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## **THE COHESION POLICY AND RURAL DEVELOPMENT IN POLAND – AN OUTLINE**

**Abstract:** The Cohesion Policy and Rural Development in Poland – an Outline. This article addresses instruments of the Cohesion Policy which are utilized in Poland's rural development policy. The approach to rural development in the European Union gradually evolved as part of European Union's two main policies: the Common Agricultural Policy and the Cohesion Policy. Currently, their relationship will be of great significance for the direction of support in the next financial framework for the period 2014–2020, as rural areas cover more than 90% of Poland's territory, with 40% of the country's total population living there.

**Key words:** Cohesion policy, Common Agricultural Policy, operational programmes, rural development, structural funds.

The European Rural Development Policy, a significant part of the Common Agricultural Policy (CAP), has its roots in the Treaty of Rome signed in 1957. Since then, the CAP has evolved, meeting demands of the changing conditions of farming and living in rural areas. Another significant instrument utilized for modernizing rural areas in the European Union is the Cohesion Policy.

Following Poland's accession to the European Union in the years 2004–2008, the development of rural areas was being supported as part of the Common Agricultural Policy through the Rural Development Plan and the Sectoral Operational Programme Restructuring and Modernization of the Food Sector and the Development of Rural Areas; with the National Development Plan and the Integrated Operational Programme for Regional Development supporting it as part of the Cohesion Policy. In the current financial framework for the period 2007–2013, rural areas are being supported with the Rural Development Programme implemented within the second pillar of the Common Agricultural Policy, in addition to operational programmes related to the Cohesion Policy and included in the National Strategic Reference Framework.

The key to achieving synergies in the actions being carried out are co-ordinating processes, as “*the origins and political significance of both these Policies are different*” [Duczkowska-Małysz 2010, p. 4]. At the same time, as observed by Duczkowska-Małysz, “*the essence of what both these Policies consist in is the same*”—they are both implemented with EU funding being utilized, and are operated on the same basis, with similar priorities having been set as their objectives [*ibidem*, p. 3].

The term rural areas, despite being commonly used, *e.g.*, in statistics or development policies, has not been unambiguously defined yet. The main criterion for defining such areas is administrative division or population density indicators. For the main typology of rural areas the following definitions are used:

- OECD – [*Obszary wiejskie...* 2011, p. 58-59] The criteria for identifying and dividing regions have been established on the basis of their urbanization levels, with 2 levels of territorial analysis being taken into consideration, *i.e.*, local (NUTS 5) and regional (corresponding to NUTS 3).
- In Poland, for demarcating support aimed at rural areas under operational programmes co-financed by the European Union in the financial frameworks 2004–2006 and 2007–2013, the whole area of the country was assumed, with the exclusion of urban areas of population sizes exceeding 5,000, which means that rural areas are considered to be functionally connected with small towns.

In the document *National Strategy for Regional Development* [*Krajowa Strategia ...* 2010, p. 15] differences between the old and new paradigms of regional policy are indicated. The new paradigm assumes diversity in the approach towards various types of territories, with support being aimed at functional entities. “*Rural areas in Poland are characterized by considerable diversity of the main features, with the overwhelming feature being largely a farming function (eastern and central parts of the country). In addition, a significant part of the country consists of areas of mixed and transitional features (i.e. those losing their agricultural character as a result of urbanization). For each rural area, at subregional or local levels, the intervention of regional policy will be different, the aim being to include to the greatest degree the characteristics of the area so as to identify the key development opportunities and plan actions corresponding to local potential and resources.*” [*Krajowa Strategia ...* 2010 p. 84].

What seems to be missing in the Cohesion Policy so far is a clear division between “cities and countrysides”, as interventions by means of structural funds are being carried out simultaneously in both rural and urban areas. Hence the difficulty in specifying the share of finance aimed exclusively for the development of rural areas<sup>1</sup>. Rural areas (at the local level) constitute approx. 90% of the European Union

<sup>1</sup> Information provided by the European Commission, Inforegio (September 2013) [http://ec.europa.eu/regional\\_policy/activity/rural/index\\_pl.cfm](http://ec.europa.eu/regional_policy/activity/rural/index_pl.cfm).

(UE=27), being inhabited by half of its total population. For Poland (2009), these indicators are 93.2% and 39.0%, respectively.

Irrespective of whether a state or a region is being addressed, or whether administrative units of high or low development levels are being analyzed, an observation has been made that rural areas are being developed at a slower pace than highly urbanized areas. As an example, a few indicators (2009) are shown below, confirming the validity of the above theses: [*Obszary wiejskie ...* 2011, p. 217-219]:

- only every third business entity in the REGON register was located in rural areas;
- the proportion of the population with a university education constituted only 8.1% of the total rural population aged 13 or over, being lower than in urban areas by 15.9%;
- in the school year 2009/10, the number of children aged 3-5 attending pre-school education institutions amounted to 375 per 1000, (with the corresponding number in urban areas being 759);
- more than 11% of households in rural areas indicated considerable difficulty in accessing public transport services (compared with 1.6% in urban areas), and 12.3% of households indicated considerable difficulty in accessing postal and banking services (1.9% in urban areas);
- 89.0% of households in rural areas were equipped with water supply systems (in urban areas – 98.6%);
- sewage treatment plants were used by approx. 27% of the rural population, with only 20.3% of households having access to gas from the grid (74.0% in urban areas);
- the average spending on recreation and culture per person in rural areas in 2009 (PLN 49) constituted a slightly higher value than the corresponding amount spent on culture in urban areas;
- Internet connection was utilized by 27.5% of the rural population aged 25-64;
- the average income of households in rural areas continued to constitute approx. 71% of an average disposable income achieved by 1 person in urban areas;
- the most important component of total disposable income in rural areas came from contract work (46.8%), social security payments (25.8%), and individual farming (11.9%);
- although the main significant sector in rural areas continues to be farming, the share of farming, hunting, forestry and fisheries in generating the gross value added decreased from 4.3% in 2003 to 3.7% in 2008.

The rural development policy is part of the Common Agricultural Policy (CAP), one of EU's oldest policies, in addition to being a significant ingredient of EU's Cohesion Policy. CAP was included in the regulations of the Treaty of Rome in 1957. Following Art. 39 point 1 of the Treaty establishing the European Economic Community, whereby "*the objectives of the Common Agricultural Policy shall be:*

- (a) to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour;
- (b) thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;
- (c) to stabilise markets;
- (d) to assure the availability of supplies;
- (e) to ensure that supplies reach consumers at reasonable prices”<sup>2</sup>.

The above objectives are related to the market and pricing policies, but the provisions of the Treaty within the structural policy are contained in the following point, which indicates that „*In working out the common agricultural policy and the special methods for its application, account shall be taken of:*

- (a) the particular nature of agricultural activity, which results from the social structure of agriculture and from structural and natural disparities between the various agricultural regions;
- (b) the need to effect the appropriate adjustments by degrees;
- (c) the fact that in the Member States agriculture constitutes a sector closely linked with the economy as a whole ”<sup>3</sup>.

The above provisions have remained unaltered to this day, continuing to be valid. What has only changed in time is the manner in which this policy is put into practice.

The implementation of EU’s rural development policy in Poland started in 2000, mainly through *the Special Accession Programme for Agriculture and Rural Development SAPARD*. Its aim was to enhance structural transformations in rural areas of candidate states. Its implementation was also supposed to prepare relevant institutions and beneficiaries in those countries for utilizing instruments of the Common Agricultural Policy after joining the European Union<sup>4</sup>.

From 2004, the development of rural areas in Poland was mainly financed within the Sectoral Operational Programme Restructuring and Modernization of the Food Sector and Rural Development (financed by the Orientation Section) and the Plan for Rural Development (financed by the Guarantee Section). The sectorial programme’s goals and priorities were aimed at enhancing the competitiveness of farming and food production as well as the sustainable development of rural areas. Activities carried out as part of the programme included investing in farming establishments, facilitating agricultural start-ups, supporting agricultural consultancies, consolidating land, revitalizing rural areas, preserving and protecting cultural heritage, managing water resources in agriculture, the pilot Programme Leader+. [cf. *Sektorowy Program ...*

<sup>2</sup> *Qv. Treaty establishing the European Economic Community.*

<sup>3</sup> *Ibidem.*

<sup>4</sup> <http://www.arimr.gov.pl/pomoc-unijna-i-krajowa/inne-formy-pomocy/sapard.html>.

2004]. The Rural Development Programme comprised projects aimed at supporting small holders, farming in unfavourable areas, environment-related farming and animal welfare, afforestation of arable land, farming producers' associations, adjusting farms to EU standards [cf. *Plan rozwoju ... 2004*].

Implementation of the rural development policy with EU funding being utilized in the current financial framework for the period 2007–2013, was based on two main documents submitted to the European Commission, i.e., the National Strategic Reference Framework (NSRO) within the Cohesion Policy, and the National Strategic Plan for Rural Development within the second pillar of the Common Agricultural Policy [cf. Rakowska J., Wojewódzka-Wiewiórska A., 2010]. Rural areas were covered by the Horizontal Objective No 6 NSRO: „*Equalizing development opportunities and supporting structural changes in rural areas*”. What it practically means is that it significantly supports rural development within all the operational programmes of the Cohesion Policy in Poland, i.e., 16 Regional Operational Programmes, and national programmes: the Operational Programme Infrastructure and Environment, the Operational Programme Innovative Economy, the Operational Programme Eastern Poland Development, and the Operational Programme Human Capital [*Directions of the Development ... 2010*, p. 53].

Since 2007, the Common Agricultural Policy of the European Union has been financed with two separate funds: the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development.

Every member state (or—in the case of delegating authority onto the regional level— a region) prepared a rural development programme which specified the level of expenditure aimed at specific projects to be carried out in the years 2007–2013. In Poland it is operated as the Rural Development Programme 2007–2013. In spite of being a significant instrument for supporting the development of rural development, it did not comprise all activities necessary for modernizing rural areas and small towns. It resulted from both EU regulations 1698/2005 and 1083/2006 and the decisions made in the demarcation line between the intervention areas of the National Strategy for Rural Development and the Rural Development Programme in the years 2007–2013.

Initiating the modernization of rural areas and the strengthening of their multifunctionality, one should never lose sight of the natural, scenic, and cultural values of these areas. What is of great significance for equalizing the development opportunities in rural areas is the implementation of projects in the sphere of education, information society, removal of financial and transport barriers, development and improvement of local infrastructure, enhancement of the accessibility and quality of public services, development of entrepreneurship in rural areas, and improvement of the accessibility of the major development centres. The monitoring of the results is affected by means of two indicators included in the National Development Strategy:

- increasing the percentage of children in rural areas covered by pre-school education from 17.5% in 2005 to 35% in 2015;
- increasing the percentage of households in rural areas using Internet access from 19% in 2005 to 70% in 2015 [cf. *Strategia rozwoju ... 2006*, p. 55].

For achieving synergies of the 16 regional programmes, the Operational Programme Infrastructure and Environment, the Operational Programme Innovative Economy, and the Operational Programme Eastern Poland Development, co-financed from the European Fund for Regional Development, the Cohesion Fund, as well as the Operational Programme Human Capital co-financed by the European Social Fund, should support the development of rural areas within the scope resulting from the National Strategic Reference Framework. With the above mentioned programmes, substantial support was provided for rural development, defined by the following categories:

1. Developing and improving local infrastructure.
2. Developing entrepreneurship and increasing investment attractiveness of rural areas.
3. Investing in human capital and equalizing educational opportunities in rural development.
4. Improving the quality and accessibility of public services in rural areas.
5. Increasing the range of influence exerted by the major economic centres on rural areas by enhancing their accessibility to rural area populations.
6. Preventing social exclusion in the former State-owned Agricultural Farms.

As of the end of 2011, as part of Regional Operational Programmes, the Operational Programme Eastern Poland Development, and the Operational Programme Human Capital, about 13,900 agreements were concluded for a total value of PLN 18.49 billion (EU subsidies) related to projects implemented in rural areas, which constitutes over 21% of all contracts concluded by the end of the accounting period within relevant programmes.

From the beginning of the implementation of the Programme for the Development of Rural Areas until 15<sup>th</sup> June 2012, as part of all the projects, 5,380,995 applications for support were submitted, while the number of contracts signed or decisions issued amounted to 4,351,219. The level of subsidy contracts signed amounts to over 77% of the budget of the Rural Development Programme 2007–2013. As part of this programme, in the period 2007–2013 the beneficiaries received payments for the amount of PLN 35.36 billion (including PLN 26.85 billion from the European Agricultural Fund for the Development of Rural Areas), which constitutes 49.29% of the Fund's finance allocated for the implementation of the Rural Development Programme 2007–2013 [*Informacja... 2012*].

Programming of the new financial framework for the period 2014–2020 for the whole European Union is in the Strategy Europe 2020, the aim being the enhancement of intelligent and sustainable growth fostering social inclusion. [*qv. Europe 2020...*

2010] The document translating the objectives of Europe 2020 into practical operations of funds for setting the strategic direction for the next financial framework at the level of member states and regions is the Common Strategic Framework. The CSF defines: key actions for every thematic objective, territorial challenges, horizontal principles and policy objectives for the implementation of CSF funds; priorities for co-operation activities, co-ordination mechanisms for the CSF funds with other EU policies and instruments as well as mechanisms ensuring cohesion and the coherence of programming with guidelines for particular member states.

The most important new part of the strategic programming, aimed at achieving a more integrated approach, consists in the proposed Common Strategic Framework—in addition to the European Fund for Regional Development, the European Social Fund, and the Cohesion Fund—also including the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund.

Using the Common Strategic Framework as the basis, each member state, in co-operation with the European Commission and their partners, develops a partnership agreement. The Partnership Agreement is a document setting the directions of the intervention of three EU policies in Poland—the Cohesion Policy, the Common Agricultural Policy, the Common Fisheries Policy. For enhancing the achievement of thematic objectives, the utilization of the European Structural and Investment Funds will be focused on specified areas of the state's strategic intervention [*Krajowa Strategia...* 2010], *i.e.*,:

1. Eastern Poland;
2. Provincial capitals and their functional areas;
3. Cities and city districts requiring revitalization;
4. Rural areas, especially those with the lowest accessibility of goods and services necessary for development;
5. Border areas;
6. Other intervention areas in the territorial approach.

According to the provisions of the Partnership Agreement, each operational programme will contain information about the implementation of the integrated territorial approach, including the state's strategic intervention area. In addition to specially defined strategic intervention areas, a significant support area within the European Structural and Investment Funds will be rural and fisheries-dependent areas, in which projects will be carried out in line with provisions of the strategy for the sustainable development of rural areas, agriculture, and fisheries. In the case of the rural development programme financed from the European Agricultural Fund for Rural Development, support will be provided for all types of rural areas, taking into account their spatial diversity and functions, in line with the assumptions of the Strategy for the Sustainable Development of Rural Areas, Agriculture and Fisheries.

Regarding the Strategic Intervention Area 4, the Draft of the Partnership Agreement indicates that actions aimed at such areas should take on a form of special,

integrated development-enhancing activities (especially within regional programmes co-financed by the European Structural Fund and the European Rural Development Fund as well as within the programme financed by the European Agricultural Fund for Rural Development), focusing on the removal of factors behind permanent marginalization through an integrated public intervention within the infrastructure designed for social welfare, education, health care, recreation, transport, municipal services, and culture; actions aimed at enhancing the quality of education, accessibility of health care services and culture as well as those promoting entrepreneurship.

A prerequisite for a successful intervention aimed at various rural areas and the implementation of an integrated approach is the co-ordination of relevant public policies, especially the Common Agricultural Policy and the Common Fisheries Policy with the Cohesion Policy within the European Structural Fund, the European Fund for Regional Development, the European Agricultural Fund for the Development of Agriculture and Rural Areas, and the European Fund for the Modernization of Agriculture. In this case, emphasis will be placed on the developed co-ordination methods as well as integrated and – insofar as possible – simple implementation instruments.<sup>5</sup> [*Umowa Partnerska ... 2013*]. Programmes which are supposed to contribute to rural development within the cohesion policy in the years 2014–2020 will be as follows: Intelligent Development, Digital Poland, Infrastructure and Environment; Knowledge, Education, Development; Eastern Poland, Regional Operational Programmes (16). Within the Common Agricultural Policy, it will be the Rural Development Programme and the Operational Programme for Fisheries and the Sea.

It can be inferred that the character of the future rural development policy in Poland after 2013 will depend upon two main factors:

- overall amount of the budget for the period 2014–2020, including the CAP and the Cohesion Policy as well as of particular member states,
- decisions related to the co-ordination of EU funds in Poland.

At the end of June 2013, participants of the EU summit in Brussels reached a compromise as to the EU budget for the period 2014–2020. As a result of the concluded agreement, the EU's budget for the CAP in Poland in the period 2014–2020 is expected to amount to EUR 32.1 billion, an increase of approx. 12% compared with the period 2007–2013 (EUR 28.6 billion in current value). "As part of the agreements reached so far it has been assumed that after 2013, direct payments will be increased by transferring up to 25% of finance from the second pillar of the CAP and with the national support. At the same time, finances from the national budget will be used for the Rural Development Programme"<sup>6</sup>.

<sup>5</sup> Draft of the *Partnership Agreement*, July 2013 - document under public consultation.

<sup>6</sup> Ministry of Agriculture and Rural Development provided detailed information as to CAP finance for the years 2014–2020, <http://www.minrol.gov.pl/pol/layout/set/print/content/view/full/42415>.



The Ministry of Agriculture and Rural Development suggests that within the cohesion policy, support for rural development should be focused on the following areas: municipal waste management, water and sewage management, water supply management, renewable energy sources (with the exclusion of investments in farming establishments), broadband infrastructure, revitalization of forests destroyed by calamities, entrepreneurship development, non-agricultural training and consultancy for farmers and their families, training for advisors in non-agricultural fields, labour market, and business-related institutions.

At this stage, decisions related to the co-ordination of the implementation of development policies have not been made. The significance of co-ordination is emphasized, among others, by Hałasiewicz, who points out that the best results can be achieved through the full co-ordination of development policies at the regional level. *"With separate policies and their objectives being maintained at the EU and national levels, in regions they should be implemented with one operational programme, according to standardized methods for planning, programming, implementing and accounting"* [Hałasiewicz 2011, p. 30]

"The globalization processes enhancing rapid economic development concentrated within the largest urban areas constitute both an opportunity and a threat for rural areas. A threat—owing to the risk of an excessive outflow of population from rural areas and, consequently, development of areas with disturbed local community structures in terms of age, gender, or education levels. An opportunity owing to the potential diffusion of development processes and enhanced possibilities of achieving income by the rural population without migrating, thanks to the pendular spatial mobility, new Internet-based communication tools, flexible forms of work as well as increased human capital in rural areas" [Zawalińska 2009, p. 29].

With no proper co-ordination of the Cohesion Policy and the Common Agricultural Policy in the period 2014–2020 being in place, a comment made by the European Parliament continues to be valid, *i.e.*, "in view of budgetary constraints, there is a risk that the finance available within the European Fund for Regional Development will be to a high degree utilized for the development of economic competitiveness concentrated in major urban areas or the most active regions, while the European Agricultural Fund for the Development of Rural Areas is concentrating its finance on the improvement of agricultural competitiveness, which continues to constitute the engine of rural development, in addition to being aimed at supporting non-agricultural activity as well as at the development of small- and medium-size enterprises in rural areas, which results in there having to be more effective co-ordination ensuring that all the areas will be covered" [*qv Resolution...* 2008].

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