SUPPORTING ECONOMIC DEVELOPMENT IN RURAL AREAS UNDER THE FRAMEWORK OF LOCAL DEVELOPMENT STRATEGIES

Key words: cooperate, LEADER, local action groups, rural areas, regional development, socio-economic development

ABSTRACT. Social and economic growth relies on the presence of prosperous companies. There are many factors that define the level of entrepreneurship, for example opportunities to undertake cooperation and create networks of companies, or the quality of social capital. The key role is played by actions implemented to strengthen the economic and social activity of local communities. This can be facilitated by one of the sub-measures of the EU programme LEADER, namely “Sub-measure 19.2. Implementation of operations within the strategies for community-led local development”. The main aim of this study has been to diagnose and assess this support in rural areas of the Province of Warmia and Mazury. Secondary data were analyzed with both desk research and statistical methods. The funds allocated under the mentioned sub-measure (482 contracts) enabled beneficiaries to start and develop their own companies in rural areas (261 agreements reached approximately PLN 30 million). Some funds were also spent on improving the situation with regard to the identified weaknesses of this region e.g. weak consistency communication, low level of cooperation and social capital. The implementation of operations under Sub-measure 19.2 should result in the alleviation of weaknesses identified for the province and the stimulation of socio-economic development of the voivodship.

INTRODUCTION

The socio-economic situation of regions and countries as well as the rate and direction of their economic growth depend on the presence of prosperous and competitive companies [Chmielak et al. 2018]. The level of entrepreneurship is dictated by numerous factors, which are varied and changeable in time, and which – to a different degree – can have an influence on subjective decisions concerning the setting up and running of one’s own company in a given geographical location [Acemoglu et al. 2005, Alaimo et al. 2008, Gorynia 2007]. Stimulating and developing economic initiatives are particularly impor-

1 The article presents the results of the study being a part of a wider scientific research project entitled Cooperation of enterprises in the Warmia and Mazury Province with business environment institutions and universities. The project is financed as part of the Student Grant Rector competition of the University of Warmia and Mazury in Olsztyn.
tant in fostering economic growth in rural areas, where both the standard of living and socio-economic development are relatively low [Gąsiorowska-Mącznik 2011, Pomianek, Niewęgłowska 2018].

There are numerous, different determinants supporting a decision to set up a business in a given location. They are the cornerstone of many theories, which have been developed to explore corporate investment decisions. Among significant components of the investment climate is the institutional environment. Its role in the economy was already considered in the late 19th and early 20th century by precursors of institutionalism, i.e. T. Veblen and J. R. Commons, who made the notion popular. Research into the meaning of institutionalism was also accomplished by representatives of the new institutional economy (NIE) and started in the 1970s, e.g. Douglass North [1991], Oliver Williamson [1998], and Ronald Coase [1960].

Contemporary considerations dedicated to the meaning of institutional surroundings in shaping the spirit of enterprise have been undertaken by Christopher Boudreaux et al. [2019], Constanze Dobler [2011], and in Poland by Tomasz Dorożynski and Wojciech Urbaniak [2012] and Renata Marks-Bielska et al. [2017]. While reviewing current research results, the assertion can be found that an efficient system of support to businesses requires an efficient institutional system, of which institutions (formal and informal) are an intrinsic component [Lizińska 2012].

Institutions can support the growth of entrepreneurship via numerous measures and instruments. Stimulating innovativeness, intellectual capital, funds and know-how, or creating new development pathways, as well as networking the public, economic and social sectors – all such actions determine the level of local entrepreneurship [Bayer 2012]. Chances that economic development in a region will accelerate are greater when suitable conditions for cooperation are created in line with the quadruple helix model, i.e. business, administration, science and local communities [UMWW-M 2019, Szlachta, Dziemianowicz 2017].

Building partnerships between institutions, businesses and local communities should help improve productivity of companies operating in a given area and stimulate local entrepreneurship [UMWW-M 2019]. To create an efficient and lasting network of cooperation, it is essential to support initiatives directed towards the strengthening of social relations and trust among individuals, which are fundamental to building social and relational capital. The key to attaining such goals is to reinforce the economic and social activity of the region’s inhabitants. Equally important is to ensure effective and transparent cooperation between local government and business chambers. Synergy as well as starting and strengthening cooperation create opportunities to gain benefits and multiplier effects, which would not be possible to achieve in the local economy without cooperative and open attitudes among local communities [Żukowska et al. 2018, Welbourne, Pardodel-val 2009, Walker et al. 1997].

Strengthening the social capital of local residents, shaping entrepreneurial attitudes and supporting cohesive decisions are made possible through various initiatives. An example is the programme LEADER, based on communal initiatives, which seems to be particularly important in rural areas. The community-driven, bottom-up partnership envisaged in this programme aims to determine the social and economic development in the countryside.
This goal is achieved owing to the involvement of local entities, which represent the public, private, and non-governmental sectors, as well as residents of municipalities associated in Local Action Groups (LAGs) and Local Fisheries Groups (LFGs) [Rudnicki et al. 2018, Borowska 2009].

In the LEADER approach, associations of LAGs and LFGs, which are part of the institutional environment, under the framework of Local Development Strategies (LDS), implement Sub-measure 19.2 “Implementation of operations within the strategies for community-led local development”. The task pursued by these associations is to develop the potential of local businesses with the aid of EU funds from the Programme of Development of Rural Areas and the Operational Programme ‘Maritime and Fisheries’. For the economic growth of a region, it is important to ensure that implemented projects will have minimized the barriers to development identified in a given region. Compatible actions, relying on effective, accurate, useful and efficient use of funds, are fundamental to the shaping of local social and economic development [Chevalier, Claude-Maurel 2010, Halamska et al. 2010].

The EU programme LEADER constitutes a significant instrument stimulating entrepreneurship in agricultural areas, including the territory of the Province of Warmia and Mazury, which still remains on a relatively low level of economic development. The value of GDP per capita in current prices was PLN 34.5 thousand in 2016, which corresponded to barely 71% of the country’s average GDP per capita (13th place among all 16 provinces in Poland). As demonstrated by the study of Magdalena Wojarska and Renata Marks-Bielska [2015], there was a slight positive correlation between allocated EU funds and local development. Representatives of municipalities, included in that study, pointed to the significant role of EU funds in creating regional development, and their high share in the budget of local administrative units. It is, therefore, important to make an analysis concerning the influence of the above programme on the level of regional development.

**RESEARCH MATERIAL AND METHODS**

The main aim of this study has been to diagnose and assess the impact of support on the implementation of measures proposed in strategies of local development on rural areas driven by communities living in the Province of Warmia and Mazury. The accomplishment of the main research objective relied on reaching interim goals, i.e.
- the determination of the number and spatial structure of active LAGs and LFGs,
- the identification of the number and value of agreements drawn under the framework of Sub-measure 19.2,
- the assessment of the validity of the above agreements with respect to the development barriers in the province.

The analyses were made on the basis of secondary data from online resources of the Ministry of Agriculture and Rural Development, the National Network of Rural Areas, the Marshal’s Office of the Province of Warmia and Mazury, the Central Statistical Office, and Local Action Groups as well as Local Fishery Groups in the province. The research was

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2 Assessment of the development level was made for two points in time – 2006 and 2012.
conducted using the desk research method and analysis of statistical data. Data concerning
the number and value of signed agreements are given as of 30 September 2018. Information
about the development of the province and the region’s weaknesses originated from
and economic development”.

RESEARCH RESULTS

The formation of networks of cooperation is one of the determinants of socio-economic
growth. Greater trust between all players and better understanding of mutual initiatives
should lead to stronger relations between network members and the better effectiveness
of their operations. In the analysed region, there are 10 Local Action Groups and 2 Local
Fishery Groups operating in rural areas. The biggest number of municipalities are associ-
ated in the Gate to Mazury LAG (Brama Mazurskiej Krainy) (13 municipalities), followed
by two other groups with 12 municipalities each: The Elbląg Canal Connects Us LAG
(Łączy Nas Kanal Elbląski) and the Warmian Nook LAG (Warmiński Zakątek). Quite a
few municipalities are associated in Leader in the Elk Gołdap Olecko Region LAG (Lider
in EGO) (11 municipalities) and in the Partnership of North Warmia and Elbląg High Plain
LAG (Partnerstwo Północnej Warmii i Wysoczyzny Elbląskiej) (10 municipalities). The
majority of LAGs covered an area of 8 municipalities, i.e. the Masurian Sea (Mazurskie
Morze), South Warmia (Połu dniowa Warmia), Lubawa Land (Ziemia Lubawska), The
Land of the Drwęca and Pasłęka Rivers (Kraina Drwęcy i Pasłęki); the smallest number
of municipalities was engaged in the Bartia LAG (Barcja) with 4 member municipali-
ties (Figure 1). The fact that 99% of all municipalities in the region\(^3\) belong to LAGs or
LFGs of the Province of Warmia and Mazury may testify to the high quality of coopera-
tion within these groups. There is only one municipality, the urban-rural municipality
of Lidzbark that belongs to a LAG affiliated with the Province of Masovia, which may
have been caused by its geographical proximity rather than by the higher quality of this
association from another province.

Local associations were relatively active in comparison with analogous organisations
seated in other Polish provinces, which reflects the relationship between the concluded
agreements and functioning associations. Although the LAGs and LFGs founded in the
Province of Warmia and Mazury represent just 3.5% of all LAGs and LFGs in Poland
(325), they signed 482 agreements for co-funding under Sub-measure 19.2, which corre-
sponds to 5.5% of all agreements in the country (8,742). The average number of contracts
concluded by associations in the voivodship was almost twice as high as the national
average (27 contracts) and amounted to 40 agreements for one association.

For local socio-economic development, it is crucial to ensure complex forms of support
using available funds to be allocated under a given programme. It is important that the
actions implemented lead, as much as possible, to the elimination or reduction of identi-
fied barriers to the development of a given region. The expected outcome of such actions

\(^3\) Of all municipalities satisfying the membership criteria. Urban municipalities: Bartoszyce, Działdowo,
Elk, Giżycko, Ilawa, Kętrzyn, Mrągowo, Ostróda, Szczytno, Elbląg, Olsztyn, do not meet the criteria.
should consist of an improved standard of living, better conditions for business activity, and finally the further socio-economic development of the region [UMWW-M 2019].

The weaknesses diagnosed in the draft strategy for the Province of Warmia and Mazury are a low level of entrepreneurship among residents and their modest wealth, an under-developed network of cooperation between quadruple helix representatives, and poorly developed social capital and competences. Other key problems of the region include inadequately developed infrastructure – roads, technical facilities, power transmission grids as well as telephone and Internet connections. A modest sense of regional identity, including poor knowledge about local heritage, especially among young people, is considered to be another obstacle to regional development. The diagnosed weaknesses of the province mostly affect areas with a low level of urbanisation [UMWW-M 2019].

The agreements concluded by local associations applied to the problem areas of the region. The undertaken activities create an opportunity to transform the voivodship’s weaknesses into advantages. Most projects under Sub-measure 19.2 (261) were directly connected with the development of entrepreneurship in rural areas, i.e. starting (169) and developing business activity (92). In 2018, only 89 economic entities per 1000 population
were registered in the voivodship, placing the voivodship in 13th position in the country. A relatively low level of the entrepreneurship indicator justifies the need to support economic activity in the region. As a result of the initiative, it was possible to develop existing companies and create new ones (including startups) e.g. Nutritional counseling – Agata Dereszewska, Pryba Id Błażej Pryba (Lubawa Land), Lerymond Ewa Sumiła – innovative wood products in fashion (Gate to Mazury).

In addition, local development was reinforced by support provided under the framework of other categories of operations. A large share of signed agreements consisted of projects dealing with the modernisation or construction of non-commercial infrastructure (134): for tourism, recreational or cultural purposes. Far fewer projects (12), although significant from the point of view of economic development, were implemented to strengthen social capital in order to stimulate entrepreneurship in the region. As a result of this measure, various forms of local community activities were supported in order to strengthen cooperation between local community and socio-economic development support. Examples of undertaken initiatives under Sub-measure 19.2 include: workshops – "From yarn to material" ("Od przędzy do tkaniny"), "Łęgajnowskie Cooking" ("Łęgajnowskie kulinaria"), "Arts and crafts Łęgajny" ("Artystyczne Łęgajny") (South Warmia), "From Copernicus’s discoveries to star wars" ("Od odkryć Kopernika do gwiazdnych wojen"), creating a recreational infrastructure in Kuraszewo village (Warmian Nook) or purchasing tourist infrastructure (Partnership of North Warmia and Elbląg High Plain).

A significant factor affecting economic growth in the province is the road infrastructure, which is still generally worse than elsewhere in Poland. In order to improve it, and increase external and inter-regional transportation accessibility of the region, 20 contracts have been signed for building or modernizing public roads. As a result of the under Sub-measure 19.2, it was possible to i.e. reconstruct a municipal road in Bardyny and Lipowina (Partnership of North Warmia and Elbląg High Plain).

Any assessment of the support given to the development of entrepreneurship in rural areas needs to consider both the number of projects and the amount of funds allocated to particular types of operations. The total value of funds allocated to the support of local development under the framework of LEADER Sub-measure 19.2 in the province of Warmia and Mazury reached approximately PLN 119.8 million (in the time frame of 2014-2020). The total sum of contracts signed to provide support to the region over the analyzed time period equaled about PLN 53.6 million, which constituted 4.6% of the value of all contracts drawn in Poland (PLN 1,170.4 million).

The highest amount of funds provided to execute the contracts signed in the Province of Warmia and Mazury under Sub-measure 19.2, same as for their number, concerned operations directed at supporting local development (PLN 18.5 million) and starting economic activity (PLN 11.8 million). These two categories together made up 57% of the total value of all signed contracts. From the viewpoint of local development, it is also important that the created image of a given region is of an attractive place of living and making investments. This is particularly true in the situation where problems caused by diminishing populations (in particular young people) and low level of professional initiative have already been identified in the region. The latter is additionally dependent on summer jobs in tourism. Hence, it is justified that LAGs and LFGs undertake initiatives...
dealing with the construction or modernization of non-commercial infrastructure (PLN 15 million), projects to preserve local heritage (PLN 1.1 million) and campaigns designed to promote rural areas (PLN 0.2 million). As a result of these measures, funds were allocated to i.e. the production and promotion of traditional, local food and jewellery (Partnership of North Warmia and Elbląg High Plain).

The key problem still persisting in the Province of Warmia and Mazury is the low level of external and intraregional transportation accessibility, which has an impact on the quality of life and conditions for conducting business activity. Thus, it is important to support the highest possible number of projects aimed at gaining improvement in this sector. The share of funds allocated to the construction or modernization of public roads under Sub-measure 19.2 was merely around PLN 2.5 million (Figure 2).

The implementation of projects under Sub-measure 19.2 should result, as much as possible, in the alleviation of weaknesses identified for the province. The funds allocated to perform the planned operations enabled beneficiaries to set up new businesses or develop existing companies in rural areas. Support given to pro-development initiatives in the region is additionally strengthened by the implementation of other operations under Sub-measure 19.2. Projects dedicated to the development of non-commercial infrastructure, road infrastructure, social capital or projects aimed at strengthening cooperation between local businesses contribute to local development. Improved access to road transportation, or the modernization of facilities dedicated to tourism, recreational or cultural purposes can act as a significant factor that shapes the region’s living conditions and investment attractiveness. Moreover, the implementation of community-driven, bottom-up initiatives enhances the sense of local identity and community.
SUMMARY

The development of rural areas of the Province of Warmia and Mazury is stimulated inter alia by Sub measure 19.2. “Implementation of operations within the strategies for community-led local development”, which is part of the EU programme LEADER. The biggest number and total value of performed projects concerned the setting up and developing of businesses. Supporting the development of entrepreneurship was specified as an aim in 169 agreements (worth PLN 11.8 million) dedicated to the setting up of companies, and 92 projects (PLN 18.5 million) where the goal was to continue the further development of companies. Selected categories constituted the most important form of support to local development, and were additionally supplemented by projects aiming at developing infrastructure, stimulating social capital and enhancing a sense of local identity, as well as strengthening mutual cooperation between representatives of the quadruple helix.

The implemented actions respond to the identified weakness of the region, i.e. an outflow of the population which may decelerate or even halt negative trends observed in this area; on the other hand, it can strengthen the positive consequences of the implementation of projects funded from Sub-measure 19.2, i.e. the development of entrepreneurial attitudes. The expected outcomes of the funds being allocated accurately and spent efficiently is the betterment of quality of life and the improvement of the environment for conducting business activity in rural areas.

The current direction of support in the voivodship should be maintained, at the same time, intensifying activities in shaping social capital and strengthening cooperation between local community should be increased. This will allow for further intervention in problem areas of the region e.g. weak consistency communication, low level of social capital and regional identity, local cooperation network or uneven level of development in the region. Maintaining the balanced and complex character of the support provided to date under Sub-measure 19.2 should lead to the alleviation of weaknesses identified for the province. As a consequence, socio-economic development in the region’s rural areas will be stimulated.

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**WSPARCIE ROZWOJU OBSZARÓW WIEJSKICH W RAMACH LOKALNYCH STRATEGII ROZWOJU**

Słowa kluczowe: kooperacja, program LEADER, lokalne grupy działania, obszary wiejskie, rozwój regionalny, rozwój społeczno-gospodarczy

**ABSTRAKT**

Rozwój społeczno-gospodarczy determinowany jest funkcjonowaniem dobrze prosperujących przedsiębiorstw. Wpływ na poziom przedsiębiorczości ma wiele czynników, w tym takie jak możliwość kooperacji i tworzenia powiązań sieciowych oraz jakość kapitału społecznego. Kluczowe w realizacji tych założeń jest wzmocnienie ekonomicznej i społecznej aktywności mieszkańców. Umożliwia to poddziałanie programu LEADER „Wsparcie na wdrażanie operacji w ramach strategii rozwoju lokalnego kierowanego przez społeczność”. Głównym celem badań była diagnoza i ocena tego działania na obszarach wiejskich województwa warmińsko-mazurskiego. Analizy przeprowadzono na podstawie danych wtórnych z wykorzystaniem metody badawczej desk research oraz metod statystycznych. Rozdysonowane środki finansowe w ramach 482 umów podpisanych w poddziałaniu 19.2 dotyczyły przede wszystkim podjęcia i rozwoju działalności gospodarczej na obszarach wiejskich (261 umów o wartości ok. 30 mln zł). Dodatkowo środki przeznaczono na poprawę sytuacji w zidentyfikowanych słabych obszarach regionu dotyczących m.in. słabej spójności komunikacyjnej, niskiego poziomu kooperacji i kapitału społecznego. Realizacja operacji w ramach poddziałania prowadzić powinna do ograniczania barier rozwojowych na obszarach wiejskich regionu, stymulując jednocześnie rozwój społeczno-gospodarczy województwa.

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