

# Evaluation of support for non-agricultural activities in Slovakia in the period 2007-2013 through the Rural Development Programme 2007-2013

## Zhodnotenie podpory nepoľnohospodárskych aktivít v období 2007-2013 prostredníctvom Programu rozvoja vidieka 2007-2013

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### Abstract

Rural Development Programme of the SR (RDP SR) 2007-2013 represented a comprehensive programme document for funding from the European Agricultural Fund for Rural Development (EAFRD) in the programming period 2007-2013. The RDP SR 2007-2013 supported many activities related to agriculture, forestry industry, livestock production, tourism and agro-tourism. Following goals of the EAFRD were supported by the RDP SR 2007-2013: Increasing the competitiveness of agriculture, food and forestry sector; Improving the environment and landscape; Improvement of life in rural areas and Diversification of the rural economy. The last mentioned activity: Diversification of the rural economy was supported in the previous programming period by the Axis 3: Quality of life in rural areas, Measure 3.1. Diversification into non-agricultural activities. The objective of this paper is to evaluate the implementation of the Measure 3.1. The paper focuses on content evaluation of supported projects and spatial and financial allocation of request for non-repayable financial contribution. The first part of the paper is focused on the submission of request for non-repayable financial contribution: call for proposals, supported documents available for applicants, preparation of projects and their submission. The second part of the paper is oriented on evaluation of submitted projects by the Agricultural Paying Agency and payments for beneficiaries. The third part of the paper is oriented on evaluation of realization of projects with emphasis on problems on both sides: on the side of beneficiaries and on the side of the Agricultural Paying Agency. The goal of the paper is to show problems which occurred in all phases of realization of projects under the measure 3.1 with the aim to avoid the appearance of the same problems in following programming periods.

**Keywords:** Agricultural paying agency, diversification, evaluation, project, Rural development programme of the SR 2007-2013

## Abstrakt

Program rozvoja vidieka SR (PRV SR) 2007-2013 je komplexný programový dokument na financovanie činností súvisiacich s poľnohospodárstvom, lesníctvom, živočíšnou výrobou, cestovným ruchom a agroturistikou prostredníctvom Európskeho poľnohospodárskeho fondu pre rozvoj vidieka (EAFRD) v programovom období 2007-2013. Cieľmi PRV podporovanými v období 2007-2013 boli: zvýšenie konkurencieschopnosti poľnohospodárstva, potravinárstva a lesného hospodárstva, zlepšovanie životného prostredia a krajiny a zlepšenie života vo vidieckych oblastiach a diverzifikácia vidieckeho hospodárstva. Poslednú zmienenu oblasť: diverzifikácia vidieckeho hospodárstva podporovalo opatrenie 3.1 Diverzifikácia smerom k nepoľnohospodárskym činnostiam Osi 3: Kvalita života vo vidieckych oblastiach. Cieľom tohto článku je zhodnotenie implementácie opatrenia 3.1. Príspevok sa zameriava na vyhodnotenie obsahu podporovaných projektov a priestorovú a finančnú alokáciu žiadostí o nenávratný finančný príspevok. Prvá časť práce je zameraná na podanie žiadostí o nenávratný finančný príspevok: výzva na predloženie projektov, podporné dokumenty pre žiadateľov, prípravu projektov a ich podanie. Druhá časť práce je zameraná na hodnotenie predložených projektov Poľnohospodárskou platobnou agentúrou a platieb pre príjemcov. V tretej časti článku je vyhodnotená realizáciu projektov so zameraním sa na problémy na oboch stranách: na strane príjemcov, a na strane Pôdohospodárskej platobnej agentúry. Cieľom príspevku je poukázať na problémy, ktoré sa vyskytli vo všetkých fázach realizácie projektov v rámci opatrenia 3.1 tak, aby sa zabránilo vzniku rovnakých problémov v nasledujúcich programovacích obdobiach.

**Kľúčové slová:** diverzifikácia, hodnotenie, Poľnohospodárska platobná agentúra, Program rozvoja vidieka SR 2007-2013, projekt

## Introduction

Farming is the principal economic activity in most rural areas of the EU (European Commission, 2012). Actually, many farmers carry out additional activities, such as food processing and providing accommodation for tourists. This diversification of the rural economy is a source of strength which the EU supports and encourages through its rural development programmes (European Commission, 2012). But terms multifunctionality, diversification and pluriactivity are often confused in the literature (van Huylenbroeck and Durand, 2003). The working definition of multifunctionality used by the OECD associates multifunctionality with particular characteristics of the agricultural production process and its outputs:

- (i) the existence of multiple commodity and non-commodity outputs that are jointly produced by agriculture; and that
- (ii) some of the non-commodity outputs may exhibit the characteristics of externalities or public goods, such that markets for these goods function poorly or are non-existent (OECD, 2009).

Multifunctional agriculture has many dimensions, touching on the contribution of agriculture to rural development, food security and animal welfare (Potter and Burney, 2002). On the other hand the term multifunctionality is not related just to agricultural sector, but it is also related to farmer and/or farm (van Huylenbroeck and Durand, 2003).

In fact, though the literature often uses these three terms (multifunctionality, diversification and pluriactivity) as synonyms, partly because of the many ways their definitions overlap, they refer nonetheless to distinct phenomena, summed up as in the Table 1.

Table 1. Definition of the phenomenon

Tabuľka 1. Definícia javu

Concept	Unit of analysis	Definition
Multifunctionality	Agriculture / Farm	Use of the farm's resources for agricultural production and non-market outputs (e.g. landscape, organic products, quality products, on-site conservation of bio-diversity, etc.)
Diversification	Rural business (agricultural and non-agricultural)	Use of the business' resources for agricultural and non-agricultural production (e.g. photovoltaic energy, rural tourism, etc.)
Pluriactivity	Family household	Use of family resources on or off the farm.

Source: Aguglia et al., 2009

The European Union has addressed the issues of multifunctional agriculture and the diversity of views and approaches among the member countries, as a core feature of developing a Common Agricultural Policy. In practice, the EU does not require compliance to any single definition of multifunctionality but has adopted a very broad definition which individual countries can adapt to their own priorities (Cardwell, 2008). Diversification of farm activities can be interpreted as the rationale choice made by farmers to create values from these multiple functions of farming either through markets (e.g., agri-tourism or organic agriculture) or through participation to policy programmes (Finocchio and Esposti, 2008).

According to empirical literature on farm diversification and multifunctionality, the most important factors for diversification are: localization, personal motivation, and availability of production factors (mainly, physical and human capital), existence of a market for new outputs, strengthening the business for successors. Policy measures, too, may definitely play a role (Finocchio and Esposti, 2008).

Diversified rural area is able to attract resources and reverse or stop depopulation should be used as the ideal model of reference for development policies and the creation of modern rural areas (Saraceno, 2002).

## Material and methods

The aim of this paper is to present research results of implementation of the Measure 3.1 Diversification into non-agricultural activities of the Rural Development Programme 2007-2013 in Slovakia. The research was carried out in the years 2013-2015. Data for the research were obtained from the Agricultural Payment Agency (APA), Statistical office of the Slovak republic and from questionnaires.

Questionnaires were sent to 182 final beneficiaries of the measure 3.1 at the beginning of the year 2014.

The questionnaire was divided into 4 parts:

- general information on the final beneficiaries,
- questions related to preparation of projects,
- question related to realization of projects,
- financial information related to projects.

Objectives of questionnaires were to obtain information related to processes of preparation and implementation of projects, problems related to realization of project activities and their impact on companies.

## Results and discussion

Rural Development Programme of the Slovak republic is a programme document which supports projects to improve agriculture, rural development and the environment (Ministry of Agriculture and Rural Development of the Slovak Republic, 2007).

The Rural Development Programme of the Slovak republic in the programming period 2007-2013 was divided into 4 axes:

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

Axis 2: Improving the environment and the countryside

Axis 3: Quality of life in rural areas and diversification of the rural economy

Axis 4: Implementation of the Leader approach

Each axis was composed by several measures which were focused on different aspects of agriculture, environment, rural development and the Leader approach.

The Measure 3.1. Diversification into non-agricultural activities as a part of the Axis 3 was oriented on following key diversification areas:

- investments in recreational and accommodation facilities,
- reconstruction of agricultural facilities to agri-tourism facilities,

- investments in production and sales facilities for production of non-agricultural nature
- investments in premises serving for development of recreational and leisure purposes (these facilities have to be available to the public) (Ministry of Agriculture and Rural Development of the Slovak Republic, 2007).

The research on implementation of the Measure 3.1 was divided in 3 parts:

- I. Submission of request for non-repayable financial contribution
- II. Evaluation of submitted projects by the Agricultural Paying Agency and payments for beneficiaries
- III. Realization of projects.

### **Submission of request for non-repayable financial contribution**

The Agricultural Payment Agency published 4 calls for submission of requests: 2 calls in 2008 and 2 calls in 2010.

First 2 calls were published in July 2008 and the APA accepted requests from July 1, 2008 till August 31, 2008. The second call was published in February 2010 and the APA accepted Applications from April 6, 2010 till April 23, 2010.

In both cases applicant had approximately 2 months for preparation and submission of application package. According to the survey realized between final beneficiaries of the support, there was a problem with preparation of all compulsory annexes within the deadline and beneficiaries would appreciate in the future possibility to submit annexes when their request will pass through the first round of evaluation.

The APA published together with calls following supporting documents on its webpage:

1. Application form: text and table parts
2. Guideline for applicant
3. Business plan

One of the question of the survey for final beneficiaries was if supporting documents provided by the APA were clear and sufficient for preparation of the Requests. 52% of respondents indicated insufficiency of supporting documents. These facts caused that beneficiaries had to consult different part of the Application directly with employees of the APA. Beneficiaries propose for the future to provide more practical information and to simplify the application process.

The questionnaires also asked about the person/company which prepared the application for the beneficiaries. In 50 cases (37%), external company specialized on preparation of projects was responsible for preparation and submission of the Request. Specialized company prepared applications mainly in smaller companies, where human resources are limited. In majority of asked companies, internal employees prepared the application package and after its approval they were also responsible for its administration and preparation of Requests for grant and all supporting documents.

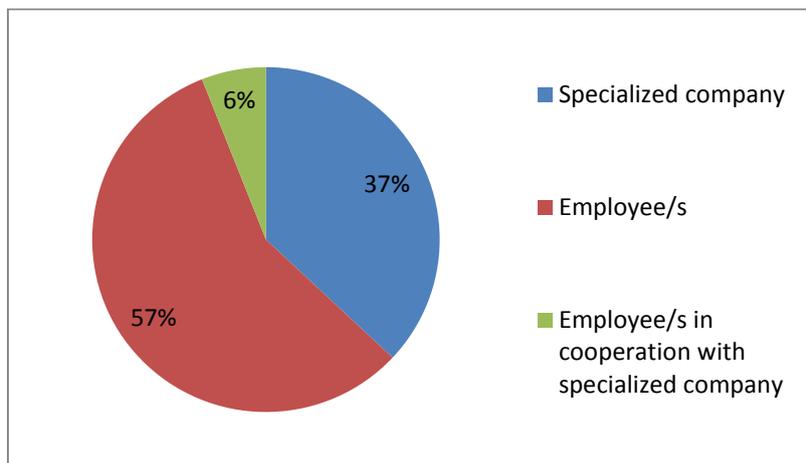


Figure 1. Preparation of projects

Obrázok 1. Príprava projektov

### Evaluation of submitted projects by the Agricultural Paying Agency and payments for beneficiaries

After submission of the project, the evaluation by the APA started. The evaluation was realized in 2 steps:

1. evaluation of the project by the APA,
2. evaluation of the project by 2 external experts.

In total 809 projects were submitted and 31% of them (250) were approved.

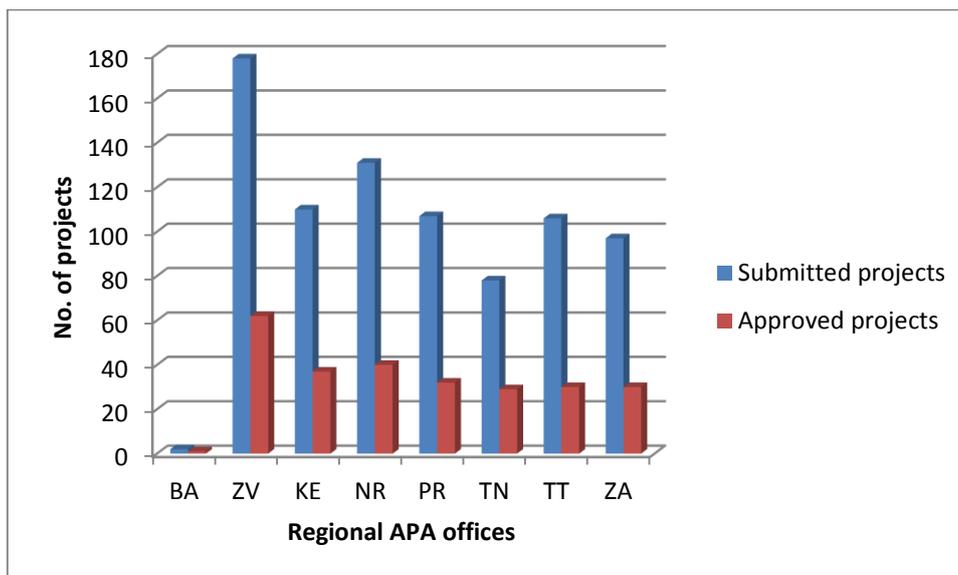


Figure 2. Number of submitted and approved projects

Obrázok 2. Počet podaných a schválených projektov

Following figure shows approved grants (division according to regional APA offices). The highest average grant was approved in Trnava region (22.174.831 EUR). The lowest average grant was approved in Bratislava region (299.728 EU).

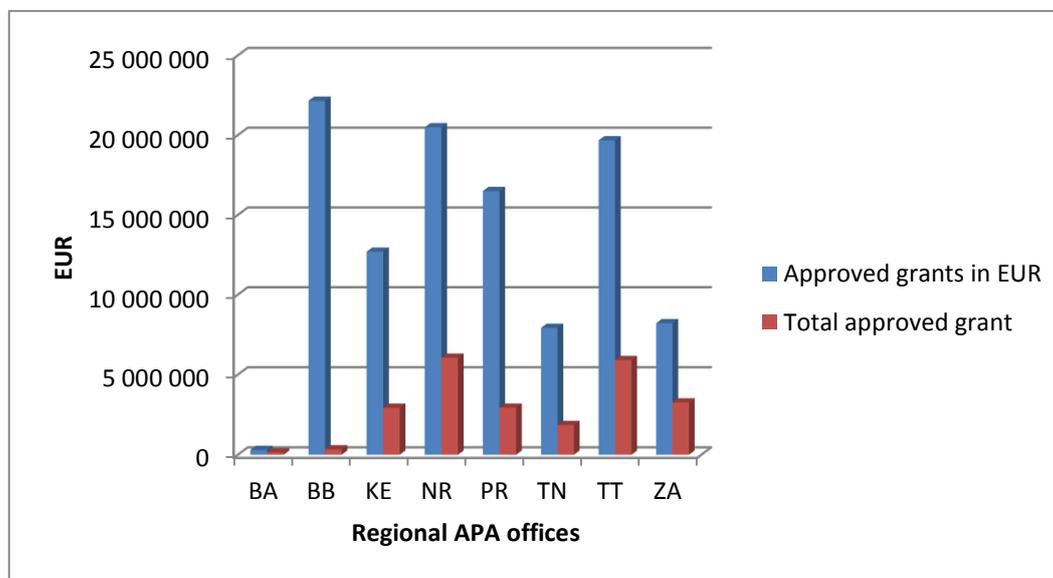


Figure 3. Approved grants  
Obrázok 3. Schválené granty

### Realization of projects

In the programming period 2007-2013 following 6 activities were supported under the Measure 3.1:

- investments in recreational and accommodation facilities,
- reconstruction of agricultural facilities to agri-tourism facilities,
- investments in production and sales facilities for production of non-agricultural nature,
- agri-tourism,
- renewable energies,
- other activities (Ministry of Agriculture and Rural Development of the Slovak Republic, 2007)..

Diversification activities in Slovakia are oriented mainly on agri-tourism. The research confirmed this fact, because almost  $\frac{3}{4}$  of projects realized under the measure 3.1 in programming period were oriented on activities related to agri-tourism:

- 53% of projects were focused on Investments in recreational and accommodation facilities,
- 19% of projects were focused on Reconstruction of agricultural facilities to agri-tourism facilities,

– 1% of projects was focused on agri- tourism.

Remaining 27% of projects supported renewable energies (10%), Investments in production and sales facilities for production of non-agricultural nature (10%) and Other activities (7%).

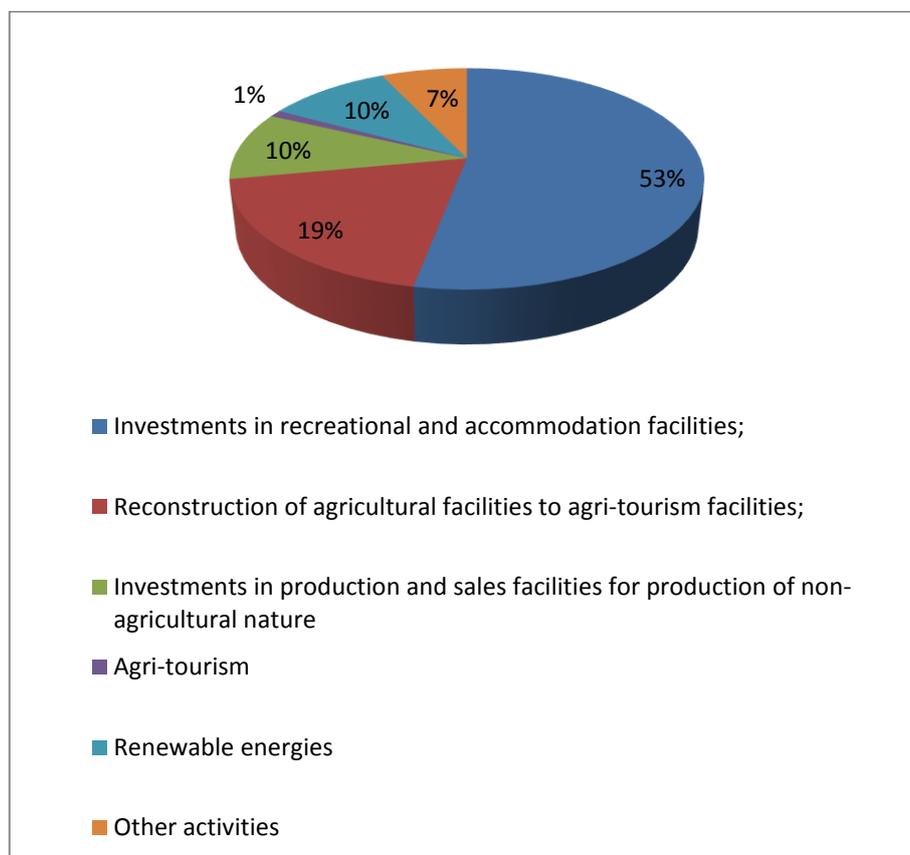


Figure 4. Types of supported non-agricultural activities

Obrázok 4. Typy podporených nepoľnohospodárskych aktivít

Problems related to realization of projects were examined through questionnaires which were sent to final beneficiaries of the measure 3.1. The return number of questionnaires was close to 75%.

According to questionnaires, main problems of final beneficiaries during realization of projects were:

- Complicated administration of projects (57%)
- Problems with financing of activities because of late payments from APA (52%)
- Lack of time for preparation of Requests for grants (41%)
- Difficult communication with APA (26%)
- Insufficient skills and experiences of final beneficiaries (18%)

## Conclusion

Projects realized in the frame of the Measure 3.1. Diversification into non-agricultural activities contributed to the development of new non-agricultural activities of final beneficiaries. Majority of them were focused on agro-tourism and their aims were to attract tourist to Slovak regions, to create new jobs and to achieve higher gross added value from non-agricultural activities. It was confirmed that these objectives were achieved, although several problems with projects implementation occurred. The main problems were connected to financing and administration of projects.

The final evaluation of the implementation will be possible after finalization of all projects after the December 2015. An important indicator which has to be taken into mind in evaluation process is the sustainability of projects.

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