered economic entities (per 10k population, average 2008-2016)	-0.1	0.3	0.0	0.0
Natural persons conducting economic activity (per 10k pop., av.2008-2016)	946.0	223,905.0	7,821.4	14,153.6
Natural persons conducting economic activity (av. no. 2008-2016)	358.9	1,293.6	686.1	180.6
Total revenues <i>per capita</i> (average amount in PLN 2008-2016)	499.2	7,515.7	1,518.3	1,381.4
Own revenues <i>per capita</i> (average amount in PLN 2008-2016)	143.2	5,499.7	666.3	890.2
Total expenditures <i>per capita</i> (average amount in PLN 2008-2016)	503.8	8,023.9	1,568.4	1,430.3
Total expenditures on education and culture per capita (av. PLN 2008-2016)	5.9	2,407.7	512.9	539.7
Share of people with at least secondary education (2011)	42.8%	92%	72.9%	12.6%
Share of people with higher education (2011)	2.6%	23.9%	6.3%	3.3%

Source: own study.

Figure 2. Pearson correlation coefficients of selected socio-economic indices and RDP/ROP expenditures *per capita* in districts (NUTS4)

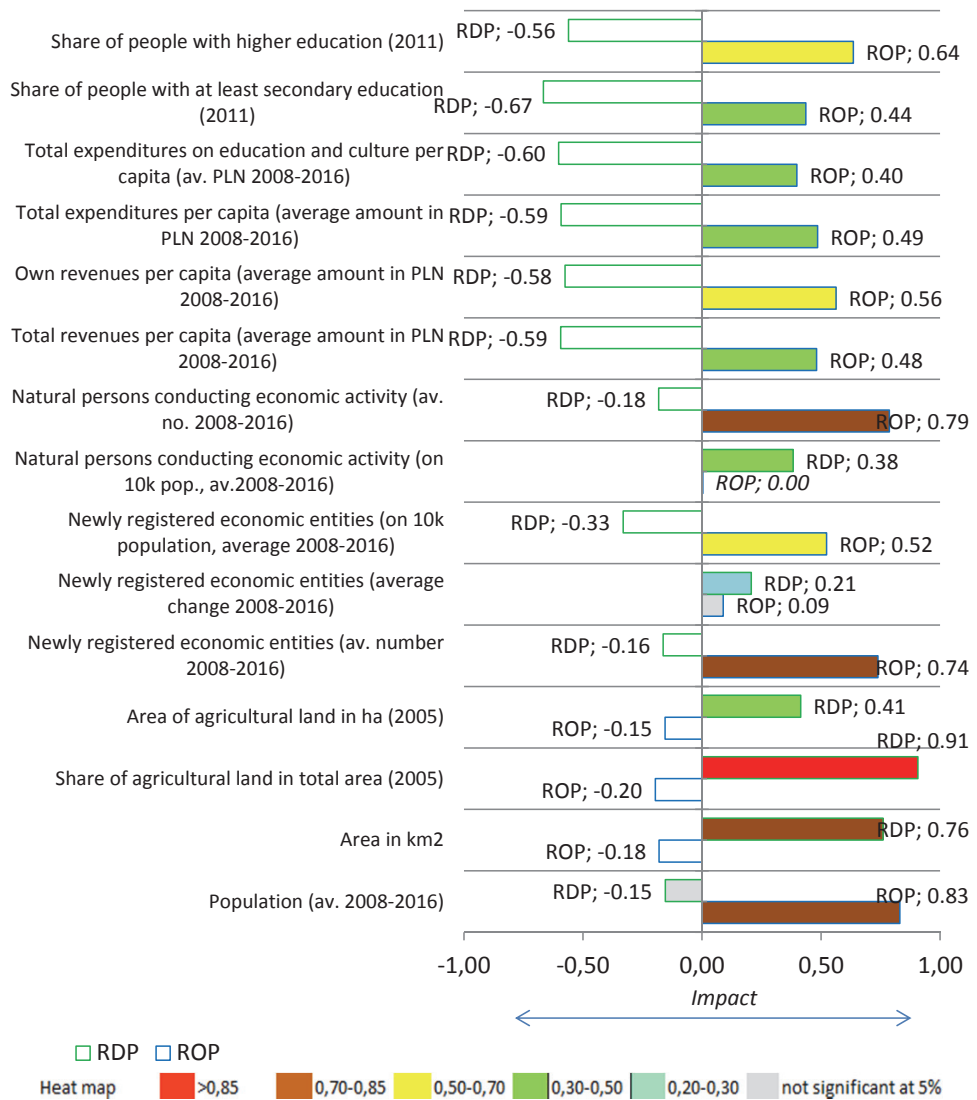


Figure 2 shows the Pearson correlation coefficients of the selected socio-economic indices and RDP/16 ROPs expenses *per capita* in the districts (NUTS4). At the beginning, it should be stressed that the targeting of support under both programmes has been strongly linked to spatial development characteristics, in relation to total amounts spent in terms of districts a certain principle can be observed. In the case of the RDP funds, they were allocated mainly in

rural areas as it results from the programme's objectives, while in the case of the ROP funds such principle could not be observed, which means that the funds of regional programmes had a fairly even impact in both rural and urban areas.

The ROP funds in each measure were positively correlated with the variables describing the size of the population living in the area concerned, whereas the rural policy funds were related more to the characteristics of the physical size of the area concerned. As the RDP largely supported farms and its agri-environmental dimension was highly dependent on the physical size of a farm, the entire stream of support was strongly related to the size of utilised agricultural area in the area concerned.

It should also be stressed that the ROP demonstrated strong relations to the characteristics of economic development, such as the increase in the number of economic entities, changes in the development of technical infrastructure or investments in education and human capital.

What was also demonstrated clearly was the relation between the value of the ROP inputs with the level of unemployment in the area concerned (negative correlation), which means that the effects of regional programmes are positively translated into the labour market situation. It should also be stressed that ROP support was also related to total revenues and expenses of local government units as well as to the level of technical infrastructure development.

In the field of economic development of the area concerned, some complementary actions of both programmes may be indicated. Focusing support with the RDP funds in the individual axes was positively correlated with the growth rate of the number of natural persons pursuing economic activity, thus, in both instruments support addressed to the territory concerned was positively related to the economic activity of the population.

The study carried out showed that the correlation of allocation of the ROP and RDP funds was close to zero, indicating that these instruments were addressed to other areas, while it was the regional programme which largely translated into the development of non-agricultural functions of rural areas. The RDP supported mostly areas where agriculture plays a major role, at least in physical terms, as the share of utilised agricultural area in the district's area.

Summing up, the results of the study suggest that it is difficult to talk about synergies in the case of both development policy instruments. The correlations of the measures with the socio-economic characteristics at the local level, as illustrated in Figure 2, clearly point to the complementarity of the programmes, but above all to their positive impact in the regions.

12.4. Discussion and summary

At the level of the institutional system, the cohesion policy actions implemented under the Common Agricultural Policy and relating to the non-agricultural functions of rural areas could be implemented at the regional level and the Polish experiences in implementing the ROPs confirm the validity of a need to transfer development programming and implementation of financial instruments to the NUTS 2 level. This is linked to further strengthening the system of planning and implementing the programmes at marshal's offices, while making the decision-making processes more flexible as regards types of support. It can only be assumed that some flexibility related to adapting the instruments to specific regional needs and a possibility of responding to the ever-changing reality (in this context, the planning in the perspective of 7 years is a huge challenge) is not possible in the case of RDP, determined in Poland at the national level.

On the EU scale, 118 rural development programmes are implemented in 28 countries, of which 20 are individual national programmes, while 8 Member States selected to implement RDP at the regional level.

This analysis shows that the possibility of introducing regional RDP, supported by the same institutions as the regional programmes, should be taken into account. At the same time, it would be required to work on strengthening the governance process, by building horizontal networks (cooperation at the level of administration and public services) and vertical cooperation (with local residents and organisations). Paradoxically, in Poland it is LEADER, the RDP measure, which is a tool for creating local governance – it fostered dialogue between local governments (administrations) and representatives of residents, social organisations and economic operators, and also for expressing local needs. Many of them, which have been responded within the framework of local development strategies, have been permanently incorporated into the public policy [Zypries, 2017].

Taking into account the territorial dimension will help create sustainable communities and will not let the uneven regional development limit the overall growth potential. This approach requires also taking account of specific problems and opportunities of urban and rural areas, as well as the areas with special features e.g. cross-border and transnational areas in the wider sense and regions facing other difficulties due to isolation, remoteness (e.g. outermost or arctic regions), low population density or mountainous nature. Environmental and geographical constraints in coastal areas may also require attention. The effective implementation of the measures to promote territorial cohesion requires the implementation of mechanisms allowing to guarantee the fair treatment of all territories based on their individual capacity as a competitive factor. Therefore, good governance is important for effective taking of the territorial dimension into account.

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