

Selected problems of small municipalities financing from SAPARD scheme

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ABSTRACT

The aim of this article is to show the different level of services, basic infrastructure and transport services in the countryside. This different level is significant especially in small municipalities. Resulting from the analysis of socio-economic indicators small municipalities up to 200 inhabitants suffer with these problems most. After decreasing the employment in the countryside and the share of non-agricultural activity, the diversification of activities of agricultural enterprises towards non-agricultural activities is going to be a topical problem. It is evident from the analysis that the municipalities with a lower number of inhabitants had a smaller opportunity to gain a support from the pre-accession programmes of the EU. On average every 15th municipality with more than 800 inhabitants gained a project and, on the contrary, from the smallest municipalities with less than 200 inhabitants it was every 235th municipality. The entry was elaborated within the research framework of MSM 6007665806.

Key-words: rural development, small municipalities

INTRODUCTION

The development of the countryside will be the principal point of political reforms in the next period in the countries of European Union, following the radical reform of Common agricultural policy in 2003 – 2004. The development of the countryside is part of the EU - Pillar II priorities, where the European Union shifts resources of direct payments following a modulation.

It is supposed that during the years 2007 – 2013 16.6 million EUR (exchange rate 30 CZK/EUR), including national sources it is 20.9 million EUR, is going to be released from the financial resources of EAFRD for the development of the countryside. These resources are going to be used for the following measures:

1. Basic services for the population and economy in the countryside (a contribution from EAFRD is 6 million EUR).
2. Renewal and development of villages (a contribution from EAFRD is 5.3 million EUR).
3. Protection and development of country legacy (a contribution from EAFRD is 5.3 million EUR).

In the recent 15 years 335 thousand of vacancies have decreased in the countryside. The rate of non-agricultural production in agricultural firms has dropped from about 45 % to 15 %. Thus a very topical problem is a diversification of activities of agricultural farms towards a non-agricultural production, a foundation of new firms in the area of manufacture, trades and tourism.

It is characteristic that the countryside has a different level of services, basic infrastructure and transport services. High fund expenditures are required for a bad construction and technical state of buildings, untidy public places and lawn and planting and for neglected and decaying buildings in many villages. Measurements concerning basic services for population and economy of the countryside along with a measurement for renewal and development of villages should contribute to improvement of this state. Preservation of cultural legacy of the

countryside, increasing of knowledgeability and education of country people will refresh cultural life in the countryside.

The aim of this entry is to show that the stated problems are important especially in small municipalities (up to 1000 inhabitants) and on the other hand the fiscal revenues of these municipalities for the renewal of the countryside are insufficient.

The importance of local municipalities in the Czech Republic

The importance of small municipalities (up to 1000 inhabitants) from the point of view of all municipalities up to 2000 inhabitants could be characterized by these particulars – small municipalities represent 88.21 % out of the whole number (5616) of villages up to 2000 inhabitants. The number of small municipalities is 4954. These municipalities have a share of 65.7 % out of the whole population of country municipalities (2.68 million inhabitants). To solve problems of the small municipalities means to solve problems of almost $\frac{2}{3}$ inhabitants of local municipalities and problems of more than 88 % of all local municipalities. The population of the small municipalities is 17 % out of the population of the Czech Republic.

Population development

A relative balance of migration in the municipalities with inhabitants up to 2000 reaches 0.65 % on average. In the municipalities up to 100 inhabitants this balance is only 0.12 %, which means a low interest in permanent living in such municipalities.

A negative natural increase of population is apparent in groups of local municipalities of all sizes, and so is in the whole republic. The coefficient of natural increase of population is the lowest at the smallest municipalities (-0.69 %), at larger ones the extinction of population is relatively lower. Excluding the municipalities with less than 200 inhabitants, a positive balance of migration exceeds the negative increase of population and, thus, the total balance is positive. On the contrary, at urban population (over 2000 inhabitants) both natural balance and balance of migration are negative, so these municipalities have a relative increase of population -0.19 % on average.

Economic activity of the rural population

An economic activity, expressed by a ratio of economically active population (EAP) to total population, makes 49.3 % in the countryside, in the whole Czech Republic it is by 2.1 point higher. The lowest economic activity can be found out at the smallest municipalities with less than 100 inhabitants (45.9 %), while it is lower than 40 % at 120 municipalities. Economic activity at the municipalities up to 1000 inhabitants does not exceed 49 % on average. The activity grows nearly in a monotonic way with a rising size of a municipality.

Employment in agriculture, forestry and fishery

In the Czech Republic 230 thousand of economically active population are employed in agriculture, forestry and fishery (i.e. 4.4 %), 145 thousand out of this number live in municipalities with less than 2000 inhabitants (i.e. 11.1 % of rural economically active population). More than 1/10 of economically active population is employed in agriculture in the municipalities with less than 800 inhabitants. There is a strong correlation ($r = -0.89$) between a size of a municipality and a share of economically active population working in agriculture, forestry and fishery. In municipalities with more than 2000 inhabitants only 2.2 % of EAP work in agriculture. In small municipalities the employment in agriculture is a stabilizing factor above all for non commuting people. In that sense it would be useful to diversify agricultural activities with a goal of increasing the number of vacancies, above all in small municipalities.

Commuters

A high share of commuters is typical for the Czech Republic. The ratio of commuters to economically active population is 81.6 % in the whole republic and in the countryside it is almost the same (81.5 %). Within a region 44.3 % of EAP on average commute from local municipalities, which is more than double of the republic average. The larger a municipality is, the more vacancies there is within a municipality so that there is less necessity to commute within a region.

Reduction of a share of commuters within a region, especially at small municipalities, should be solved by increasing of vacancies in connection with a diversification of agricultural firm by building new business premises.

Unemployment

The rate of unemployment measured as a ratio of number of job applicants to EAP is quite balanced and it does not show any dependancy on a municipality size. In 2004 the rate of unemployment was from 9.5 % to 11.4 %. In a time serie 2002 – 2004 there is an apparent growth of unemployment in every group of municipalities which copies a trend of unemployment development in the Czech Republic.

Education of population

Both in the countryside (43.7 %) and in the whole republic (38 %), the most numerous group with attained education (measured as a ratio of a number of people with attained education to population older than 15 years) are the trained and the secondary educated without graduation exam. Shares of the trained are quite balanced in all size groups of municipalities. In the countryside there is an obvious share of people with basic education (28.3 %, while in the whole republic it is 23 %) but this share decreases with rising size of a municipality.

On the contrary shares of secondary educated with graduation exam and university graduated people show opposite trend. The lowest share of secondary educated is in municipalities with less than 100 inhabitants (17.5 %) and this share grows with rising size of a municipality. On average there is 19.9 % of secondary educated in the countryside and this share is higher for the whole republic (24.9 %). The share of university graduated people in the countryside is hardly half against the republic average (4.2 % in the countryside, 8.9 % in the whole republic).

Infrastructure

A different level of facilities, basic infrastructure and transport services is characteristic for the countryside. There is not any school, post office or medical facilities in the municipalities with less than 500 inhabitants. All these services need commuting. Resulting from meetings with chairmen of the municipalities, abolition of schools markedly reduced a cultural life in a village.

Less than 81 % of municipalities are laid on public water supply system, waste water disposal system is missed in 82 % of municipalities with less than 500 inhabitants. A low share of gas supply system in small municipalities needs using local heating systems. Owing to the contemporary development of gas prices it can't be supposed that the share of gas supply system will be higher. Their low revenues prevent them from developing infrastructure. Some other services are impossible to be run, such as permanent medical service, basic education etc.

Resulting from this analysis, small municipalities have a low natural growth of population, a low economic activity, a high share of commuters off a municipality, rather high rate of unemployment, a low index of education and a high share of people working in agriculture, forestry and fishery, worse infrastructure and insufficient revenues for their development. Regarding the fact that incomes in agriculture are on a low level, it could be assumed that these municipalities have a low level of incomes.

Support of small municipalities within SAPARD programme

One of important possibilities of strengthening economical situation in a municipality is to use subsidies from structural funds of the EU which can help their development in a substantial way. From that reason an evaluation of SAPARD programme was made, i. e. measures 2.1: Renewal and development of villages and 2.2: Development and diversification of farmery activities ensuring variety of activities and alternative sources of revenues.

A Long-term Financial Act between the Czech Republic and Commission of the European Communities was signed on 5th February 2001 in the Czech Republic. This Agreement represents legal and administrative frame for operating Special Accession Programme for Agriculture and Rural Development (SAPARD). This Long-term Financial Act came into effect on 22nd October 2001. The programme was focused on 3 priorities:

1. Improvement of competitiveness of agriculture.
2. Permanently sustainable development.
3. Professional help.

Permanently sustainable development of rural areas was made by means of two measures:

- Measure 1: Renewal and development of villages and development of rural infrastructure
- Measure 2: Development and diversification of activities ensuring variety of activities and alternative sources of revenues

In the course of all rounds when applications for subsidies from SAPARD were being received, 347 projects with a total requirement for financial means on the level of 45.6 million EUR were agreed within measures 2.1 and 2.2. 284 projects on the level of 34.81 million EUR were accomplished and paid out till the end of the year 2004. 124 projects on the level of 17.68 million EUR were paid out just in 2004.

The measure 2.1a Renewal and development of villages was focused on renewal and usage of registered historic landmarks, modernization of municipality flats, renewal of basic civil facilities, building new basic civil facilities, adjusting buildings or areas for business enterprise, establishing education facilities, renewal and adjustment of public areas, landscape and water areas, establishing ICT information centres, renewal and usage of other traditional local inhabitable and farmery buildings and on civil initiatives for bringing traditions and customs to life.

Within the measure more than 85 % of total public grant were paid out on renewal of basic civil facilities (52.63 %), renewal and usage of registered historic landmarks (25.25 %) and renewal and adjustment of public areas, countryside and water areas (7.7 %). Supported activities resulted in creating 750 vacancies, 50 % of them were for women. The expenditures of the beneficiaries were covered from 100 % from the EU public grants and national sources.

The measure 2.1b Development of rural infrastructure was focused on renewal of local roads including pedestrian paths bicycle lanes, building new local roads and technical infrastructure (water supply systems, sewerage systems, sewerage plants), implementation or

extending public transport, establishing production or consuming facilities for usage of renewable energy sources, salvage of assorted refuse materials, establishing facilities for usage of refuse materials. Public grants covered 98.23 % of total expenditures from beneficiaries.

Within the measure two items had the biggest share of the total expenditures: 1) establishing of new local roads (53.5 % of total expenditures) and 2) building of new water supply systems and sewerage systems (32.5 % of total expenditures). These two main activities spent 86 % of total expenditures.

The importance of subsidies from SAPARD for an individual municipality

Resulting from the analysis of financial structure of individual programmes, it is apparent that projects with lower volume of financial means (up to 333 thousands EUR) predominated. Their influence on a municipality development can be evaluated by comparing yearly budget revenues of a municipality and a volume of financial means coming out of SAPARD. From that point of view it is obvious that these projects helped above all to local municipalities. 42.1 % of municipalities with an average budget revenue up to 167 thousands EUR gained an average subsidy higher than 333 thousands EUR. It means that the subsidy was twice or more times as high than yearly volume of budget revenues of these municipalities. 36 % of municipalities had the level of yearly budget revenues equal to the subsidy.

93 % of municipalities with budget revenues up to 333 thousands EUR (an average size of the municipality is 647 inhabitants) had an average subsidy on the level of a half of their yearly budget revenues, $\frac{1}{3}$ municipalities had a higher subsidy than their yearly budget revenues.

Those municipalities with yearly budget revenues on the level of 0.5 million EUR (it is nearly a half of all local municipalities) had subsidies from SAPARD on the level of 50 % of their yearly budget revenues.

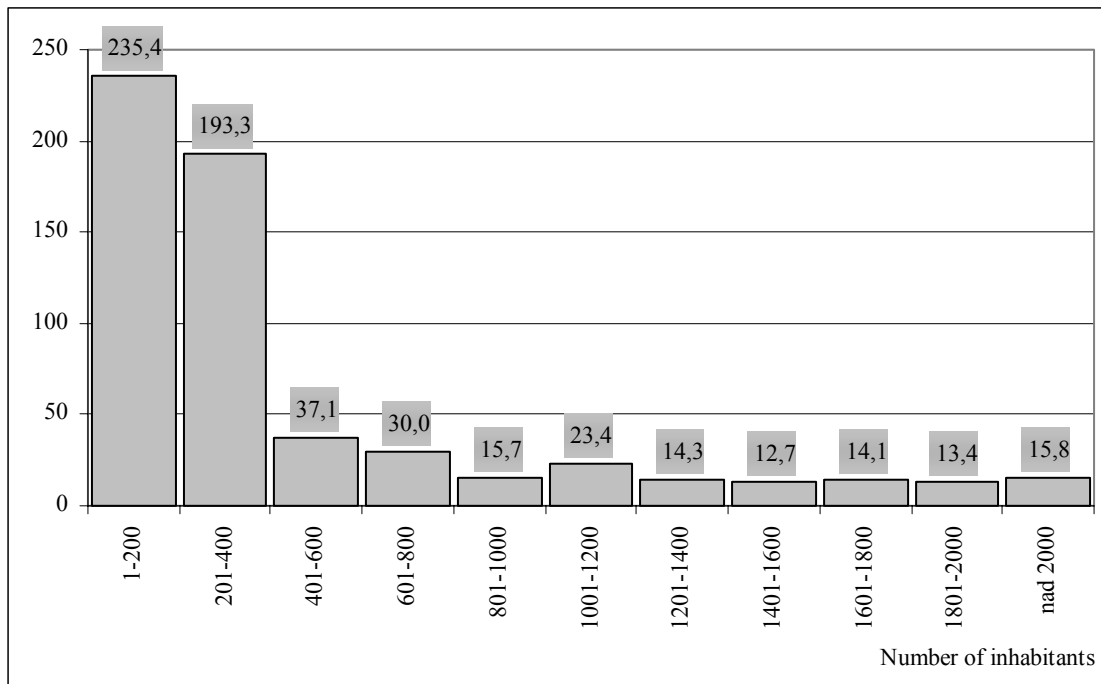
If we sum up these calculations, then it is obvious that the SAPARD programmes was very efficient at small municipalities. They could carry into effect such projects which could be realized only with a several year delay without these programmes.

A share of small municipalities in SAPARD

160 municipalities had a share in SAPARD. 120 out of 160 municipalities was local municipalities. The second biggest share had municipalities with 2001 – 4000 inhabitants which gained 26 projects (16.26 % of the total number of projects). Thus, the municipalities up to 4000 inhabitants gained 91.25 % projects.

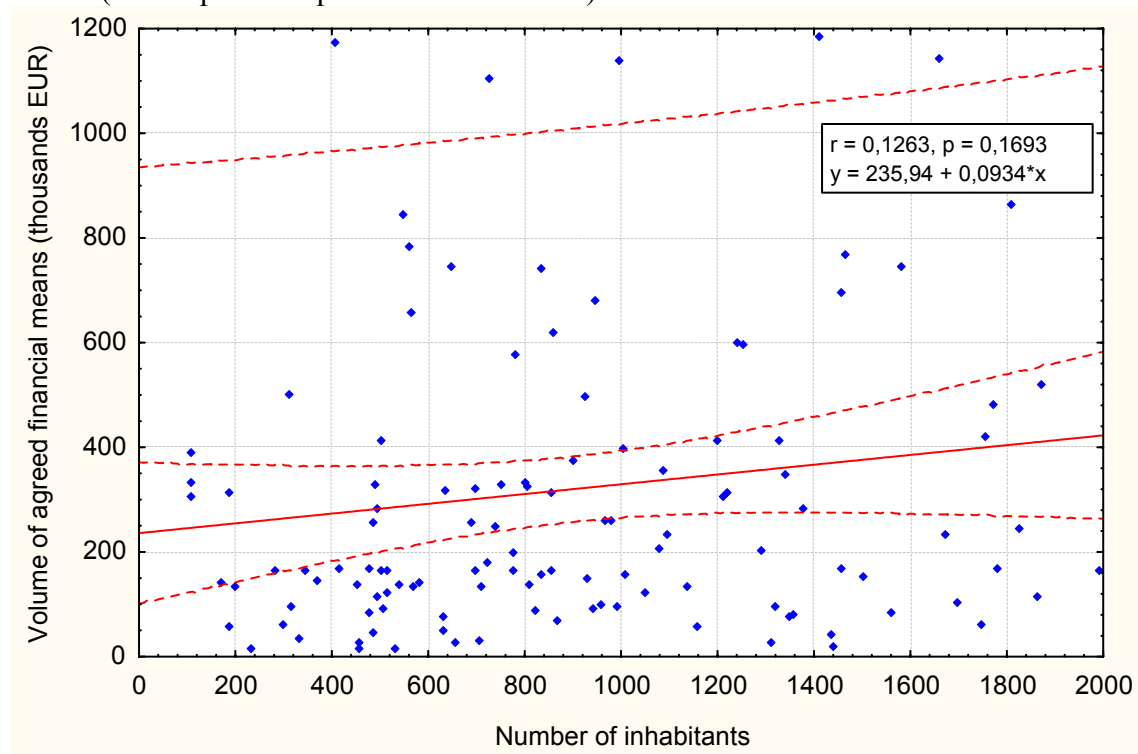
It is apparent that small municipalities had a substantially lower opportunity to gain a share in the programme when we take into account a share of municipalities and a share of inhabitants in one project. If the municipalities are divided according to the stated criterion, then it is showed that every 15th municipality out of the municipalities with a number of inhabitants over 800 gained a subsidy, on the contrary only every 235th municipality out of the municipalities up to 200 inhabitants gained a subsidy. At the municipalities with 200 – 400 inhabitants it was every 193rd municipality, at the municipalities with 600 – 800 inhabitants it was every 30th municipality. From the analysis above flows that those municipalities with a smaller number of inhabitants had a lower opportunity to gain a support from SAPARD.

Figure 1 A share of a number of municipalities and a number of agreed projects



An average subsidy for smaller municipalities was lower than for large ones. The subsidy for the municipalities up to 600 inhabitants did not exceed 266 thousands EUR, for the municipalities with 200 – 400 inhabitants it was only half but for those with more than 800 inhabitants the subsidy exceed 333 thousand EUR in most cases.

Figure 2 Dependence between a number of inhabitants and a volume of agreed financial means (municipalities up to 2000 inhabitants)



CONCLUSION

SAPARD was an important programme because it significantly contributed to a development of local municipalities by its projects. The projects enhanced a possibility of financing individual small municipalities – it means that they gained more than double of their yearly budget revenues.

On the other side, if we take into account a number of project, a count of municipalities and a number of agreed projects, then we find out low representation of small municipalities in SAPARD. It meant that a municipality had to finance the whole project from its budget and after finalisation it gained financial means from SAPARD. This fact was unacceptable for many municipalities and lead to a low frequency of handed projects.

The programme for rural development is prepared for the years 2007 – 2013 and it is going to be financed from European Agricultural Fund for Rural Development (EAFRD). The total volume of financial means separated for rural development is 20.9 million EUR. It would be useful to ensure a guarantee for temporary financing till a project is accomplished, so that small municipalities (800 – 1000 inhabitants) could use this programme. The mentioned financing will be a considerable acceleration element for a development of small municipalities. Without such or a similar measure it can not be expected that a share of these municipalities in projects of rural development will be markedly higher.

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