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**EFFECT OF EU FINANCIAL ASSISTANCE
ON THE LEVEL OF ENTREPRENEURSHIP
IN RURAL AREAS
OF THE WIELKOPOLSKIE VOIVODESHIP
DURING THE PERIOD 2007-2012**

Abstract: This article seeks to determine the effect of instruments of the EU Common Agricultural Policy and cohesion policy on the development of entrepreneurship in rural areas of the Wielkopolskie Voivodeship in Poland. The effect was assessed on the basis of an analysis of projects implemented under the *Rural Development Programme 2007-2013* (RDP 2007-2013) and the *Wielkopolskie Regional Operational Programme* (WROP). The study covered the period 2007-2012. Using sums of EU financial assistance, LISA indices based on Moran's statistic were employed to establish local spatial relations affecting the development of entrepreneurship in directly or indirectly neighbouring poviats.

Key words: Common Agricultural Policy, cohesion policy, entrepreneurship, rural areas, Wielkopolskie Voivodeship.

Introduction

The interest of the rural population in setting up enterprises in the countryside is caused primarily by the declining income of some agricultural holdings, and the subsequent fall in standard of living. This has caused them to seek new, alternative sources of income in order to finance living and productive needs. Every form of entrepreneurship is desirable because it is a condition for fighting many unfavourable developments in the country, like unemployment, the deteriorating financial situation of farming families, or the monofunctionality of rural areas.

The condition for the multifunctional development of rural areas is the development of all forms of entrepreneurship leading to the creation of new jobs and a diversification of the rural population's income. In rural circles, non-agricultural economic activity is understood as entrepreneurship, *i.e.* activity undertaken to earn

money. Entrepreneurship is one of the significant elements of the local labour market, embracing people who live in the countryside and work in agriculture or other fields. It is perceived to be activity seeking additional sources of income associated with tilling the soil, or unconnected with agriculture [Tabor 2010].

The prospects of the development of entrepreneurship in rural areas are determined by the economic policy of the state, in which a big role is played by the agricultural policy of the European Union. It gives the national economy new instruments of support that are financed by the community budget. Poland can avail itself of the EU Structural Funds and the Cohesion Fund. Support for small businesses under the EU rural policy and cohesion policy also follows the stipulations of the European Charter for Small Enterprises.

One of the priorities of the *National Development Plan for the years 2007-2013*, as part of creating an environment friendly to enterprises (especially small and medium-sized ones) as well as to social economy ventures, is ensuring access to capital.

Direct support for entrepreneurship has the nature of state intervention because it is not given on a commercial basis, but is a form of public assistance from EU means or the domestic budgets of the individual member states. A characteristic feature of the direct-support instruments is their selective nature, since they are granted on the basis of an assessment of individual future beneficiaries. This selectivity allows optimum use of a specified pool of money in accordance with the adopted rules concerning the size of an enterprise, its area of operation, or sector of activity. The criteria for granting direct financial help are based on the assumptions of economic policy as stated in the EU framework documents, which are then reflected in national and operational programmes.

In the opinion of Kłodziński [2010], the difficulties that the development of entrepreneurship encounters in rural areas result, among other things, from the fact that the money intended for its promotion is scattered across various types of programmes. Despite fears concerning the dispersal of the funds and the interest of rural entrepreneurs in their use, the fact that they are increasingly contributing to the strengthening of rural entrepreneurship is undeniable.

Support for non-agricultural economic activity involving the multifunctional development of rural areas in Poland was granted under the pre-accession programme SAPARD and the Sectoral Operational Programme "Restructuring and Modernisation of the Food Sector and Rural Development 2004-2006". The current Rural Development Programme for the period 2007-2013 is a continuation of these ventures. It embraces the measure "Creation and development of micro-enterprises" under axis 3 called *Quality of life in rural areas and the diversification of economic activities*, and under Leader axis 4 [Program 2010].

One of the goals of the EU cohesion policy is to ensure rural areas' economic renewal, which is to be achieved by the complementary application of instruments

offered under various operational programmes implemented in the country. The complementarity of the Rural Development Programme (RDP) and Regional Operational Programmes (ROPs) manifests itself in direct subsidising of the setting up and development of micro-enterprises, because ROPs support the development of any kind of economic activity in rural areas not covered by the RDP measure “Creation and development of micro-enterprises”.

Cohesion policy can support the development of entrepreneurship in rural areas in the following fields not covered by the RDP:

- improving the quality and availability of public services in rural areas;
- extending the range of impact of the largest centres of economic development in rural areas by improving their accessibility for the rural population;
- improving job opportunities, including flexible forms of labour, for country people and encouraging their greater occupational mobility, and
- preventing and limiting cases of social exclusion [Wasilewski 2011].

This article seeks to establish the effect of the instruments of the EU Common Agricultural Policy and cohesion policy on the development of entrepreneurship in rural areas of the Wielkopolska Voivodeship. An assessment of this effect was made on the basis of projects undertaken under the *Rural Development Programme 2007-2013* (RDP 2007-2013) and the *Wielkopolska Regional Operational Programme* (WROP); the study period was 2007-2012. Local spatial relations affecting the development of entrepreneurship in poviats directly or indirectly neighbouring each other were also examined. It was assumed that rural areas meant land within the administrative boundaries of rural and urban-rural communes. When these two area types - rural/urban - are considered in terms of relations between growth-generating, functionally connected areas, small towns can often be seen as local growth poles linked with the surrounding countryside [Słodowa-Hełpa 2010]. The analysis was based on data obtained in 2012 from poviats offices of the Agency for Restructuring and Modernisation of Agriculture (AR&MA) and from quarterly updated lists of WROP beneficiaries. The study embraced the following measures: 312, “Creation and development of micro-enterprises”, 1.1., “Development of micro-enterprises”, and 1.2., “Support for the development of small and medium-sized enterprises”. While the WROP measures 1.1. and 1.2. are not explicitly meant for the countryside, they can also be extended to the rural population.

The method used to determine local spatial relations was the local Moran's I_i statistic, and the value adopted as the variable was Community payments in zlotys for the three measures. Calculations were performed using the GeoDa program.

1. Entrepreneurship in rural areas of the Wielkopolskie Voivodeship and projects implemented under the *Rural Development Programme* and the *Wielkopolskie Regional Operational Programme*

The Wielkopolskie Voivodeship occupies 29,826 km², or 9.5% of Poland's area. Its rural areas comprise 97.3%. In 2012 the voivodeship had a population of 3,462,200, of which 1,542,100 (or 44.5%) lived in the countryside. Nearly one quarter of the population working here (24.9 %) was employed in agriculture. Because of their proportion in the total area of the region, rural areas play an important role in the voivodeship's development, but they show great disparities. The differences concern the demographic situation, intensity of agricultural production organisation, other economic and socio-cultural functions, and natural conditions.

In the opinion of Kłodziński [2010], while the sector of small and medium-sized businesses in Poland certainly deserves the name of a driving force of the economy, in rural areas there is a predominance of micro-firms employing 1 to 9 people. This is also true of Wielkopolskie with its 194,896 rural micro-enterprises in 2012, accounting for 95% of the voivodeship's entire sector of small and medium-sized businesses. The largest proportion were active in services, mostly trade and repair, as well as real-estate and business support activities.

To perform the analysis, use was made of the entrepreneurship index, *i.e.* number of economic entities entered in the REGON register per 10 thousand members of the rural population. In 2009 this index was 721 for the rural areas of Wielkopolskie, higher than the figure for Poland, which was 628. This shows entrepreneurship in rural Wielkopolskie to be strong. The index ranged from 1,527 in the Poznań powiat to 462 in that of Turek (Fig. 1). The high level of entrepreneurship in the Poznań powiat is understandable, since its development is influenced by the Poznań agglomeration. Entrepreneurship was also high in the rural areas of poviats located in the zone of influence of the Poznań powiat and the motorway crossing them, *viz.* Września and Nowy Tomyśl. What boosted entrepreneurship in the rural areas of the Oborniki and Wolsztyn poviats was mainly the system of major transport routes joining the north and south-west with the city of Poznań. Poviats located on the periphery of the voivodeship in its northern and eastern parts showed a low level of rural entrepreneurship. This is also reflected in the functional types of rural areas, with intermediate farming-dominated areas found in the south-western part of the voivodeship and remote farming-dominated areas clustered in its eastern part [Wysocki 2010].

In terms of the spatial distribution of rural areas at a given level of entrepreneurship, the differences between them tend to form a core-periphery type of pattern. Those situated within the zone of influence of Poznań display a higher level, while

those urban-rural and rural communes that show a decidedly low level lie in the more peripheral zones of the region. A reduction of the inter-regional differences between rural areas can be sought *via* the CAP measures designed to boost rural micro-enterprises and small, medium-sized businesses.



Figure 1. Level of entrepreneurship in the rural areas of Wielkopolskie Voivodeship in 2009

Source: Own compilation on the basis of GUS data.

The measure “Creation and development of micro-enterprises” under RDP 2007-2013 is designed for individuals and firms that already exist on the labour market or those that are still planning to set up their own businesses. A one-time subsidy can reach up to 300 thousand zlotys, or up to 100 thousand zlotys for enterprises

involved in the processing of agricultural produce or edible forest products. Ventures implemented under this measure need not be innovative (a wedding hall, shops, a kindergarten, *etc.*), unlike other subsidies for entrepreneurs. Support can be obtained for an investment unconnected with the type of activity a firm has pursued so far [Kołodziejczak 2012].

The RDP measure “Creation and development of micro-enterprises” and the WROP measure “Support for the development of small and medium-sized businesses” offer direct assistance to economic entities in the initial stages of operation (up to 2 years of activity), intended to boost their investment potential and the creation of jobs. Support is granted for scheme 1: investment projects (a min. of 9 thousand zlotys, a max. of 200 thousand zlotys); scheme 2: specialised advisory projects (a min. of 3 thousand zlotys, a max. of 60 thousand zlotys); and scheme 3: investment projects involving the purchase and application of new technological solutions (a min. amount of support for enterprises in rural areas, over 300 thousand zlotys, a max. of 4 million zlotys). Support cannot be granted for projects involving the primary production of agricultural produce and the processing and trading of agricultural produce in cases listed in the EU Commission Directive no. 800/2008. The measures enhancing entrepreneurship in rural areas are presented in Table 1.

Table 1

Number and value of implemented entrepreneurship-enhancing projects,
by measure, in rural areas of the Wielkopolskie Voivodeship
during the period 2007-2012

| Measure | Number | EU payment in zlotys |
|--|--------|----------------------|
| 312. Creation and development of micro-enterprises | 1 062 | 207 002 597.55 |
| 1.1. Development of micro-enterprises | 117 | 17 545 465.85 |
| 1.2. Support for the development of small and medium-sized enterprises | 640 | 451 831 811.25 |
| Total | 1 819 | 676 379 874.65 |

Source: Own compilation on the basis of the list of WROP beneficiaries and AR&MA data for the years 2009-2012.

By the end of 2012, a total of 1,819 entrepreneurship-related ventures were implemented in rural areas. Between 2007 and 2012, the greatest number of projects (1,062) were implemented under the RDP measure 312, “Creation and development of micro-enterprises”, while projects supporting small and medium-sized businesses dominated in terms of the sum of EU payments, at 451,831,811.25 zlotys.

The spatial distribution of Community support for projects intended to improve entrepreneurship in rural Wielkopolskie reveals a certain pattern of differences by powiat (Fig. 2). In terms of both number and amount of EU payments, the projects are concentrated in Poznań, Konin and Kalisz poviats, which are situated in the immediate surroundings of their core cities, Poznań, Konin and Kalisz. In those poviats

the supported projects amounted to 302, 126 and 90, respectively. In five poviats: Międzychód, Piła, Wągrowiec, Złotów and Oborniki, the number of projects implemented in rural areas was low. Projects implemented under RDP 2007-2013 predominated in the eastern part of the voivodeship, and those under WROP, in its central and south-western parts. Rural enterprises from the sector of small and medium-sized businesses did well in obtaining money under the Wielkopolska Regional Operational Programme: they accounted for more than 40% of its beneficiaries.

In most poviats projects were implemented under all three measures. No projects were implemented under the WROP measure 1.1. "Development of micro-enterprises" in the poviats of Leszno, Turek, Wągrowiec, Piła, and Międzychód.

Comparing the spatial distribution of the 2012 entrepreneurship level in rural areas to that of 2009, it is found that the implemented projects did not play a major role in communes located in remote poviats, *i.e.* those with its low level.

Assuming that support granted under the Common Agricultural Policy and cohesion policy boosts the level of entrepreneurship in rural areas, an analysis of spatial differences in it was performed with the help of the absorption index, *i.e.* EU payments per rural inhabitant by poviat. The higher the value of the index, the greater the possibility of improving the level of rural development in Wielkopolska. The mean EU per capita payment in 2012 was 302.17 zlotys. The spatial distribution of poviats by the value of this index was clustered (Fig. 3).

The highest *per capita* absorption level was recorded in the poviats of Chodzież (708.69 zlotys), Kępno (531.86 zlotys) and Poznań (461.71 zlotys). It was primarily in these areas that projects involving the development of small and medium-sized businesses were implemented, and hence part-financing was high. A low absorption level was found in poviats located north of Poznań city, *viz.* Oborniki, Gniezno, Piła, and Złotów, as well as in Turek and Koło situated on the eastern margins of the voivodeship, and Wolsztyn in the west.

A study of the local relations between the variables under analysis was made on the basis of the correlation coefficient accounting for the location of units in space, *i.e.* spatial autocorrelation. Spatial autocorrelation describes the relationship between the value of a variable for a given spatial unit and its value for another unit (at another location). The consequence of such a dependency is a spatial grouping of similar values. Positive autocorrelation is a spatial clustering of high or low values of the observed variables, and negative autocorrelation can be understood as the reverse of positive correlation, *i.e.* high values of the observed variables co-occur with their low values [Pietrzykowski 2011].

The analysis of the local spatial links was made on the basis of one of the LISA indices (Local Indicators of Spatial Association) proposed by Anselin [1995], *viz.* local Moran's I_i statistic, which allows the determination of whether a spatial unit neighbours units with similar or different values of the variable examined. This makes it possible to identify clusters with low or high values of the variable under study.



Figure 2. Entrepreneurship-enhancing projects implemented in rural areas of the Wielkopolskie over the period 2007-2011

Source: Own compilation on the basis of AR&MA data as well as the list of WROP beneficiaries.

The application of LISA based on Moran's statistic yields one of the five solutions for each spatial unit [Janc 2006]:

- spatial units with high values of the given variable together with neighbouring units exhibiting similar (high) values;
- spatial units with low values of the given variable together with neighbouring units exhibiting similar (low) values;
- spatial units with high values of the given variable together with neighbouring units exhibiting low values;



Figure 3. Absorption of EU entrepreneurship-enhancing funds in rural areas of the Wielkopolskie Voivodeship over the period 2007-2012

Source: Own compilation (Figs. 3 and 4).

- spatial units with low values of the given variable together with neighbouring units exhibiting high values; and
- spatial units displaying no statistically significant spatial autocorrelation.

The coefficient of the spatial autocorrelation of the value of EU payments for entrepreneurship-enhancing projects was statistically significant (at the 0.05 level) and equalled 0.2403. It is possible to distinguish a large compact accumulation of such high values in a belt of poviats extending from Nowy Tomyśl in the west to Konin, Turek and Kalisz in the east. A cluster of low values occurred in the north, in the poviats of Piła and Złotów (Fig. 4).

In spatial distribution terms, most ventures can be judged as rational because they were undertaken in areas where location and environmental conditions justify this type of investment (attractiveness to tourists, housing construction in suburban zones, transport infrastructure). The greatest use of means under the three entrepreneurship-supporting measures was made in the central and eastern poviats of Wielkopolskie, already at a high or average development level. This may promote their further multifunctional development.

EU financial support contributed to a rise in the entrepreneurship index in the Wielkopolskie rural areas. In 2012 there were 801 entities per 10 thousand members of the rural population entered in the REGON register, again higher than the figure for Poland, at 686. While the entrepreneurship index grew in the rural areas of all poviats of the voivodeship from 2009, there was no change in the spatial distribution of the entrepreneurship level.

Summing up

The research conducted on the effects of EU financial assistance for the development of rural entrepreneurship demonstrated that, despite the cohesion policy conducted, *i.e.* efforts to reduce differences in the socio-economic development of rural areas of Wielkopolskie, the differences are not diminishing. This shows there to be a polarisation of the development of the region and widening differences between the core, *i.e.* Poznań city, Poznań powiat and the adjacent poviats on the one hand, and the remote poviats situated in the north and east of the region. Entrepreneurship-supporting projects implemented under RDP 2007-2013 predominated in the rural areas situated in the east of the voivodeship, while WROP projects dominated in the poviats of Central and South-Western Wielkopolskie. The fewest ventures under both programmes were implemented in the rural areas in the north.

Better developed economic activity in rural areas of the central part of the voivodeship reduces population outflow, expands the offer of local services, and opens up possibilities for external services, *e.g.* rural tourism or logistics. As the analysis of spatial autocorrelation demonstrated, entrepreneurship support under both RDP 2007-2013 and WROP brought the entire region favourable results. However, the spatial changes produced by those financial instruments had no influence on the local differences in the level of entrepreneurship in rural Wielkopolska. The growing disparities in the region's level of entrepreneurship, and hence in its economic development, prove that it is necessary to direct an active regional policy towards the countryside. The situation calls for assistance measures dedicated to those poviats in the group exhibiting a persistently low entrepreneurship level.

The development of entrepreneurship in rural areas also requires that the existing instruments of support be brought together. This means an integration of instruments under the Common Agricultural Policy and cohesion policy in a manner ensur-

ing the concentration and co-ordination of support in terms of both programmes and funds, and an elimination of situations when financial means are scattered.



Figure 4. Clusters of EU payments for entrepreneurship-enhancing projects in the rural areas of Wielkopolskie over the period 2007-2012

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