

# **EXTENT OF EUROPEAN UNION FUNDS GAIN BY FIRMS OF HOTEL AND CATERING LINE IN WARMIA AND MAZURY VOIVODESHIP**

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## **ABSTRACT**

The aim of the work was to indicate potential barriers accompanying micro- and small firms of hotel and catering line in subsidy gaining and to analyze the extent of union funds utilization. The method of firm opinion exploration by poll sent by mail was applied.

The most important barriers in applying for funds were law and financial matters. Most frequently funds obtained from European Union funds were utilized broaden firm product or service offer, firm foundation, next – creation of new working places. No firm stated that received subsidy did not improved its competitiveness on the market.

**KEY WORDS:** EU fund, hotel, catering, SAPARD, PHARE, SPO

## **INTRODUCTION**

As an effect of almost 5 years of negotiation Poland has integrated with 15 countries composing European Union on May the 1<sup>st</sup> 2004. As a new UE member Poland has accepted as a whole European law regulations. In the forthcoming years resources from the structural funds will support development of those regions which will need them [1]. Nevertheless, the most important factor to level the development standard of Polish regions to other regions of EU countries will be the extent of the funds absorption and utilization. UE funds can elevate financial situation of firms, that would be reflected in the region development. This kind of support is especially important for micro- and small enterprises, that comprise most of the firms of hotel and catering line in Warmia & Mazury voivodeship [2].

The aim of the work was to indicate potential barriers accompanying micro- and small firms of hotel and catering line in subsidy gaining, to analyze the extent of union funds utilization and to assess the beneficent knowledge of the financial support sources.

## **MATERIAL AND I METHODS**

Enterprises reckoned by PKD (Polish Classification of Activity) among section 55 – *Hotels and restaurants* were investigated. The experimental material was 55 questionnaires properly filled in (95% of basic sample). So called agrotourist farms were 55% and the remaining 45% were restaurants. Micro- enterprises were in the greatest number (87%) and small ones were of 13%. Most firms were active during 6 to 15 years (62%); those existing less then 5 yrs made 29% and from 16 to 35 yrs - 9% only.

Method of the indirect survey measure and technique of mail survey were applied. A letter explaining the aim of the study and an returnable addressed envelope with stamp were attached. Nevertheless, only 65% of the questionnaires were filled in and sent back to University. The analysis of the responses were performed with Statistica 7.0 software.

## **RESULTS AND DISCUSSION**

Development of agrotourism is one of the priorities for Warmia & Mazury voivodeship [3] which is not much industrialized, but with landscapes and nature of high value [4, 5]. Till now, no studies on influence of accession of Poland to EU on small and medium enterprises of hotel and catering line were conducted.

Writing the project was the most important barrier for 35% of the beneficents (Fig. 1). This activity demands much time of the applying person; they consider the form being too complicated. Next important obstruction reported by the respondents was the demand of presentation of very many documents (29%). About 24% of the respondents consider that necessity of covering costs in the initial phase totally by themselves and considerably long time of waiting for the partial repayment was a serious problem for them – most of the

enterprises did not have enough money to pay for the investment by themselves and they were afraid of being involved in debt. Some other obstructions were also pointed out (6%) and outstanding payments for various institutions disqualifying to apply for fund were pointed out most often. Only 6% of the answers reported that there were no problems at the application process.

Correct preparation of the application form was almost three times more difficult for restaurant owners than for agrotourist enterprise holders (Fig. 2). To complete all the necessary documents was a barrier in the process of application for 40% of the agrotourist firms and only 14% for restaurants. Lack of their own funds was a similar problem both for restaurants and agrotourist firms: respectively, 29 and 20%. 10% of agrotourist properties reported no problems in applying for funds (every restaurant had any obstruction) and 10% could not apply because of outstanding payments for various institutions.

About 44% of responding firms designed the received money for creating new products and services (Fig. 3). The fourth of respondents devoted the UE funds to create a new firm. To create new working places and for publicity, respectively, 13 and 12% were spent.

The 67% of restaurant owners declared to devote funds to develop new products or services (Fig. 4) and it was twice less in comparison to agrotourist firms holders (30%) spending the money for new activities and founding their firm. It has been found that only some agrotourist firms devoted the gained funds to create new working places (20%) and to enlarge hostel base and to increase service standard (10%). Financial support of 10% of the agrotourist firms and 17% of the restaurants were spent for publicity. Value of the support ranged from 20 000 PLN to 120 000 PLN in the case of agrotourist firms and from 25 000 PLN to 200 000 PLN in the case of restaurants.

Fig. 5 and 6 present programs to which contractors applied for EU funds. Programme SAPARD supported 62% of the agrotourist firms. Report of Polish Ministry of Agriculture

and Rural Development on realization of the SAPARD Programme [6] informed that until September 30, 2000 the Agency for Restructuring and Modernisation of Agriculture contracted among Action 4 4856 agreements for 439.18 mil PLN (329.39 mil PLN from UE deposit). The Action supported investments resulting in new sources of additional income in agricultural farms, new working places outside agriculture on the rural areas and development of public tourist infrastructure in rural regions. Until December 31, 2004 beneficiaries realized (received the repayment) 1085 projects, for which 69.92 mil PLN (52.44 mil PLN from UE deposit) has been paid. The 25% part of respondents declared application to PHARE programme and 13% to a programme SPO (Sectoral Operational Programme Restructuring and Modernization of the Food Sector and Rural Development). In a Report on Realization State of SPO Restructuring and Modernization of the Food Sector and Rural Development [7] Ministry of Agriculture and Rural Development stated that in within the Action 2.4 named: Supporting of Changes and Adjustments in Agricultural and Food Sector in Poland to Assure of Diversity of Action and Alternative Income Sources, 4170 applications in the whole Poland (222 in Warmia & Mazury voivodeship) for 307.12 mil PLN have been offered. In the whole country 1184 contracts for financial support of projects were signed for total sum of 85.02 mil PLN and 448 applications for total sum of 29.3 mil PLN were accepted. Number of realized remittances amounted to 44 for a sum over 2.8 mil PLN.

The restaurant owners applied for funds from PHARE Programme (60%) and SPO (Sectoral Operational Programme Increase of Improvement of the Competitiveness of Enterprises – 40%) only (fig 6).

## **SUMMARY AND CONCLUSIONS**

Analysis of the questionnaires and programme documents showed that for small and medium enterprises subsidies were offered to support investments to improve quality of products and services being offered and to supply advisory services of high quality.

Moreover, activity to create new working places and personnel growing up and enterprise publicity met also support. This areas are recognized as the most important in support of competitiveness at the market.

Analysis of the questionnaire responses led to conclusions:

1. The main barriers for application were too complicated procedure and lack of the own money. The enterprises that were beneficents of the EU funds pointed out also at the long time of waiting for the repayment. Unless the procedures will not be simplified, small and medium enterprises will be discouraged to apply for cover the costs of investments from EU funds.
2. The received support by the EU fund was strongly helpful in broadening the product/service offer of the firm applied.
3. In the future some actions should be undertaken to make enterprises devoting more funds for development of human resources.

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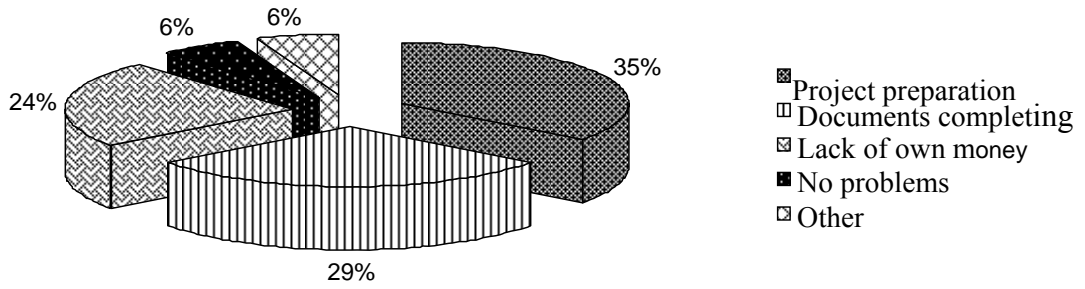


Fig. 1. Barriers noted during application for UE funds as reported by all respondents who received the support

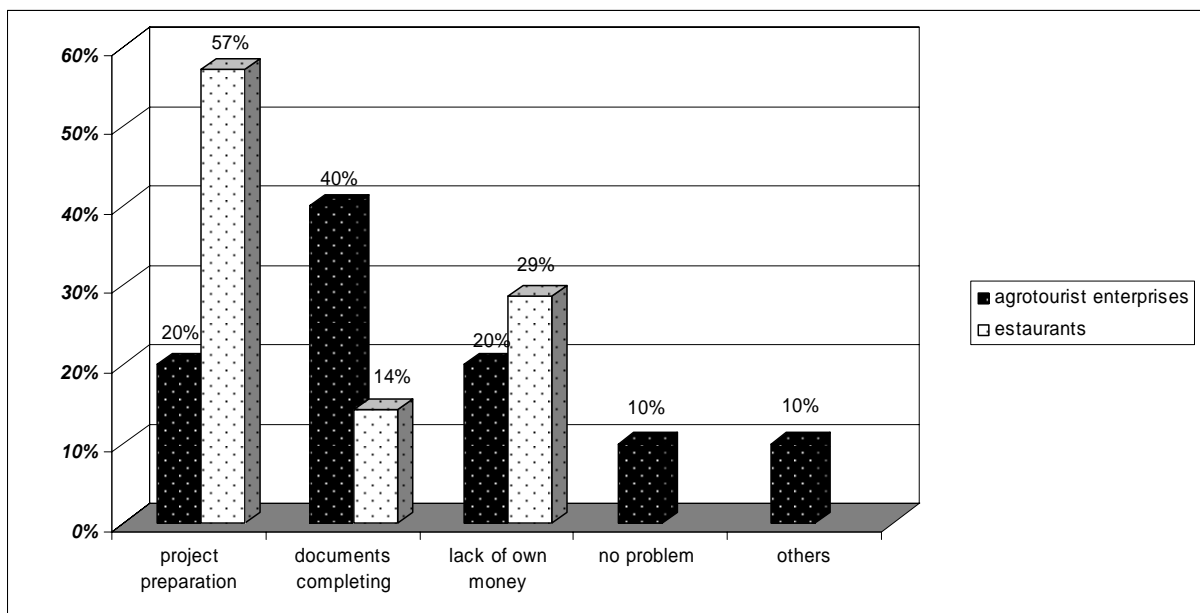


Fig. 2. Barriers noted during application for UE funds with division after trades

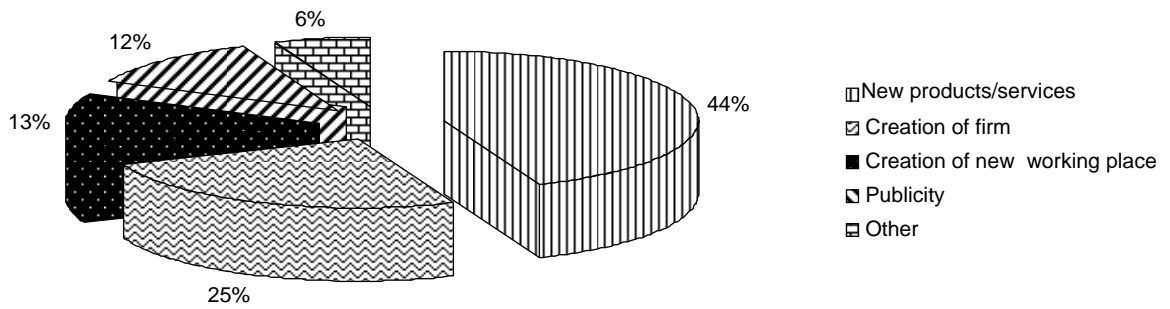


Fig.3. Destination of the EU funds

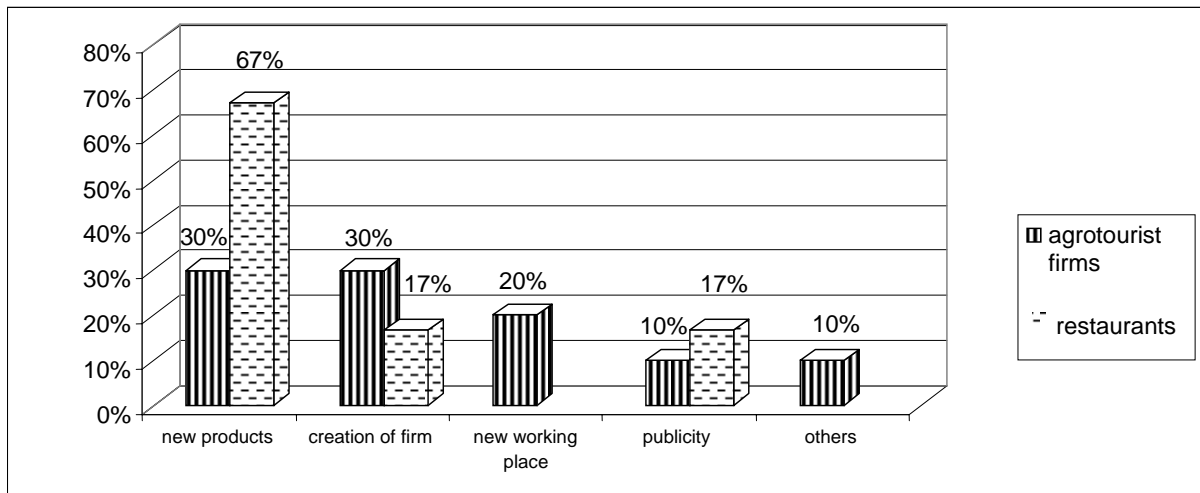


Fig.4. Destination of the EU funds with division after trades



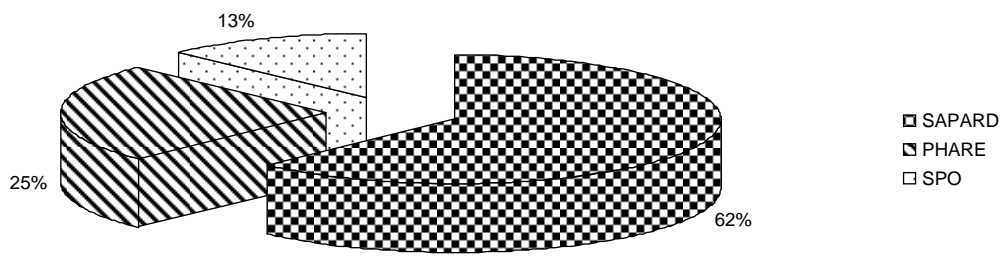


Fig.5. Supporting programmes gained by the agrotourist firms

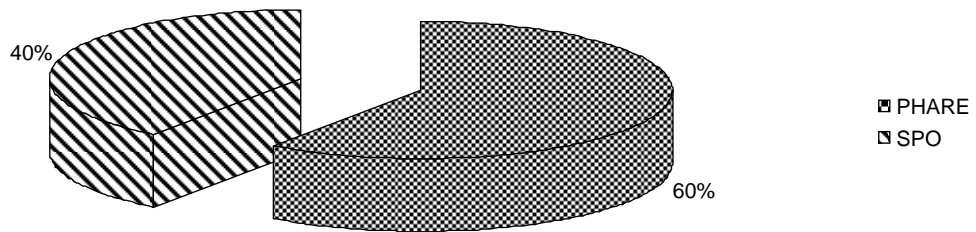


Fig.6 Supporting programmes gained by the restaurants