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## **Rural development and multifunctional agriculture in Bulgaria**<sup>2</sup>

**Abstract.** Rural areas are gradually losing their agricultural specificity. They now need to support the coexistence of two logical approaches to occupation of their space: one based on the supply of agricultural and forestry products, the other on the various demands from local residents and seasonal tourists. The focus is shifting from only supplying market goods to meeting the multiple expectations of the society. The paper analyses the policy outcomes of the rural development policy in Bulgaria and their impact on multifunctional agriculture.

**Key words:** rural development policy, multifunctional agriculture, Bulgaria.

### **Introduction**

In the last years rural areas are becoming increasingly differentiated and gradually losing their agricultural specificity. They now need to support the coexistence of two logical approaches to occupation of their space: one based on the supply of agricultural and forestry products, the other on the various demands from local residents and seasonal tourists. Under these conditions, the role of farming, forestry and tourism industry is evolving; the focus is no longer simply on supplying market goods while limiting the impacts of this supply on negative external factors but now also on participating in land development and meeting the multiple expectations of society.

Rural development policy (RDP) seeks to establish a coherent and sustainable framework for the future of rural areas. The aims of the policy have been simplified and clarified around three clearly defined economic, environmental and territorial objectives: (i) improving the competitiveness of agriculture and forestry, (ii) improving the environment and the countryside, (iii) improving the quality of life in rural areas and encouraging diversification of economic activity. Sustainable development of rural areas and efficient implementation of RDP are closely linked to multifunctional agriculture [Rural... 2010].

The paper aims to analyse the policy outcomes of the National Rural Development Plan 2007-2013 in Bulgaria and their impact on the multifunctional agriculture.

The paper is structured as follows. Section one is introduction. Section two presents key issues of RDP in Bulgaria and the concept of MFA. In section three the methodology and data collection are presented. It continues with analysis of policy outcomes in the fourth section. Conclusions of the study are given in the last section.

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## Rural development policy in Bulgaria and the concept of multifunctional agriculture

### Rural development policy

The implementation of rural development policy (RDP) in Bulgaria is realized through the National Strategic Rural Development Plan (NSRDP) and the National Programme for Rural Development. The overall objectives of the NSRDP have been set for the 2007-2013 period, based on the European community strategic guidelines for rural development, on the major EU priorities associated with jobs creation, growth and sustainability (Lisbon, environment, especially coordination with the structural funds and the management of natural resources in rural areas of Bulgaria), and finally taking into account the socio-economic conditions in the rural areas of Bulgaria in order to [National Programme... 2007; National Strategic... 2007]:

- develop a competitive and innovation based agriculture, forestry and food production (Göteborg), in accordance with other EU policies (cohesion, protection of the processing industry)
- protect natural resources and the natural environment of rural areas
- improve the quality of life and diversify job opportunities in rural areas.

All objectives of the National Strategic Plan aim at improving the economic and social conditions in rural areas and complement each other [National Strategic... 2007]. They are geared to the Bulgarian Government's long-term vision for the development of the Bulgarian countryside and they are [National Strategic... 2007]:

- vibrant rural areas with strengthened and diversified economies, offering good quality of life to rural residents
- preserved natural resources and valued rural heritage
- an efficient, innovative and competitive agri-food sector, applying sustainable farming practices, producing high quality and valuable products, utilising efficiently the natural and human resources of rural areas and ensuring rising incomes to the farming population
- healthy and multifunctional Bulgarian forests providing public amenities of high value as well as the employment and income for the rural population.

The importance of the RDP is determined by the fact that in Bulgaria<sup>3</sup> there are 20 predominantly rural NUTS3 regions, seven intermediate between rural and urban regions and only one predominantly urban region, the capital Sofia (Figure 1). Thus, predominantly and intermediate rural regions cover 98.8% of the territory and account for 84.3% of the population of Bulgaria.

According to the national definition, rural areas are municipalities (LAU<sup>4</sup>), in which no settlement has a population over 30 000 people and population density is under 150 inhabitants per square kilometre. According to this definition, 231 municipalities (87%) in Bulgaria are classified as rural (Figure 2). The rural areas represent 81% of the Bulgarian territory and 42% of its population.

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<sup>3</sup> According to the OECD definition.

<sup>4</sup> LAU – local administrative unit



Fig. 1. Designation of rural areas at NUTS 2 level using the OECD methodology

Source: [National Strategy... 2004].

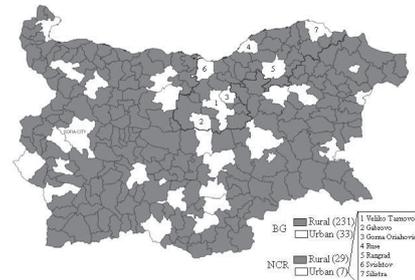


Fig. 2. Designation of rural areas at LAU1 level using the national definition

Source: [National Strategy... 2004].

This definition has been applied for the elaboration of the NSRDP, the RDP and for the implementation of the EU structural policies. Taking into account one of the paper's aims to examine the European structural policies' impact on the multifunctionality in rural areas, this definition has been used.

### The concept of multifunctional agriculture

The most extensive attempt to provide an agriculture multifunctionality definition was carried out by the OECD, who decided to adopt multifunctionality as a policy principle. The goal of the OECD is to establish principles of good policy practice that permit the achievement of multiple food and non-food objectives in the most cost effective manner, taking into account the direct and indirect costs of international spillover effects [Multifunctionality... 2001]. Three distinct but connected sets of issues form the nucleus for the development of a work programme on multifunctionality [Multifunctionality... 2001]:

- the first of these is concerning the production relationships underlying the multiple outputs of agriculture and the externality and public goods aspects of these outputs
- the second comprises methodological and empirical issues related to the measurement of demand for non-commodity outputs, criteria and procedures for specifying domestic policy objectives, and mechanisms for evaluating progress
- the third set of issues is concerning the policy aspects of multifunctionality, including its implications for policy reform and trade liberalisation.

From the theoretic viewpoint, the key elements for the development of public actions aimed at achieving a second-best solution in this context, concern the following main issues: (i) defining the existing joint-production relations between commodity and non-commodity goods and services, (ii) assessing the positive externalities, i.e. the social benefits produced, but not at all or only partially compensated by the market, (iii) implementing commodity and non-commodity instruments capable to make up for market failures with respect to the production of externalities.

'Multifunctionality' or 'multifunctional agriculture' are terms used to indicate that agriculture can generally produce various non-commodity outputs in addition to food. This working definition of multifunctionality, used by the OECD, associates multifunctionality

with particular characteristics of the agricultural production process and its outputs [Multifunctionality... 2001]:

- the existence of multiple commodity and non-commodity outputs that are jointly produced by agriculture
- recognition that 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.

According to this view, agriculture is a particular sector that provides, together with its main output of food and fibres, also national food security and safety, environmental benefits (cultural landscape, land conservation, flood control, increased protection against forest fires, biodiversity preservation, wildlife habitat, recreational activities), cultural heritage and viable rural areas [Multifunctionality... 2001]. Farmers can be viewed as custodians of the countryside and guardians of rural cultural and social traditions. Commodity and non-commodity outputs can be jointly produced. From an economic perspective, multifunctional outputs represent non-traded externalities of the food production process. Those non-commodity outputs are positive, non excludable and non rivalled for: they represent a net benefit realized by society resulting from agricultural production. Therefore they exhibit characteristics of positive externalities or public goods and they do not contribute to agricultural profits, hence farmers tend to under-provide them and this results in markets functioning poorly (market failures).

The multiple functions of agriculture offer different specific benefits in different contexts and in different regions. The best combination of functions results in optimum management for economic, social and environmental purposes.

The functions identified directly on the ground of practical experiences are grouped together into the following three main ones [Sustaining... 1999].

- The Environmental Function. Agriculture and related land use can have beneficial or harmful effects on the environment. biodiversity, climate change, desertification, water quality and availability as well as pollution.
- The Economic Function. Agriculture remains a principal force in sustaining the operation and growth of the whole economy, even in highly industrialised countries.
- The Social Function. The maintenance and dynamism of rural communities is basic for sustaining the agro-ecology and improving the quality of life (and assuring the very survival) of rural residents, particularly of the young. Social viability includes maintenance of the cultural heritage.

## **Methodology and Data Collection**

Analysis of the rural development policy and multifunctional agriculture (MFA) is based on a two step approach: desk study of current policy measures and individual interviews with stakeholders. Desk study comprises analysis of policy documents for the main European funding streams which are currently operational (Structural Funds, Social Fund, European Agricultural Fund for Rural Development etc.) at the municipality level. For each funding stream, there is a list of the policy objectives and their associated measures identified. This long list of policy measures was decreased to smaller list of

‘policy outcomes’. This can produce a relatively small list of policy outcomes and for each policy outcome a list of one or more measures which are expected to help achieve the outcome, taken from current policy documents. In order to minimize the number of policy options and the length of the lists of measures there are three axes selected, i.e. economic, social and environmental, and, using the policy documents, three policy outcomes for each axis are identified.

Interviews were conducted in the North Central Planning Region in 2010. Interviewees were policy makers at local level, representatives of NGOs, farmers, entrepreneurs, representatives of tourist industry and people involved in different environmental initiatives.

## Rural development policy and MFA

The importance of key rural development policy outcomes, ranked by policy officials and local people, are given in Table 1. Most goals were judged to be at least ‘quite important’ (scoring 3 or more in scale from 1 to 5). There was a fairly close consensus between the 2 groups.

Table 1. Rating of policy goals by policy officials and local people

| Policy goal   | Mean score      |                  |
|---|-----------------|------------------|
|   | local residents | policy officials |
| Environmental   |                 |                  |
| Safeguard and improve biodiversity  | 4               | 5                |
| Safeguard and improve landscape   | 3               | 5                |
| Reducing the causes and impacts of climate change                               | 4               | 5                |
| Water and soil conservation   | 4               | 4                |
| Social  |                 |                  |
| Enhance opportunity in rural areas  | 4               | 4                |
| Enhance quality of life in rural areas  | 4               | 4                |
| Economic  |                 |                  |
| Improve economy by improving the competitiveness of land-based businesses       | 4               | 5                |
| Improve economy by improving the competitiveness of businesses in other sectors | 4               | 4                |
| Increase the diversity of the rural economy                                     | 4               | 3                |

Source: own research.

Table 2. Perceived capacity of environmental measures to deliver policy goals

| Policy goal and related measures  | Local residents | Policy officials |
|---|-----------------|------------------|
| outcome = Safeguard and improve biodiversity  |                 |                  |
| Improving forest biodiversity through upgrading skills of employees in the sector   | 3               | 2                |
| First forestation of non-agricultural lands   | 2               | 2                |
| Restoring forestry potential and introducing preventive activities  | 4               | 4                |
| Stimulations for farmers and those employed in forestry for conservation and preservation of habitats   | 3               | 4                |
| outcome = Safeguard and improve landscape   |                 |                  |
| First forestation of non-agricultural lands, safeguard/creation of natural bush fence   | 2               | 1                |
| Preservation and protection of natural sights, game farms, natural parks, protected areas   | 3               | 3                |
| Stimulations for farmers targeted to organic farming  | 4               | 3                |
| outcome = Reducing the causes and impacts of climate change   |                 |                  |
| Support for renewable energy generation (solar, wind, anaerobic digestion; growing biomass, wood fuel etc.)   | 2               | 2                |
| Assistance to SMEs in all sectors to encourage environmentally friendly production, e.g. adopting renewable energy, cleaner technology; establishing environmental management systems | 3               | 3                |
| Help for businesses for entering markets to recover energy from waste, or recycle it  | 4               | 3                |
| Promotion of business activities using energy produced from waste management and use of recycled materials and packaging  | 4               | 4                |
| outcome = Water and soil conservation   |                 |                  |
| Raising awareness of municipalities and local population for NATURA 2000  | 2               | 2                |
| Sustainable use of resources in protected areas and protected zones   | 4               | 3                |
| Construction of sewage treatment plants and landfills   | 5               | 4                |
| Training of residents in rural areas on how to store and protect water and soil resources   | 4               | 4                |

Source: own research.

High values given by both respondents' groups for environmental outcomes present that there is a capacity to achieve a success in all environmental areas (biodiversity, water, soil, climate). Biodiversity and conservation of natural resources are important for future generations. The goal such as reducing the impact of climate change is of particular importance because of extreme seasonal climatic differences and frequent failures (cold, heat, increased river water level, heavy snow, rain). Respondents identified as most important the goals linked with social function due to the negative trend of population in rural areas and the existing risk of depopulation. Economic policy goals received high scores. Economic and business activities in rural areas are important stimulus for rural development and these activities are closely linked to multifunctional agriculture.

**Environmental policy goals.** Respondents who identified a particular policy goal as important (scoring 3 or higher) were asked to judge policy measures related to this policy. In the environmental domain, all the four policy goals were identified as important. Respondents were asked to judge whether the existing policy measures would be capable of achieving the desired policy outcomes in the study area. If measures were considered likely to have little impact, then respondents were asked to suggest reasons for poor performance, and to propose improvements. Table 2 displays the possible effectiveness of the measures, expressed as a capability score.

Table 3. Perceived capacity of social measures to deliver policy goals

| Policy goal and related measures   | Local residents | Policy officials |
|--|-----------------|------------------|
| outcome = Enhance opportunity in rural areas   |                 |                  |
| Help in getting economically inactive and unemployed people into own business, thereby reducing social exclusion   | 3               | 2                |
| Improving skills of employed people in rural areas (especially low paid), thereby increasing earning power and adaptability  | 3               | 3                |
| Support of business activities in rural regions, help in increasing of existing enterprises/farms and increasing employment or help in launching new ones  | 4               | 4                |
| Improving of life style in rural regions; construction of road network, social, educational and etc. structures  | 4               | 4                |
| outcome = Enhance quality of life in rural areas.  |                 |                  |
| Renovation and rehabilitation of villages (renovation of public buildings)   | 4               | 2                |
| Rehabilitation of public green areas (parks, gardens, playgrounds etc.)  | 3               | 3                |
| Improving living conditions in rural areas by improving the mobility of labour resources, increasing the attractiveness for business development, improving infrastructure, access to services etc.) | 4               | 4                |
| Protection and preservation of cultural and historical monuments (the construction of appropriate infrastructure to access them)   | 4               | 3                |

Source: own research.

Four measures were identified as likely to have impact on the policy goals. There is a relatively small area of woodland in the municipal management and consequently the availability of grants for woodland management (for biodiversity improvement or landscape improvement) was considered by most respondents to be an inappropriate measure. It was commented that individual trees and small copses are intrinsic components of the farmed landscape. Policy support for renewable energy generation was considered likely to be ineffective.

It was commented that the uptake of low intensity farm management might be limited by the need to maintain a reasonable level of income. Low productivity farming, as demanded under higher level agri-environmental contracts, is very hard to sustain as it produces a poor return on labour and its time demands are similar but stocking rates are lower. An alternative approach might be to allow intensification on part of a farm.

For both groups, the erection of sewage treatment plants and landfills is a key measure for sustainable rural development and for achieving environmental goals.

**Social policy goals.** Table 1 shows that, in the social domain, two policy outcomes have been identified by respondents as of importance for the study area. Table 3 displays respondents' opinions as to the possible effectiveness of the measures which are available in support of these policy goals.

Table 4. Perceived capacity of economic measures to deliver policy goals

| Policy goal and related measures  | Local residents | Policy officials |
|---|-----------------|------------------|
| outcome = Improve economy by improving the competitiveness of farming, forestry and horticultural businesses                                      |                 |                  |
| Farm diversification into non-agricultural activities   | 3               | 2                |
| Diversification of agricultural activities  | 4               | 3                |
| Adding value to agricultural or forestry products. Developing new products  | 3               | 3                |
| Support for producer groups   | 4               | 4                |
| Support for launch and development of micro enterprises possessing and marketing of agricultural products   | 3               | 4                |
| Encouragement of tourists activities  | 3               | 5                |
| Encouragement of local handicraft   | 2               | 5                |
| Producing and change of renewable energy  | 2               | 5                |
| outcome = Improve economy by improving the competitiveness of businesses in other sectors   |                 |                  |
| Improve productivity and adaptability by improving by skills and qualifications of employees in agriculture, forestry and tourism                 | 3               | 2                |
| Support for SMEs to increase innovation, access to knowledge, expertise, business network and business incubators                                 | 4               | 3                |
| Improve resilience and adaptation of firms by improving resource efficiency ( increase of their energy efficiency)                                | 4               | 3                |
| Improve skills of managers and owners in small businesses   | 4               | 4                |
| outcome = Increase diversity of rural economy   |                 |                  |
| Support for farm diversification  | 2               | 2                |
| Support for creation and growth of micro-enterprises in manufacturing, tourism, services, trade   | 5               | 3                |
| Modernization of agricultural holdings  | 5               | 4                |
| Encouragement of tourism activities in rural areas (creation of new / restoration of existing building infrastructure, service marketing end etc. | 4               | 4                |

Source: own research.

One measure was judged unlikely to contribute to achieving policy goals. The impact of a measure which aims to support socially disadvantaged people to become economically active was considered to be low (score 2.5 on average). It was not a matter of aversion to employment but of lack of jobs, and hence the business support measure would have a substantial impact. The outcome 'Enhance opportunity in rural areas' is very important for all respondents. There are some differences only in opinions on how to help to get economically inactive and unemployed people into own business, thereby to reduce social exclusion. The overall assessment ('Help to get economically inactive and unemployed

people into own business, thereby reducing social exclusion') is that this measures would help to overcome unemployment, especially among young people. Respondents' concerns are based on the poor economic environment, particularly in villages.

The desired outcome 'Enhance quality of life in rural areas' is also very important. If we compare the two groups, there is almost no difference between the answers. The exception is that the policy officials believe that 'Renovation and rehabilitation of villages' is not important to develop the outcomes. All other measures are rated as important, but it was considered that allocations are insufficient, both for renovation of villages and parks. While the local residents give almost the maximum rating to the measure of renovating public buildings, the policy officials think that this measure should be modified. 'Improving living conditions in rural areas by improving the mobility of labour resources, increasing the attractiveness for business development, improving infrastructure, access to services, etc.' is the most important measure but, if they are not able to implement it, the villages will be depopulated. All measures should be modified according to the villages' lifestyles.

**Economic policy goals.** The economic domain is also identified by the respondents as important. Table 4 displays the possible effectiveness of the measures which are available in support of these policy goals. Both groups of respondents pointed out that 'Encouragement of tourist activities' is an important outcome to improve economy, competitiveness and to develop business activities. Policy officials also awarded a high score to two more outcomes: 'Encouragement of local handicraft' and 'Producing and change of renewable energy'.

The outcome 'Improve economy by improving the competitiveness of farming, forestry and horticultural businesses' is very important for the development of the rural areas. The measures 'Encouragement of tourists activities', 'Encouragement of local handicraft' and 'Producing and change of renewable energy' are rated highly by policy officers as they lead to greatest change, but the local residents are of an opposite opinion, and according to them the change is too small. The measures are important because they encourage alternative activities. It is possible to expand the market and to diversify production. Support for the creation and development of micro enterprises is important because it produces a social impact on local populations. By changing the renewable energy the environment would also be improved . Both target groups, local residents and policy officials, rate these policy goals with a high score. Support for farm diversification should diversify and expand existing activities, enhance the sustainability of farms and fully exploit the resources. Support to create and expand micro-enterprises in manufacturing, tourism, services, trade has an important social effect for the rural areas. This measure has a highest score by local officers, and it is important especially because implementing it will have a social effect by creating a new opportunity for employment. Support for farm diversification is rated low, and this means that the desired outcome will be not reached according to the answers.

## Conclusions

Rural development policy in Bulgaria is designed to fulfil three important functions for rural areas: environmental, social and economic. The priorities and measures are aiming to improve the life of rural dwellers, business environment and to achieve these in an environmental friendly way. From the analysis, it is possible to identify current EU policy goals which are perceived as important, as well as the likely effectiveness of related policy measures. A set of policy measures has been constructed which: a) contribute to the delivery of the desired policy outcomes and b) are thought to be effective. Clearly the multilevel governance and the multiplication of relevant interlocutors impede local mayors to benefit from external funding for the main development investments they would like to build. In some cases stakeholders do not know whom or which service to contact to apply to a fund, neither know they the applying conditions. In all cases, networking and social relationships are of utmost importance for local stakeholders to catch subsidies. The above assessment of existing policy measures has made it possible to design sets of measures that do contribute to the policy objectives and are implemented or close to be implemented in the various areas. The analysis of the potential effects of the policies targeted at the multifunctional character of the activities shows the domains of action supposed to have the greatest influence in terms of multifunctionality.

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