



<https://doi.org/10.15407/econforecast2019.04.119>

JEL Q000

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INSTITUTIONALIZATION OF THE CONCEPT OF MULTIPLE FUNCTIONALITY OF AGRICULTURE: EU EXPERIENCE FOR UKRAINE

The article presents a brief retrospective of the origin and development of the idea of multifunctionality of agriculture in the EU countries and the world practice, granting this idea (by the UN and European Union documents) the official institutional status of a tool for formulating a policy of sustainable agricultural development and using this tool in the practice of the EU member states. The author determines the legal, financial, institutional and intellectual means of implementing the sustainable agricultural development policies developed on the basis of the multifunctional purpose of the industry. Using the example of France, analyzed the algorithm of institutionalization of the concept of multifunctionality of the agriculture as a basis for the functioning of the agricultural system. Highlighted the practice of concluding agreements between farmers and the state, which contain the obligations of the parties to promote economic, social and environmentally-oriented agricultural development.

The author argues the significance of the introduction of the European algorithm for transforming the concept of multifunctional agriculture into a tool for the development of domestic agricultural policy, taking into account the proliferation of destructive processes in the industry, generated by its focus on output growth and profit maximization without considering social losses and ecological price of this growth (land degradation, monocropping, broken crop rotation and agro-landscapes, reduction of certain labor-intensive industries, emergence of the threat of food dependence in certain types of food, rising unemployment and desolated villages). This is a consequence of the non-recognition by domestic scientific and governmental structures of the multifunctionality status of agriculture, implemented by Western European countries in the legal field, and, accordingly, the absence of any state influence towards the transition to a model of sustainable agricultural development.

In this context, the article formulates various tasks in the field of science and practice that need to be implemented to bring the structure and content of domestic agricultural policy in line with the economic and socio-ecological guidelines of the EU Common Agricultural Policy, which follows from the obligations stipulated by the Association Agreement between Ukraine and the European Union.

Keywords: multifunctionality, sustainable development, institutional framework, agrarian policy, farm contract

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Formulation of the problem. In the global scientific environment, discussions continue on the concept of multifunctional agriculture and its place and role in sustainable (economically-socio-ecologically balanced) development of the industry. The issue focuses on both theoretical foundations and legal and political content of this concept. There is a continuous search for ways to implement the concept of multifunctional agricultural sector into the legal field and for its realization in practice. Significant achievements in this area are demonstrated in the countries of the European Union. The foundations of multifunctional agriculture were generally developed during the European Conference on Rural Development held in Cork (Ireland) in 1996. The documents of the conference recognized that agriculture has not only the production-related economic function but also social (ensuring the national food balance and food independence, promoting effective employment of rural populations and preserving rural settlements) and environmental functions (preservation and restoration of soil fertility, protecting the environment, sustaining biodiversity and agricultural landscapes, etc.) and that the above mentioned point should be taken into account both by the authorities related to agricultural development and by private agricultural producers.

Since the adoption of the Agenda 2000 reform acts and EU Regulation No 1257/1999 on rural development, the multifunctional agriculture has been *officially recognized as a basis for the EU Common Agricultural Policy and, accordingly, the functioning of the agricultural system of its member countries.*

In Ukraine, the problem of multifunctional agriculture is still only a subject of scientific research. There is no legislative institutionalization or implementation of the ways of applying the concept, which determines the relevance of this article's subject.

And analysis of recent research and publications confirms its relevance. Scientific works substantiate the conceptual bases of multifunctional purpose of agriculture and reveal the content of economic, social and ecological functions of the agricultural sector [1, p. 16, 27–28], while the households' activities are investigated from the point of view of multifunctionality [2]. To a certain extent, the essence of multifunctional agriculture is revealed in researches devoted to generalizing the experience of EU countries in realizing the economic, social and environmental role of the agriculture [3, p. 148–156].

At the same time, it should be noted that the concept of "multifunctionality of agriculture" is sometimes interpreted differently. This is especially true for the sector's social functions, which include the socio-infrastructure facilities of the village, "aimed at creating attractive conditions in the village for living, resting and healing, maintaining cultural values related to rural life, etc." [4, p. 25-27].

This understanding is transposed to the part of the EU Common Agricultural Policy contained in its Pillar II (Second strand) - it is usually associated not with measures aimed at supporting the social and environmental functions of agriculture, but with the development of rural social infrastructure and services, development of non-agricultural businesses by rural residents and other areas outside the agricultural policy [5, 6, 7].

As for the ecological function, it is often considered as connected with the rural area as a whole, including the territory of the villages and not solely with agricultural lands, as provided for in the EU Common Agricultural Policy.

At present, *an unresolved problem* remains the lack of a well-established scientific substantiation of the forms of legal institutionalization of the concept of agriculture multifunctionality as a basis for the development of agrarian policy of sustainable development and the ways of its transformation into practical activities.

The article's purpose is, based on a short retrospective analysis of the origin and development, in the Western European science, of the idea of agricultural multifunctionality as a tool for ensuring the sector's sustainable development and its implementation in the legislation and practical activities of the EU Member States, to formulate the main tasks for Ukraine's agro-economic science and authorities in this context.

The information base of the present study was the works by foreign and domestic scientists, legislative and regulatory acts of the European Union and its individual member countries, which relate to substantiation and regulation of agricultural multifunctionality as a basis for agricultural development. The research methodology includes methods of scientific historicism (to study the retrospective of the concept of "agricultural multifunctionality" and its implementation in the legislation of EU countries); analogies and generalizations (for systematic conclusions and proposals on the issue).

The main results of the study. Prior to the emergence of the agro economic concept of "agricultural multifunctionality" in the legal field of the United Kingdom and France, the concept of "multifaceted agriculture" was codified, according to which the agricultural sector was considered as performing not only trade and economic activities. At the same time, the sector's development was linked to family, property, and personal employment in agriculture, which essentially determined this sector's social function. Given that, in rural areas, agriculture is the only stable area of employment for rural population, the legislation establishes the right to engage in agricultural activities and, accordingly, to acquire or lease agricultural land to those persons who reside in places with proper access to the land, operate directly in farming and have certain professional skills. Such restrictions supported the individual type of farming as such, which not only takes into account the features of agricultural activities, but also ensures its social orientation [8, p. 606–612].

At the same time with the recognition of the social function of agriculture, the environmental aspect of its development was recognized. This was caused by the devastating consequences of the productive economic model prevailing in the world agricultural practice, which focuses on continuous output growth through intensive use of agricultural lands, mineral fertilizers and chemicals for plant protection, the use of high-power energy, and the transition to mono-crop operation, which was followed with devastation of crop rotation based farming and local agricultural landscapes.

These processes attracted the attention of global academic community, the international community and national governments. The Council of Europe, in its Regulation No 797/85, institutionalized the term of "agri-environment measures". In accordance with the Regulation, EU Member States standardized support for farmers who use agricultural practices respecting environmental requirements [9, p. 10]. The idea of balancing economic, social and environmental functions is presented in the report of the Brundland Commission (1987) as a concept of sustainable development that "meets the needs of the present, but does not impair the ability of future generations to meet their own needs..."

The model of sustainable (economically-socio-ecologically balanced) development as an alternative to the production oriented model acquires official institutional in the documents of the UN Conference on Environment and Development (Rio de Janeiro, 1992). According to the Agenda for the 21st Century, in agriculture, the economic function (production of goods) is balanced with the social function (implementation of national policies on food security and food independence, maintenance of efficient employment of agricultural producers, their self-organization and self-management) and environmental function (preservation of the potential of land and the environment for the needs of the growing population). This *document recognizes agricultural multifunctionality as a development method and an analysis tool for agrarian policies aimed at long-term sustainable development of agriculture for the benefit of each individual and humanity as a whole.*

Outlined a toolkit for implementing various types of such policy, which includes:

- codification of economic-socio-ecologically oriented development of agriculture in legislative and regulatory acts;
- introduction of financial support for production, income, job creation, taking agro-environmental measures;
- providing scientific, technological, and educational support;
- establishing institutional structures with functions to control the implementation of measures in practice.

With the adoption of these documents, the concept of multifunctional agriculture as **a method** of developing agrarian policy of sustainable development has become a constant subject of research and discussion within the framework of the UN Food Organization (FAO), international and national scientific conferences, and governments' practical actions.

In the European Union, the concept of multifunctional agriculture has become a tool for the development of the Action Plan for 2000, which defined a new Common Agricultural Policy (CAP) strategy, including:

- a) the economic component (ensuring the transition to a knowledge-based competitive economy);
- б) the social component (active policies of effective employment of agricultural population, investment in human capital, support for education, capacity building);
- в) the environmental component (non-destructive use of natural resources, conservation of biodiversity and local agro-landscapes) [10].

In line with the strategy, Pillar I economic programs (including measures to stabilize the farm market and incomes) and socio-environmental Pillar II programs (measures to support restructuring and diversification of agricultural production, job creation, encouraging the creation of producer groups and organizations, rural development: organic farming, landscaping, conservation of degraded land, etc.) are formed. Both directions are interconnected and complementary.

Consistency and complexity of the implementation of the CAP strategy has been investigated in practice on the case of France, where the concept of multifunctional agriculture is recognized by the Law on Agricultural Orientation of 1999². Article 1 of this act states that "agricultural policy shall take into account the functions of agriculture, such as economic, environmental and social, and participate in the imp-

² The law has been in force since 1960. Every five years it is updated with amendments and addenda.

rovement of the territory." This provision directs agricultural policy to support agricultural development, improve the conditions of production and living standards, protect natural resources and conserve agricultural landscapes, as well as ensure balance in the agricultural sector [11].

The concept of multifunctionality is also codified in the legislation on the improvement and long-term development of rural areas. Articles 111-1 and 111-2 of the Rural Code of France emphasize that their economic, environmental and social functions are taken into account in the assessment and protection of the agricultural and forest area. The same approach is observed in the legislation on the development of mountain regions: "Their contribution to production, employment, soil support, landscape protection, management and development of bio diversification of agriculture ... and mountain forestry are all recognized as... the basic activities of ... the Highlanders."

In order to ensure practical agricultural activities based on the principles of the sector's multifunctional purpose, the above mentioned Law on Agricultural Orientation introduced a territorial contract of exploitation (contract territorial d'exploitation, CTE), which is concluded between each economic entity and the state.

The contract contains a farmer's obligation as to innovative agricultural production, retention of the existing jobs and creation of new ones, preservation of annual working hours, diversification of production, etc. As well as preservation of fertility, protection of land and water resources, and general improvement of the environment.

The rules to be followed by the producer while fulfilling his or her obligations are codified in legislative acts. Thus, the environmental requirements are contained in the Code of Good Agricultural Practice [12, p. 4573–4578].

The state, on its part, undertakes to provide financial support to the farmer in fulfilling his obligations by covering part of the total costs (losses) of the contract's performance. The legislation establishes the amount of this compensation for the whole country and separately - its increased amounts for disadvantaged and young farmers. If the farmer in the contract undertakes to create additional jobs, the amount of compensation is increased by 10 points. Additional jobs may be created either on the farm itself or in an equipment sharing cooperative or other agricultural cooperative whose member the contractor farmer is.

Article 5 of the Orientation Law legalizes the creation of a fund to finance the CTEs (Fond de financement des contrats territorial d'exploitation (FECTE), which is formed from programs included in the budget of the Ministry of Agriculture, from funds that go to rural development programs in accordance with the established procedure (European co-financing constitutes 50%), as well as from funds in the amount of 20% of the support for production and income, providing these funds are used for agro-environmental measures, field afforestation, etc. Besides, the Fund is contributed by local authorities, who finance those contractual measures, which are not covered from the European Fund and the national budget.

Also defined are the bodies that perform the functions of control over the observance of the obligations stipulated in the contract, as well as the sanction functions applied in case of violation of the rules without force majeure reasons.

Control over the fulfillment of contract obligations is entrusted to the departments of the state administration. The administration provides checks on the beneficiaries' obligations, supporting documents, on-site verification of the compliance between the application and the actual state of affairs. Inspection is carried out annually du-

ring the validity of the CTE (the contract is renegotiated every five years). The legislation stipulates a system of penalties to be applied in case of breach of obligations.

If the inspection finds a deviation from the obligations by 3% or less, the sanctions are not applied: the farmer returns to the Fund the amounts wrongly received in the current year plus interests at the legal rate. If the difference between the obligations and their actual fulfillment is from 3% to 20%, the farmer, in addition to the refund, has to pay an additional fine that exceeds the amount of the refund. In case of non-fulfillment of obligations by more than 20%, the contract with the state is terminated [13].

Finally, French scientists have developed a methodology for evaluating the activities of farms based on sustainable development (IDEA), which includes 41 indicators, whose application makes it possible to assess the farms' economic viability, social orientation and environmental friendliness, that is, their compliance with the concept of agricultural multifunctionality.

In this algorithm, the concept of agricultural multifunctionality is transformed into a tool for implementing agricultural policy in practice, i.e. it acquires the status of a basis for the functioning of the agricultural system of the EU countries [1].

In Ukraine, agriculture multifunctionality in this status is not recognized by state institutions and is not legally codified. As a result, agriculture is dominated by the production oriented model with all its negative consequences. Today, the processes resulted from the industrial "green revolution" in South America, Asia and other countries are spreading in Ukraine's agriculture. They include land degradation, de-commissioning of irrigated and drained lands, breach of crop rotations, destruction of certain industries important to society with the emergence of the threat of loss of food independence on certain types of food, rising unemployment and migration of the rural population as a result of the transition to monocultural production, and desolation of rural settlements.

Therefore, this country's agricultural policy requires radical changes. Given the obligations contained in the Association Agreement between Ukraine and the EU, we need to implement the basic principles of the Common Agrarian Policy in domestic legislation and, accordingly, in practical agricultural activities. As shown by the practice of the new EU member states, this is a big and painstaking work for scientists, managers, and the legislature, which requires time, mobilization of intellectual resources and financial support.

The main components of this work include:

- implementation of the institutional principles of multifunctional agriculture in the legislative and regulatory framework;
- complete reconstruction of agricultural policy in two directions, taking into account Pillar I (support for market stabilization and farm incomes) and Pillar II (encouraging social and environmental measures), which form the structure of the EU Common Agricultural Policy;
- codification of the Code of Sustainable Agriculture, which, by analogy with the codes of good agricultural practices of the EU, should introduce requirements for maintaining soil fertility, transition to crop rotation, production of environmentally friendly items, environmental protection and other rules of agricultural activity, included in the European system of "Crosse Compliance"
- legislative linking of all forms of state support in the field of agriculture with observance of the established rules, standardization of administrative responsibility

for their violation, definition of controlling institutions and codification of their powers

- development, codification and practical introduction of the methodology for assessing the level of economic-socio-ecological balance in the activities of farming units as a basis for overall sustainable agricultural development;
- reorientation of agricultural training programs from the production based economic model over the model of sustainable (economic-social-ecologically balanced) development.

Conclusions

The emergence of the concept of multifunctional agriculture is objectively due to the negative consequences of the transition to intensive agriculture based of its industrialization, chemicalization, land reclamation and other intensive factors. Industrial technologies focused exclusively on economic growth have caused man-made destruction of soil structure, chemical pollution of lands and water resources, reduction of humus content in soils, their erosion, degradation and more. Agro economic science, and consequently the practice, were forced to recognize that the product of agricultural activities is not limited to agricultural products but also includes the environmental consequences, which, reaching a critical level, reduce the potential of agricultural land negatively affecting the economic performance.

The social aspects of agriculture associated with rural employment, colonization of rural areas as a major factor in their effective development, rationalization of migration processes, etc., were complemented with the functions of food security and national food independence as a result of the intensification of agriculture, and penetration of big capital with its inherent profit-making purposes into the agricultural industry.

Taken together, this necessitated expansion of the theoretical foundations of agro economics by recognizing the concept of multifunctional agriculture.

With the acquisition by the concept of multifunctionality of official institutional status as a development method and analytical tool of the agricultural policy of sustainable agricultural development in UN documents and codification of this status in laws and regulations in Western Europe and other countries, it becomes the basis of the functioning of the agricultural system.

Ukraine has yet to master the new approach to developing a strategy for agricultural development based of the sector's multifunctional purpose. In this context, Ukrainian science and practice face important tasks in adapting the Western European and other countries' experience to this country's conditions. These tasks are especially urgent given the negative social and environmental processes that are spreading in the agricultural sector as a result of the dominance of the production oriented model focused only on maximizing profits without taking into account the social and environmental consequences.

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Received 16.11.19

Reviewed 20.12.19

Signed for print 15.02.20

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ІНСТИТУАЛІЗАЦІЯ КОНЦЕПЦІЇ БАГАТОФУНКЦІОНАЛЬНОСТІ СІЛЬСЬКОГО ГОСПОДАРСТВА: ДОСВІД ЄС ДЛЯ УКРАЇНИ

Викладено коротку ретроперспективу зародження і розвитку ідеї багатофункціональності сільського господарства у країнах ЄС та світовій практиці, надання їй документами ООН і Європейського Союзу офіційного інституціонального статусу інструмента розроблення політики сталого розвитку сільських господарств та використання цього інструменту у практичній діяльності країн – членів ЄС.

Означено юридичні, фінансові, інституційні та інтелектуальні засоби реалізації видів політики сталого розвитку сільського господарства, розроблених на засадах багатофункціонального призначення галузі. Аналізується алгоритм інституціалізації концепції багатофункціональності сільського господарства як основи функціонування сільськогосподарської системи на прикладі Франції. Висвітлюється практика укладення між фермерами і державою договорів, які містять зобов'язання сторін щодо сприяння економіко-соціо-екологічно орієнтованому розвитку сільського господарства.

Аргументована значимість впровадження європейського алгоритму трансформації концепції багатофункціональності сільського господарства в інструмент розроблення вітчизняної аграрної політики з огляду на поширення руйнівних процесів у галузі, породжених її орієнтацією на зростання виробництва і максимізацію прибутків без урахування соціальних втрат і екологічної ціни цього зростання (деградації угідь, монокультурного виробництва, руйнування сівозмін і агроландшафтів, зниження окремих трудомістких галузей; виникнення загрози продовольчої залежності по окремих видах продовольства, зростання безробіття і знелюднення сіл). Зазначене є наслідком невизнання вітчизняними науковими та урядовими структурами статусу багатофункціональності сільського господарства, імplementованого західноєвропейськими країнами у правове поле і, відповідно, відсутністю будь-якого державного впливу на перехід до моделі сталого розвитку галузі.

У зазначеному контексті сформульовано завдання у сфері науки і практики, які необхідно здійснити для приведення структури і змісту вітчизняної аграрної політики до економіко-соціо-екологічного спрямування Спільної аграрної політики ЄС, що впливає із зобов'язань, передбачених Угодою про асоціацію між Україною та Європейським Союзом.

Ключові слова: багатофункціональність, сталий розвиток, інституціональні засади, аграрна політика, фермерський контракт

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ИНСТИТУАЛИЗАЦИЯ КОНЦЕПЦИИ МНОГОФУНКЦИОНАЛЬНОСТИ СЕЛЬСКОГО ХОЗЯЙСТВА: ОПЫТ ЕС ДЛЯ УКРАИНЫ

Изложена краткая ретроспектива зарождения и развития идеи многофункциональности сельского хозяйства в странах ЕС и мировой практике, предоставление ей документами ООН и Европейского Союза официального институционального статуса инструмента разработки политики устойчивого развития сельских хозяйств и использования этого инструмента в практической деятельности стран – членов ЕС. Выявлены юридические, финансовые,

институциональные и интеллектуальные средства реализации видов политики устойчивого развития сельского хозяйства, разработанные на основе многофункционального назначения отрасли. Анализируется алгоритм институционализации концепции многофункциональности сельского хозяйства как основы функционирования сельскохозяйственной системы на примере Франции. Показана практика заключения договоров между фермерами и государством, содержащих обязательства сторон по содействию экономико-социо-экологически ориентированному развитию сельского хозяйства.

Аргументирована значимость внедрения европейского алгоритма трансформации концепции многофункциональности сельского хозяйства в инструмент разработки отечественной аграрной политики с учетом распространения разрушительных процессов в этой области, порожденных ее ориентацией на рост производства и максимизацию прибыли без учета социальных потерь и экологической цены этого роста (деградации угодий, монокультурного производства, разрушения севооборотов и агроландшафтов, снижения отдельных трудоемких отраслей; возникновения угрозы продовольственной зависимости по отдельным видам продовольствия, рост безработицы и обезлюднивания сел). Указанное является следствием непризнания отечественными научными и правительственными структурами статуса многофункциональности сельского хозяйства, реализованного западноевропейскими странами в правовом поле и, соответственно, отсутствием какого-либо государственного влияния на переход к модели устойчивого развития отрасли.

В указанном контексте сформулированы задачи в сфере науки и практики, которые необходимо осуществить для приведения структуры и содержания отечественной аграрной политики в соответствие с экономико-социо-экологическим направлением Общей сельскохозяйственной политики ЕС, что следует из обязательств, предусмотренных Соглашением об ассоциации между Украиной и Европейским Союзом.

Ключевые слова: многофункциональность, устойчивое развитие, институциональные основы, аграрная политика, фермерский контракт