



Original Contribution

**ASSESSING EU POLICY IMPACTS ON THE MULTIFUNCTIONAL
CHARACTERS OF RURAL AREAS**

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ABSTRACT

Rural areas are not homogenous. Their heterogeneity is a precondition for simultaneous appearance of various functions – economic, social and environmental. Rural areas imply multifunctionality and their multifunctional characteristics are ground for implementation of various policies that support environment, social and economic functions. The paper aims to review EU policies that have direct and indirect impact on multifunctional characteristics of rural areas. Potential impact of EU policies is assessed in three domains – economic, social and environment. In each domain expected effects are assessed from the point of multi-functionality. Potential impact in economic functions is expected in production of commodities; provision of monetary income and access to consumer markets; food safety (quality and maintaining productive potential); diversification or rural activities (through development of new activities related to farming). Potential impact in social functions is expected in establishment and maintenance of social ties; keeping young generations in rural areas; decreasing the migration to urban areas; improving age structure of farmers; preserving and maintaining cultural capital; preservation of rural communities and the status of each individual within those communities. Potential impact in environmental function is expected in environmental protection; ecological/bio – farming; afforestation of rural areas; preserving biodiversity; preserving natural resources

Key words: Rural areas; EU policies; Multifunctionality; Policy impact assessment

INTRODUCTION

Rural areas and their communities make a vital contribution to the prosperity of the European Union and in Bulgaria also. They represent 91 % of the EU territory and over 56 % of its population, respectively 81% of the Bulgarian territory and 42% of the population [1].

Rural areas are not homogenous. Their heterogeneity is a precondition for simultaneous appearance of various functions – economic, social and environmental. Rural areas imply multifunctionality. [2, 3, 4] The assumption of the multifunctional character of the rural area implies the multiplication of roles that this territory has in the society. The

new roles (ecologic, socio-cultural, etc.) are assumed as far as the rural society perceives their importance, as well as the benefits generated by this new vision and it is able to fructify the new opportunities (new occupations, funding sources) that it might benefit from by assuming the new roles. [1]

Multifunctional characters of rural areas are basis for implementation of various policies that support environment, social and economic functions. All of them show an active policy of the European Union towards rural development.

The *paper aims* to review *EU policies* having direct and indirect impact *on multifunctional characters of rural areas*. Subject of analysis are Cohesion and Rural Development policies, and relevant financial instruments – European Agriculture Rural Development Fund (EARDF) and Structural Funds (SFs). Potential impact of EU policies is assessed in three

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domains – economic, social and environment. [3]

The paper is structured as follows. Section one of the paper is Introduction. In Section 2 we present a review of the concept of multifunctionality and rural areas in Bulgaria. Section 3 presents a review of the EU policies, namely Cohesion Policy and Rural Development Policy. In Section 4 is presented applied methodology. In Section 5 we analyze the potential impact of EU policies in three domains – economic, social and environment, to the rural areas' multifunctionality. Conclusions of the study are given in Section 6.

THE CONCEPT OF MULTIFUNCTIONALITY AND BULGARIAN RURAL AREAS

The concept of multifunctionality is discussed for the last two decades. The literature review reveals different viewpoints and evolution of the concept. Multifunctionality is associated with agriculture and its capacity to produce food and fiber simultaneously with non-market goods (landscape, rural vitality, food safety etc.). Both are linked with land use and measure “the amount of commodity and non-commodity outputs jointly produced by a piece of land or an activity”. [5] In this regard multifunctionality of agriculture complements multifunctionality of rural areas. From other side multifunctional agriculture is related to the changing needs and demands of consumers and society either to the agriculture and rural areas. Agriculture and rural areas represent the interactions between multiple dimensions, multiple sectors, multiple stakeholders, multiple levels, etc. [4] Multifunctionality includes rural economy independency, better education and health services, new jobs, biological diversity, clean water and air, food quality and safety, farm animal welfare, landscape values, etc. Farmers build new relationships between agriculture and society, between local residents and seasonal tourists, between village and city. The rural space is meeting point and farming co-exists with other land uses activities– forestry, tourism, recreation, etc. [2, 4]

Considering all these aspects and viewpoints the definition on multifunctionality for the paper purposes is: multifunctionality is the multiple benefits both to human and non-human systems existing in rural areas. On the

basis of this definition the potential impact of EU policies will be assessed. [3, 5]

The Bulgarian national definition of rural areas, defines rural areas as municipalities (LAU1), in which population density is up to 150 inhabitants per km² and no settlement has a population over 30,000 people. According to this definition, 81% of the territory in Bulgaria is calcified as rural where 42% of the population is living. The population density in the rural areas is half of the national average (35.2 vs. 67.8 inhabitants per sq. km, respectively). The rate of population decline in rural areas is significantly higher than this on the country level (by over 1 million people in the period 1972 – 2004 and after that up to the year 2008 by over 180,000, NSI data). The main reasons for this decrease are due to the aging population, low birth rates, migration to the urban areas and outside the country, as well as due to the lack of basic infrastructure and possibilities for off farm activities. The population at working age is less than the population below working age and it is equal to the population over working age. The educational status of the rural population is significantly lower than that of the urban population. The labour productivity in rural areas is nearly twice lower than in the urban areas.

The quality of the infrastructure in rural areas is deteriorated significantly. In rural areas usually the settlements are grouped around the small rural town or a big village. In this centre are located institutions, providing services for the population – schools, health care centers, banks, etc. In rural areas there is well-developed electricity and water supply network but they are outdated and they are not functioning properly. Internet and communication network is still at low level. [6, 7]

The rural economy has very diversified structure with small sized agriculture, forestry and food processing enterprises. [6, 7]

EU POLICIES

The major goal of EU policies – Cohesion and Rural Development – is sustainable development. The possibilities to better understand and address sustainable development within rural areas is linked to the multifunctionality of these territories representing focal point of its environmental, social and economic dimensions. Therefore,

the common output of the applied policies comprises social, economic and environmental cohesion among the regions within the countries and EU as a whole.

Cohesion policy (European Regional Development Fund, European Social Fund, and Cohesion Fund)

EU Cohesion Policy aims to reduce the gap in the different regions' levels of development, in order to strengthen economic and social cohesion and decrease disparity levels across the EU. [8] It has three objectives:

- Convergence through improving conditions for growth and employment, through increasing and improvement of the quality of investment in physical and human capital, development of innovation and of the knowledge society, adaptability to economic and social changes, the protection and improvement of the environment, and administrative efficiency.

- Regional Competitiveness and Employment objective aims strengthening regions' competitiveness and attractiveness as well as employment by anticipating economic and social changes, including those linked to the opening of trade, through the increasing and improvement of the quality of investment in human capital, innovation and the promotion of the knowledge society, entrepreneurship, the protection and improvement of the environment, and the improvement of accessibility, adaptability of workers and businesses as well as the development of inclusive job markets.

- European territorial cooperation objective "shall be aimed at strengthening cross-border cooperation through joint local and regional initiatives, strengthening transnational cooperation by means of actions conducive to integrated territorial development linked to the Community priorities, and strengthening interregional cooperation and exchange of experience at the appropriate territorial level."

Community financial instruments for achieving these objectives are European Regional Development Fund (ERDF), European Social Fund (ESF), and Cohesion Fund (CF). The cohesion policy has been allocated a budget of EUR 347 billion for the period 2007–13 (in current prices), which is more than a third of the whole of the European budget. [8]

Rural Development Policy (European Agricultural Fund for Rural Development)

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Agriculture continues to be the largest user of rural land, as well as a key determinant of the quality of the countryside and the environment. Therefore the two pillars of the Common Agricultural Policy (CAP) moderate economic, social and environmental problems of Europe's rural areas, namely Pillar 1: Market support measures and direct subsidies to EU producers and Pillar 2: Rural development policy. [9]

The two pillars were introduced after fundamental CAP reform has been done since 1992. The aim of all these changes is moving away from a price policy and production support to a more comprehensive policy of farmer income aid. The reformed CAP should not only improve the competitiveness of the agricultural sector, guarantee food safety and quality and stabilize EU farmer incomes, but also provide environmental benefits, enhance the rural landscape and support the competitiveness of rural areas across the Union. [9]

The main objectives of the rural development policy are established in Regulation (EC) No 1698/2005 and cover three key areas: improving the competitiveness of the agricultural and forestry sector; improving the environment and the countryside; improving the quality of life in rural areas and encouraging diversification of the rural economy. An additional requirement is that part of the funds should be used for projects based on experience with the Leader Community Initiatives. Every Member State is obliged to set out a Rural Development Programme (RDP) for the period 2007 to 2013, outlining which specifies should be addressed, which measures will be implemented and the amount of funding that will be spent on them.

As an EU member state Bulgaria set out Rural Development Programme (RDP 2007-2013) which is co-financed by the European Agriculture Fund for Rural Development. The four thematic areas defined in the program for balanced rural development are consistent with the key areas mentioned before, namely:

Axis 1 - improving the competitiveness of the agricultural and forestry sector - covers a range of measures dealing with human and physical capital in the agriculture, food and forestry sectors and quality production. The first priority is intended to improve the competitiveness of the agricultural and forestry sector through further development of high-

quality and value-added products that meet the diverse and growing demand of Europe's consumers and world markets. The resources devoted to axis 1 should contribute to a strong and dynamic European agrifood sector by focusing on the priorities of knowledge transfer, modernization, innovation and quality in the food chain, and on priority sectors for investment in physical and human capital.

Axis 2 - improving the environment and the countryside - provides measures to protect and enhance natural resources, as well as preserving high-nature value of farming and forestry systems and cultural landscapes in Europe's rural areas. In order to meet these priorities, the focus should be on key actions like: promoting environmental services and animal-friendly farming practices, preserving the farmed landscape and forests, combating climate change, consolidating the contribution of organic farming, encouraging environmental/economic win-win initiatives, promoting territorial balance.

Axis 3 - the quality of life in rural areas and diversification of the rural economy - helps to develop local infrastructure and human capital in rural areas to improve the conditions for growth and job creation in all sectors and the diversification of economic activities. The support is focused on: raising economic activity and employment rates in the rural economy, labour market development, encouraging the entry of women into the labour market, integrated initiatives combining diversification, business creation, investment in cultural heritage, renovation of infrastructure and local services, upgrading local infrastructure.

Axis 4 – Leader - introduces possibilities for innovative governance through locally based, bottom-up approaches to rural development. It plays an important role in the horizontal priority of improving governance and mobilizing the endogenous development potential of rural areas. The support is on: building local partnership capacity, animation and promoting skills for mobilizing local potential, promoting private-public partnership and cooperation in rural development actions and bringing the private and public sectors together, improving local governance.

In order to perform rural development programs a financial instrument was introduced: the European Agricultural Fund for

Rural Development (EAFRD). The main objectives of EAFRD are in consistency with the four axes of RDP. EAFRD provides financial assistance to initiatives in rural areas. It directly supports actions in the area of multifunctionality. [10, 11, 12]

COMPARATIVE ASSESSMENT OF EU POLICIES – APPLIED METHODOLOGY

The applied approach for analysis consists of following steps:

Step 1. Elaboration of assessment matrix. The matrix consists of policy measures and areas of impact. The assessment will be applied from the three aspects of the multifunctionality: economic, environment and social, which are a prerequisite and precondition for sustainable rural development.

Assessment and appraisal of multifunctionality is conducted at NUTS3 level.

Step 2

Identification of areas of potential impact in each domain/area.

Three areas/domains of impact are defined – economic, social and environment. These impact areas correspond to the functions that multifunctionality exercises.

Potential impact in *economic domain* is assessed in the following areas: diversity of products, contribution to income from agriculture, quality of products, development of non agricultural activities, processing of dairy or meat products, services, contribution to income from forestry, utilization of timber and non-timber forest resources, contribution to the income generation from tourism, farm size, land use, modernisation of farms.

Potential impact in *social domain* is assessed in the following areas: contribution to employment, contribution to rural viability, animal welfare cultural heritage, provision of recreational areas, decreased/stopped migration outflow, migration inflow to rural areas, job opportunities, contribution to income, improved age structure.

Potential impact in *environmental domain* is assessed in the following areas: provision of recreational areas, water conservation, soil conservation, improvement of agricultural landscapes, contribution to air quality, use of renewable resources, supply of renewable energies, energy use reduction in horticulture, manure processing, reduction of ammonia emission in intensive livestock production, biodiversity, diversification of activities towards ecological production.

Step 3. Assessment of potential impact of EU policies on multifunctionality, based on qualitative evaluation of the researchers and experts. The evaluation is based on existing policy and strategic documents on national and regional level.

Step 4. Calculation the potential impact and ranking the policy measures/submeasures by ABC method. It is a management method that categorizes items in terms of importance. The ABC method categorizes policy measures in terms of their importance. The procedure for ABC analysis follows: (1) Separate measures and sub-measures into types; (2) Calculate the potential impact for each measure/sub-measure on the basis of experts evaluations – scoring, without any weight (3) Rank each measure from highest to lowest, based on total score. (4) Classify the measures as A-the top 20% (of

the total score); B-the next 30%; and C-the last 50%.

ANALYSIS OF THE IMPACT OF RDP ON MULTIFUNCTIONALITY

The analysis starts with assessment of the rural development policy impact on multifunctionality as a major policy directed exactly to the rural areas as territory.

Assessment of potential impact of the Rural Development Policy (RDP) is done by assessing complex impact of axes measures implemented through Bulgarian Rural Development Program.

Forty-five percent of measures have potential positive impact between 50 and 80 per cent. The rest of 55 % of measures have moderate impact (<50 %). Ranking of measures according to their potential positive impact is given in **Table 1**.

Table 1. Ranking of measures from Bulgarian RDP, according their complex positive impact on multifunctionality

A > 80 %	
B 50- 80 %	Measure 121. Modernisation of Agricultural Holdings %
	Measure 214. Agri-environmental Payments
	Measure 223. First afforestation of non-agricultural land
	Measure 226. Restoring forestry potential and introducing prevention actions
	Measure 311. Diversification into Non-Agricultural Activities
	Measure 312. Support for the Creation and Development of Micro-Enterprises
	Measure 322. Village Renewal and Development
C < 50 %	Measure 111. Training, Information and Diffusion of Knowledge
	Measure 112. Setting up of Young Farmers
	Measure 122. Improving the Economic Value of Forests
	Measure 123. Adding Value to Agricultural and Forestry Products
	Measure 141. Supporting Semi-Subsistence Farms Undergoing Restructuring
	Measure 142. Setting up of Producer Groups
	Measure 211. Natural Handicap Payments to Farmers in Mountain Areas
	Measure 212. Payments to Farmers in Areas with Handicaps, Other Than Mountain Areas
	Measure 313. Encouragement of Tourism Activities
	Measure 321. Basic Services for the Economy and Rural Population
	Measure 431. Running the Local Action Group, Acquiring Skills and Animating the Territory

For the measures from Axis 1 the ranking according to the expert assessment is shown on **Figure 1**. The most positive effect has

measures 121, 111, 122 and 141 and the negative effect comes out from measure 112.

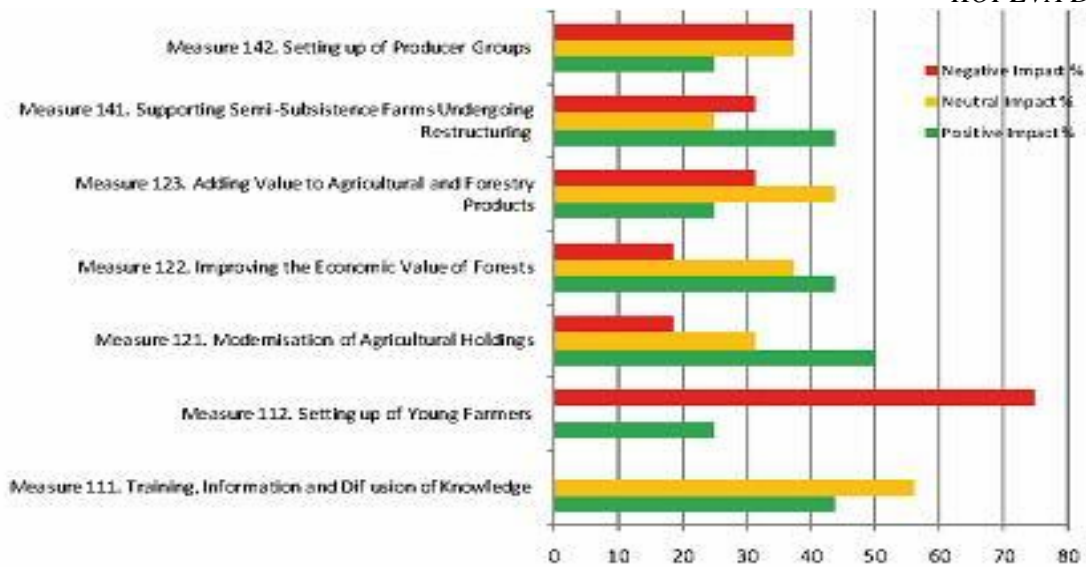


Figure 1. Potential Impact of Measures of Axis 1 of RDP on multifunctionality

From Axis 2 measures the most positive effect on multifunctionality have measures 213, 223 and 226 financing environmental preservation and indirectly new agricultural practices and

diversification to the activities in forestry sector. The negative effect may arise from 211 measures (Figure 2).

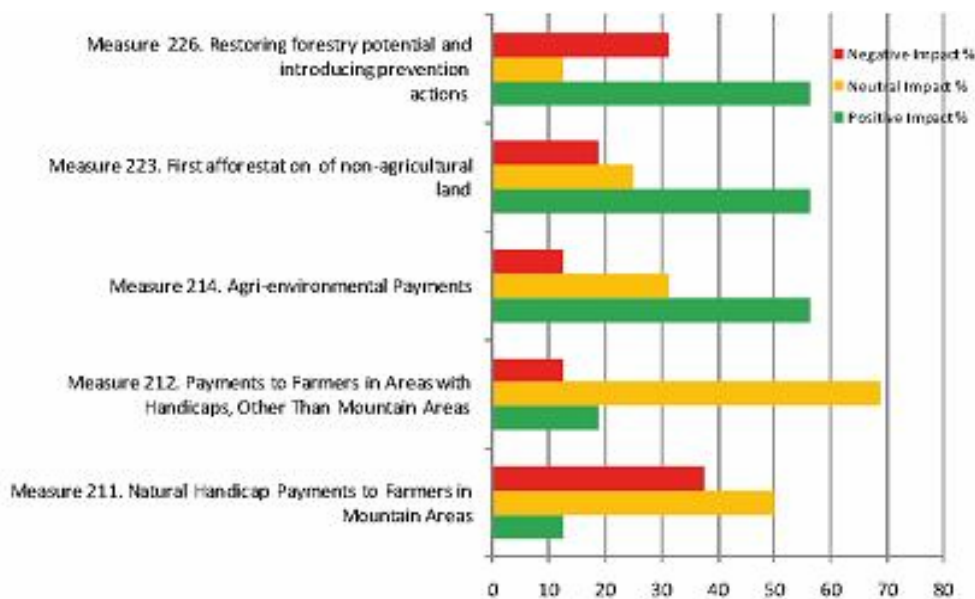


Figure 2. Potential Impact of Measures of Axis 2 of RDP on Multifunctionality

Axis 3 will generate the most positive effect to the multifunctionality of rural areas through measure 311: Diversification into Non-Agricultural Activities which is fully

consistent with the operational definition of the multifunctionality used in the paper (as it is on Figure 3).

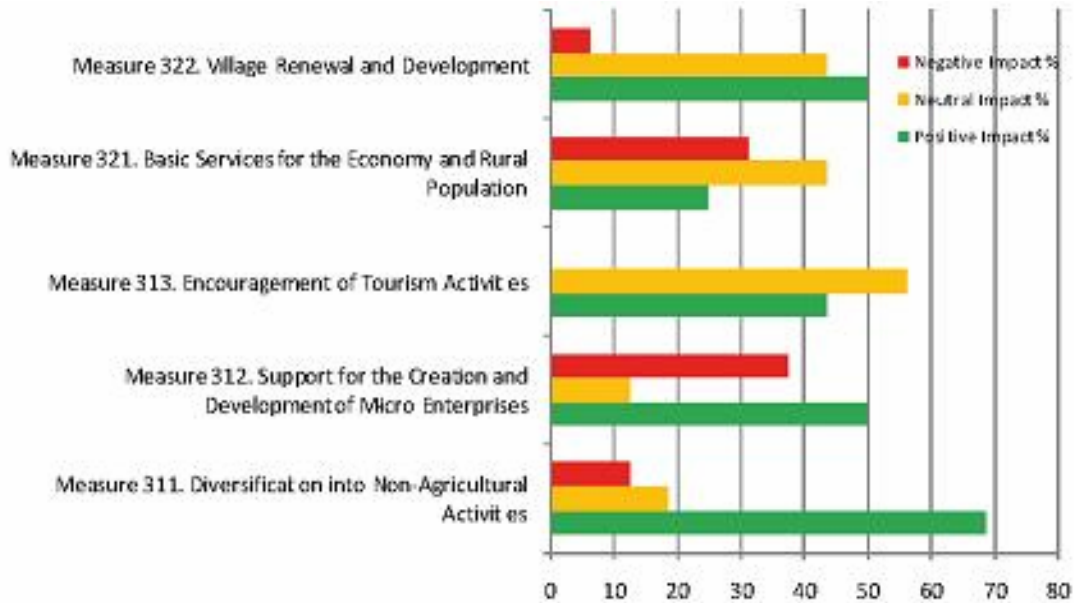


Figure 3. Potential Impact of Measures of Axis 3, RDP, on Multifunctionality

The experts' assessment on the impact of the measures from Axis 4 was heterogeneous. Only measure 421 categorically will have a

negative impact on the multifunctionality of rural areas (Figure 4).

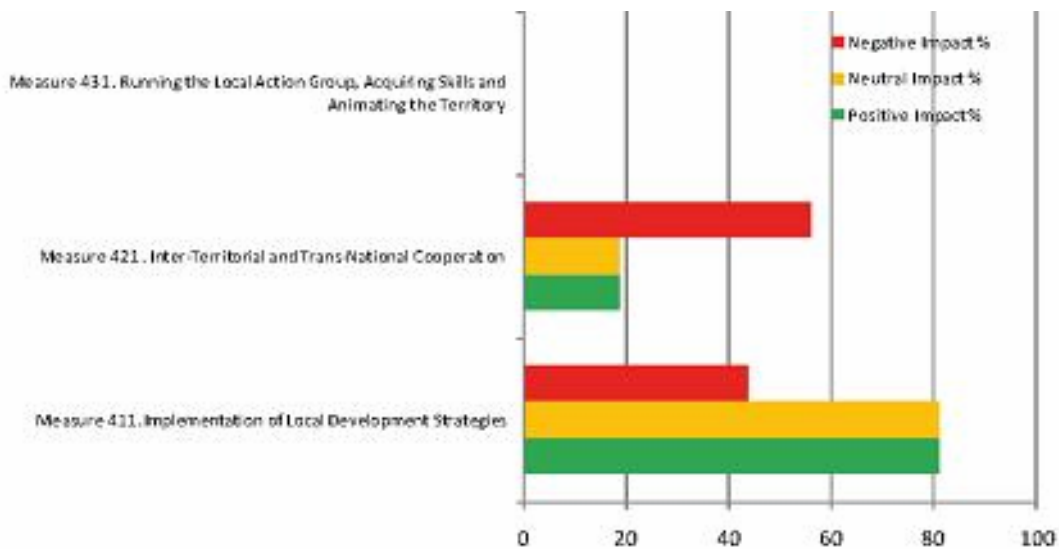


Figure 4. Potential Impact of Measures of Axis 4, RDP, on Multifunctionality

The assessment of the Cohesion Policy impact on multifunctionality as a result of the current research shows that it plays supporting and supplementary role to the Rural Development Policy and National Plans for Rural Development in the areas of multifunctionality. ERDF support initiatives linked to small and

medium enterprises, innovations, competitiveness, regional development and tourism. CF and ERDF are main sources of finance for all environment initiatives. ESF is related to human resource development, education and health.

CONCLUSIONS

The implementation of EU policies on national and regional level focuses on coherent regional development, achievement of relevant regional competitiveness and sustainability. Evaluation of EU policies in rural areas shows that there is symbiosis between different them. Possible overlaps are cleared. Despite general framework there is diversification of measures and actions characterizing complexity and unique of the Bulgarian rural areas.

The analysis on the potential effects of the policies on the multifunctional character of the activities shows the domains of action supposed to have the greatest influence in terms of multifunctionality. Cohesion Policy has supplementary influence on multifunctionality.

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