THE EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT:  EUROPE
INVESTING IN RURAL AREAS

REPUBLIC OF BULGARIA

RURAL DEVELOPMENT PROGRAMME
(2007-2013)

July 2009
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ABBREVIATIONS

AWU  Annual Work Unit
BA  Biodiversity Act
BAFDI  Bulgarian Association of Food and Drink Industry
CAP  Common Agricultural Policy
CLC  CORINE Land Cover
CMEF  Common Monitoring and Evaluation Framework
CNDP  Complementary national direct payments
EAFRD  European Agricultural Fund for Rural Development
EAGF  European Agricultural Guarantee Fund
EC  European Commission
EFF  European Fishery Fund
EIA  Environment impact assessment
ESU  European Size Unit
EU  European Union
FADN  Farm Accountancy Data Network
FAO  Food and Agriculture Organization of the United Nations:
FAWF  Forest Areas for Wood-Felling
FAWS  Forest Available for Wood Supply
FDP  Fund for Demonstration Projects
FOWL  Forest and other Wooded Land
FTE  Full time equivalent
GAEC  Good Agricultural and Environmental Conditions
GDP  Gross Domestic Product
GEF  Global Environmental Fund
GHG  Greenhouse Gases
GMP  Good Manufacturing Practice
GVA  Gross Value Added
HACCP  Hazard Analysis and Critical Control Point
HNV  High Nature Value
HQs  Headquarters
IA  Implementing Agency
IACS  Integrated Administration and Control System
IBA  Important Bird Areas
IPGR  Institute for Plant Genetic Resources
IR  Intermediate Region
ISMM  Information System for Management and Monitoring
LAG  Local Action Group
LALOU  Law of Agricultural Land Ownership and Use
LB  Traditional Livestock Breeding Scheme
LDS  Local Development Strategy
LFA  Less Favoured Areas;
LOD  Land Ownership Directorate, MAF
LFS  Labour Force Survey
LSAP  Law on Support of Agricultural Producers
LSU  Livestock unit
LVA  Law on Veterinary Activities
MA  Managing Authority
MAF  Ministry of Agriculture and Food
MCPFE  Ministerial Conference on the Protection of Forests in Europe
MF  Ministry of Finance
MIS  Management Information System
MoEW  Ministry of Environment and Water
MPPS  Purchasing Power Standard in Million units
MTE  Mid-term Evaluation
NAAS  National Agriculture Advisory Service
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAEP</td>
<td>National Agri-Environmental Programme</td>
</tr>
<tr>
<td>NARDP</td>
<td>National Agriculture and Rural Development Plan 2000 – 2006</td>
</tr>
<tr>
<td>NFB</td>
<td>National Forestry Board</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>NICM</td>
<td>National Institute for Cultural Monuments</td>
</tr>
<tr>
<td>NRP</td>
<td>National Reform Programme</td>
</tr>
<tr>
<td>NSI</td>
<td>National Statistics Institute</td>
</tr>
<tr>
<td>NSP</td>
<td>National Strategy Plan for Rural Development</td>
</tr>
<tr>
<td>NSRF</td>
<td>National Strategic Reference Framework</td>
</tr>
<tr>
<td>NUTS</td>
<td>Nomenclature of Territorial Units for Statistics</td>
</tr>
<tr>
<td>NVS</td>
<td>National Veterinary Service</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
</tr>
<tr>
<td>OF</td>
<td>Organic Farming Scheme</td>
</tr>
<tr>
<td>OLAF</td>
<td>European Anti-Fraud Office</td>
</tr>
<tr>
<td>OP</td>
<td>Operational Programmes</td>
</tr>
<tr>
<td>PA</td>
<td>Paying Agency</td>
</tr>
<tr>
<td>PCME</td>
<td>Programming, Coordination, Monitoring and Evaluation Unit of RDD</td>
</tr>
<tr>
<td>PMC</td>
<td>Programme Monitoring Committee</td>
</tr>
<tr>
<td>PPS</td>
<td>Purchasing Power Standard</td>
</tr>
<tr>
<td>PR</td>
<td>Predominantly rural</td>
</tr>
<tr>
<td>PU</td>
<td>Predominantly urban</td>
</tr>
<tr>
<td>RAAS</td>
<td>Regional Agricultural Advisory Service</td>
</tr>
<tr>
<td>RDP</td>
<td>Rural Development Programme (2007-2013)</td>
</tr>
<tr>
<td>RER</td>
<td>Renewable energy resources</td>
</tr>
<tr>
<td>RES</td>
<td>Renewable energy sources</td>
</tr>
<tr>
<td>SAF</td>
<td>State Agency for Forestry¹</td>
</tr>
<tr>
<td>SAPARD</td>
<td>Special Accession Programme for Agriculture and Rural Development</td>
</tr>
<tr>
<td>SAPS</td>
<td>Single Area Payment Scheme</td>
</tr>
<tr>
<td>SCI</td>
<td>Sites of Community interest</td>
</tr>
<tr>
<td>SDC</td>
<td>Programme of the Swiss Agency for Development and Cooperation</td>
</tr>
<tr>
<td>SEA</td>
<td>Strategic Environmental Assessment</td>
</tr>
<tr>
<td>SFA</td>
<td>State Fund Agriculture</td>
</tr>
<tr>
<td>SG</td>
<td>State Gazette</td>
</tr>
<tr>
<td>SGM</td>
<td>Standard Gross Margin</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium-size Enterprises</td>
</tr>
<tr>
<td>SPA</td>
<td>Special protection areas</td>
</tr>
<tr>
<td>SPP</td>
<td>Small Projects Programme</td>
</tr>
<tr>
<td>SW</td>
<td>Soil and Water Protection Scheme</td>
</tr>
<tr>
<td>TA</td>
<td>Technical Assistance</td>
</tr>
<tr>
<td>TAIEX</td>
<td>Technical Assistance and Information Exchange</td>
</tr>
<tr>
<td>TBFRA</td>
<td>Temperate and Boreal Forest Resources Assessment</td>
</tr>
<tr>
<td>TBS</td>
<td>Territory belonging to a settlement</td>
</tr>
<tr>
<td>UAA</td>
<td>Utilised Agricultural Area</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>VA</td>
<td>Value Added</td>
</tr>
<tr>
<td>WFD</td>
<td>Water Framework Directive</td>
</tr>
<tr>
<td>WG</td>
<td>Working Group</td>
</tr>
</tbody>
</table>

¹ SAF is the former National Forestry Board
1. Title of Rural Development Programme

Republic of Bulgaria Rural Development Programme 2007-2013

2. Geographical Area Covered by the Programme

2.1 Geographical Area Covered
The Programme will be implemented on the entire territory of the Republic of Bulgaria.

2.2 Regions Classified as “Convergence” Objective
The whole territory of Republic of Bulgaria has been classified under the “Convergence” Objective.

3. Analysis of the Situation in Terms of Strengths and Weaknesses, Strategy and the Ex-ante Evaluation

3.1 Analysis of the Situation in Terms of Strengths and Weaknesses

3.1.1 General Socio-Economic Context

Definition of the Rural Area

The Republic of Bulgaria is situated in the South East part of Europe and it has a total territory of 111 000 km². The population of the country at the end of 2004 was 7.8 million people.

Bulgaria is divided into 6 planning regions (NUTS 2), 28 administrative regions (NUTS 3) and 264 municipalities (LAU 1). According to the OECD definition of rural areas, there are 20 predominantly rural NUTS 3 regions, 7 - intermediate rural regions and only one predominantly urban region - the capital Sofia. Thus, predominantly and intermediate rural regions cover 98.8% of the territory and account for 84.3% of the population of Bulgaria.

The national definition of rural areas, defines rural areas as municipalities (LAU1), in which no settlement has a population over 30 000 people. This definition has been used under SAPARD and will also be applied in the Rural Development Programme 2007-2013 for territorially based interventions.

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2 In order to achieve compatibility with the CMEF data, the population density in 2000 is used for the designation of the NUTS 3 regions. If 2004 data is used, the number of predominantly rural NUTS 3 regions is 21.

3 The analysis below is based on NSI regional statistical data (MAF calculations), unless stated differently.
According to this definition, 231 out of total of 264 municipalities in Bulgaria are classified as rural. The rural areas represent 81% of the Bulgarian territory and 42% of the population (Figure 1).

**Figure 1  Designation of Rural Areas at LAU 1 Level Using the National Definition**

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**Demographic Situation**

In 2004 the population of rural areas was 3.2 million\(^4\). The population density in the rural areas is half the national average (35.8 vs. 69.9 inhabitants per km\(^2\), respectively) (Table 1). The average number of the population in rural municipalities is 13 800, however, there are significant differences between the rural municipalities. About 40% of the rural municipalities are of small size – with population below 10 000 people, and in this group almost one third of the municipalities have less than 5 000 people. There are 18 rural municipalities with population above 30 000.

**Table 1  Population and Territory of Rural Areas (2004)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>% of Total</td>
<td>Km(^2)</td>
</tr>
<tr>
<td>OECD definition</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Predominantly Rural regions</td>
<td>4 502 540</td>
<td>58.0</td>
<td>84 885</td>
</tr>
<tr>
<td>Intermediate Regions</td>
<td>2 037 352</td>
<td>26.3</td>
<td>24 768</td>
</tr>
<tr>
<td>Predominantly Urban regions</td>
<td>1 221 157</td>
<td>15.7</td>
<td>1 349</td>
</tr>
<tr>
<td>National definition</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural</td>
<td>3 232 167</td>
<td>41.6</td>
<td>90 277</td>
</tr>
<tr>
<td>Urban</td>
<td>4 528 882</td>
<td>58.4</td>
<td>20 725</td>
</tr>
<tr>
<td>Total</td>
<td>7 761 049</td>
<td>100.0</td>
<td>111 002</td>
</tr>
</tbody>
</table>

*Source: NSI (MAF calculations).*

\(^4\) The analysis below is based on the national definition of rural areas, unless stated differently. The OECD definition is used, where no data is available by national definition.
According to 2001 Census data, out of the total population of rural areas, 2.57 million persons (76.1%) identified themselves as Bulgarians, 0.5 million (14.8%) – as Turks, 0.235 million (7.0%) – as Roma, the remaining are from other ethnic groups or chose not to reveal their ethnic status.

The overall population of Bulgaria has been declining but in the rural areas the rate of population decline is significantly higher. The population in the rural areas has declined by over 1 million people in the period 1972 - 2004.

In 2001–2004, the average annual rate of rural population decline was -10.5 per 1000 (‰) compared to –2.1‰ of urban. The major contributor of population decline in rural areas is the negative natural growth (-8.2‰ average for 2001–2004 vs. -3.7‰ – for urban areas). Rural and urban areas have the same birth rates (8.7‰) but the death rate of the rural population is significantly higher (16.8‰ average for 2001–2004 vs. 12.4‰ for urban areas). The migration from rural to urban areas contributed to –2.3‰ decrease of the rural population in the 2001–2004 period.

The age structure of the rural population is less favourable than the urban one due to the comparatively low share of population at working age (Table 2).

Table 2  Population by Age (2004)

<table>
<thead>
<tr>
<th>Type of Region</th>
<th>Population Below Working Age</th>
<th>Population at Working Age</th>
<th>Population Above Working Age</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Thousand</td>
<td>Thousand</td>
<td>Thousand</td>
<td>Thousand</td>
</tr>
<tr>
<td>OECD definition</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Predominantly Rural regions</td>
<td>710.0</td>
<td>2 721.0</td>
<td>1 071.5</td>
<td>4 502.5</td>
</tr>
<tr>
<td>Intermediate Regions</td>
<td>302.3</td>
<td>1 254.1</td>
<td>481.0</td>
<td>2 037.4</td>
</tr>
<tr>
<td>Predominantly Urban regions</td>
<td>162.1</td>
<td>806.7</td>
<td>252.3</td>
<td>1 221.2</td>
</tr>
<tr>
<td>National definition</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural</td>
<td>517.7</td>
<td>1 836.3</td>
<td>878.2</td>
<td>3 232.2</td>
</tr>
<tr>
<td>Urban</td>
<td>656.7</td>
<td>2 945.5</td>
<td>926.6</td>
<td>4 528.9</td>
</tr>
<tr>
<td>Total</td>
<td>1 174.4</td>
<td>4 781.8</td>
<td>1 804.9</td>
<td>7 761.0</td>
</tr>
</tbody>
</table>

Source: NSI (MAF calculations).

The share of the population below working age in rural areas was about 45% of the total population below working age (in 2004). The rural areas, however, have problems in retaining the young population, as in rural areas the population at working age is 7 percentage points lower than population below working age in the same areas. It is 38% of the total population at working age.

The share of the population above working age was 27% in rural areas (in 2004). In the North-West region, the share of the population above working age exceeded 30%. In 2004, in rural areas resided almost half of the total population above working age.

In 2004, the share of women in the rural population was 51%. In 2004, in the group of working age population the share of females was 46% and it is 63% in the group of population above working age (due to higher life expectancy of women).
The educational status of the rural population is significantly lower than that of the urban population. The illiteracy rate in rural municipalities is two times higher than in urban areas (1.7% of the population between 25 and 64 years of age)\(^5\).

**Figure 2  Educational Status of the Population between 25 and 64 Years of Age in Rural and Urban Areas (2001)**

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>University</td>
<td>20.6</td>
<td>43.4</td>
</tr>
<tr>
<td>College</td>
<td>51.9</td>
<td>35.9</td>
</tr>
<tr>
<td>Secondary education</td>
<td>16.9</td>
<td>8.7</td>
</tr>
<tr>
<td>Lower secondary</td>
<td>8.7</td>
<td>0</td>
</tr>
<tr>
<td>Primary education</td>
<td>0</td>
<td>5.5%</td>
</tr>
<tr>
<td>Illiterate</td>
<td>0</td>
<td>2.0%</td>
</tr>
</tbody>
</table>


Almost half of the population in rural areas have no secondary education, compared to 20% in urban areas (Figure 2). There are significant differences in the shares of the population with university education – 5.5% in rural areas versus 20.6% in urban areas. The share of adults 25-64 participating in education and training is only 1.3% in Bulgaria, and in the predominantly rural NUTS 2 regions it is even lower – 0.9%.

**Remoteness and Peri-Urban Pressures**

The settlement network in Bulgaria consists of 7 large cities with population above 100 000, 27 medium-sized towns (with population between 30 000 and 100 000), and 200 rural towns with population below 30 000. The most dynamic centres are the 7 largest cities, which are unevenly dispersed in the country. As a result, large portions of the national territory remain remote from the large urban centres.

The National Spatial Urban Model identifies 36 agglomeration areas consisting of an urban centre and their surrounding areas as part of the same growth pole. There are 53 rural municipalities, which are included in the agglomeration areas. In general, these municipalities have a better human resource potential and better opportunities for business development based on efficient integration with urban centres. The situation, however, varies significantly according to the size and performance of the urban centre.

**Table 3  Rural Areas by Type**

<table>
<thead>
<tr>
<th>Type of Region</th>
<th>Municipalities</th>
<th>Population</th>
<th>Territory (\text{Km}^2)</th>
<th>Population Density (\text{Inhabitants/km}^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural municipalities in agglomerations of</td>
<td>53</td>
<td>1 370 905</td>
<td>27 113</td>
<td>50.6</td>
</tr>
<tr>
<td>large and middle-sized cities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other rural municipalities</td>
<td>178</td>
<td>1 861 262</td>
<td>63 163</td>
<td>29.5</td>
</tr>
<tr>
<td>All rural area</td>
<td>231</td>
<td>3 232 167</td>
<td>90 277</td>
<td>35.8</td>
</tr>
</tbody>
</table>

Source: NSI (MAF calculations).

\(^5\) 2001 Census data (NSI).
The majority of the rural municipalities are located outside the growth poles of the largest and medium-sized cities in Bulgaria. These are 178 municipalities, accounting for 58% of rural population and 70% of the rural territory (Table 3). The remoteness from large urban centres, small population and low-population density in these municipalities create additional constraints to socio-economic development. The rural areas outside agglomerations have suffered higher population decline, have less-educated labour force and experienced much higher unemployment rates. There is a need to improve physical infrastructure and quality of basic services in these municipalities in order to improve their competitiveness and ability to retain younger and better educated population.

Peri-urban pressures in Bulgaria are still low and occur mainly around the largest cities (Sofia, Plovdiv, Varna, Burgas), which are expanding their territory.

**Economic Drivers, Productivity and Growth**

The predominately rural and intermediate regions in 2004 generated 70.3% of the Bulgarian GDP and contributed to nearly 80% of the employment in the country. The share of rural areas in GDP however declined in the period 2000-2004 (Figure 3)

The labour productivity in rural areas is nearly twice lower than in the urban areas. The productivity gap between urban and rural areas is present in all sectors – the highest in industry, followed by services and agriculture.

**Figure 3 GDP by Type of Area (2000-2004)**

Source: NSI (MAF calculations).

In the 2000-2004 period, the GDP of rural regions had been growing at a slower pace than the national average. The economy of the predominately rural areas experienced lower growth rates, though since 2004 the growth accelerated and the difference with the national average declined. In 2004 the GDP growth rate of the predominately rural areas was 4.5% and in the intermediate areas was 5.9%, compared to 6% national average.

The growth is generated by increased employment, domestic and foreign investments in rural areas. The foreign investments in the enterprises of the predominately rural and intermediate areas have been growing for the last years, but it benefited mainly the urban centres (Figure 4).

---

6 The average population of the rural municipalities in agglomeration areas is 25 000, and of those not included in agglomerations – 10 000.

7 NSI does not publish data on GDP and employment at LAU1 level. Therefore, OECD definition is used for the analysis of GDP and employment in rural areas.
The drivers of economic growth vary among the rural regions. In a small number of rural regions growth is based on the accumulation of specialised knowledge and skills of local companies. In the majority of rural regions the investment and employment growth is based on their low labour costs advantages (see part 3.4).

**Labour Market in Rural Areas**

According to NSI Labour Force Survey (LFS) in 2004, the economically active population in the predominantly rural areas was 1 851 000 people and in the intermediate areas 878 000 people (Table 4).

<table>
<thead>
<tr>
<th>Type of Region</th>
<th>Economically active population</th>
<th>Employed</th>
<th>Economic activity rate</th>
<th>Employment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Thousand</td>
<td>Thousand</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Predominantly Rural regions</td>
<td>1 850.6</td>
<td>1 624.0</td>
<td>55.7</td>
<td>47.9</td>
</tr>
<tr>
<td>Intermediate Regions</td>
<td>878.1</td>
<td>764.3</td>
<td>26.4</td>
<td>49.9</td>
</tr>
<tr>
<td>Predominantly Urban regions</td>
<td>593.3</td>
<td>533.9</td>
<td>18.3</td>
<td>56.1</td>
</tr>
<tr>
<td>Total</td>
<td>3 322.0</td>
<td>2 922.2</td>
<td>100.0</td>
<td>49.7</td>
</tr>
</tbody>
</table>

The predominantly and intermediate rural areas are characterised by a very low labour force participation rate. In 2004, less than half of the population above 15 years of age in the predominantly rural areas was employed or actively seeking a job. The low labour force participation rate is explained by the poor employment opportunities in rural areas.

According to 2004 LFS, the total number of employed in the predominantly and intermediate rural regions was 2 388 000 people. The employment rate was very low – 42% of the labour force.

In rural areas the female employment rate is 9-10 percentage points lower than the male, which is close to the country average. The gender differences in economic activity rates vary between regions, depending on the labour market situation.

The quality of jobs offered to women has deteriorated and the working hours have increased, particularly in remote areas and in villages of rural areas. The wide spread occurrence of...
subsistence and semi-subsistence farming has increased the share of women employed as non-paid family workers, and related to it long working hours in poor working conditions. In rural areas with stagnating economies, men work on seasonal jobs outside the rural municipalities, while women have to care for the family and the subsistence farms. The share of women, working in low paid jobs in the apparel and leather industry enterprises has also increased. In all rural areas women have the primary responsibility for cultivating household plots, in addition to their employment in the formal economy.

The registered unemployment rate in rural municipalities has been decreasing in recent years but it still remains very high - 19.2% in 2004. In 34 rural municipalities, the unemployment rate in 2004 exceeded 30%8. There are significant and persistent disparities in the unemployment rate of urban and rural areas (See Figure 5).

**Figure 5  Registered Unemployment Rates in Rural and Urban Municipalities 2000-2004 (%)**

![Graph showing unemployment rates in rural and urban areas from 2000 to 2004](image)

*Source: Employment Agency.*

A significant problem in rural municipalities is the high level of long-term unemployment. In 2004, the long-term unemployment rate in rural areas was 11.3% compared to 3.6% in urban areas. The high long-term unemployment rate is explained by the lack of employment opportunities in rural areas and the deteriorating employability of the labour force. Surveys of rural areas show that despite the high unemployment, entrepreneurs encounter difficulties in finding qualified labour force.

The high unemployment rate of young people is an additional problem that leads to the outmigration of the young labour force from rural areas to urban centres and abroad. The share of people living in poverty is significantly higher in rural areas. This is related to the lower wages, the higher unemployment and underemployment rates, the high share of population living on pensions and social security benefits, as well as to the high costs of social services. The latest World Bank study on poverty in Bulgaria revealed that poverty rates were four times higher in villages, and the households that lived in villages comprised 66% of the poor population9. The survey also revealed higher poverty rate among ethnic minorities. Thus, the poverty rate among Roma people was 62%, among Turks - 21% and among Bulgarians - 6%. All conducted studies registered that ethnic minority groups, mainly Roma, were at a higher risk of social exclusion. The higher poverty rate among ethnic minorities is determined by the significantly higher unemployment rate, especially among Roma people. These high rates are due to their low education levels and their overrepresentation among low-skilled jobs.

---

8 Employment Agency data.

Land Use and Ownership Structure in Agriculture

The total territory of Bulgaria is 11.1 million ha, of which 5.3 million ha (48.0%) utilised agricultural area (UAA) and 3.7 million ha (33.6%) - forest and other wooded area. (Table 5).

Table 5  Land Use in 2004

<table>
<thead>
<tr>
<th>Type</th>
<th>ha (000)</th>
<th>% of total area</th>
<th>% of UAA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Land area</td>
<td>10 876.1</td>
<td>98.0</td>
<td></td>
</tr>
<tr>
<td>1.1 Utilised agricultural area</td>
<td>5 330.5</td>
<td>48.0</td>
<td></td>
</tr>
<tr>
<td>1.2 Wooded area</td>
<td>3 734.5</td>
<td>33.6</td>
<td></td>
</tr>
<tr>
<td>1.3 Other land area</td>
<td>1 811.1</td>
<td>16.3</td>
<td></td>
</tr>
<tr>
<td>2. Inland waters</td>
<td>223.2</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>Total area</td>
<td>11 099.4</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Agrostatistics Directorate, MAF.

In 2004 the arable area was 3.3 million ha (61.8% of UAA), and about 70% of it was concentrated in three NUTS 2 regions - North-East, North-Central and South-Central region. Fallow land was 0.4 million ha or 13.4% of the arable land\(^\text{10}\). Permanent pasture and meadows accounted for 1.8 million ha (33.8% of the UAA) and permanent crops – 0.2 million ha (4.0% of the UAA).

The structural adjustment in Bulgarian agriculture after 1989 and the lack of government support resulted in different forms of land abandonment – ended or intermittent farming operations. According to MAF data, in 2004 the agricultural land which was not in agricultural use for more than three years was 450 000 ha, and it tends to increase\(^\text{11}\). Surveys show that the areas most affected by land abandonment are mountainous regions, which suffered from the collapse in animal breeding, regions with other natural deprivations or poor quality of soil.

In 2004 73% of the total agricultural land was private, 22% was municipal and 5% was state owned.

There is a significant fragmentation of land ownership in Bulgaria, which was created by the land restitution. The average size of the agricultural plots is 0.6 ha. The size of the plots varies by region, depending on the natural conditions and the crop structure - from 0.3 ha in Smolyan NUTS 3 region to 3.0 ha in Dobrich region\(^\text{12}\).

The fragmentation of land ownership is a significant barrier to long-term investments in agriculture, land improvements and efficient use of agricultural machinery and there is a clear need for land consolidation actions.

The MAF policy is oriented to the support of voluntary land consolidation by improvement of the legislative environment and guidance to farmers. Based on experience gained in

\(^{10}\) Fallow land is defined as all land included in the crop rotation system, whether worked or not, but not producing a harvest for the duration of a crop year. The fallow land is part of the arable land.

\(^{11}\) The non-utilised agricultural land is not included in the UAA.

\(^{12}\) Source: MAF, Land Ownership Directorate.
implementation of pilot land consolidation projects\textsuperscript{13}, in 2007 the Law of Agricultural Land Ownership and Use (LALOU) was amended to include rules for voluntary land consolidation. The amendments regulate the procedure for land reparation and changing of the map of reinstated land ownership. The amendments create legislative regulations for inclusion in the land consolidation projects of state and municipal agricultural land. In addition, the amendments provide for the development of land consolidation plans, initiated by stakeholders (farmers, municipalities), which along with reparation include measures related to infrastructure, irrigation and environment. MAF has been developing bylaws for the development of land consolidation plans.

Development of the land rental market, through consolidating land use, helps overcome the problem of fragmented land ownership. In 2003 on average 79\% of UAA of agricultural holdings was leased. Holdings of natural persons leased about half of their land, co-operatives and farming companies – 93\%\textsuperscript{14}. There is a positive trend of increased average length of rental contracts from one year in 1997 to three years in 2004 and increased formality of contracts with 56\% of written contracts in 1997 increasing to 82\% in 2004\textsuperscript{15}. The 2007 amendments of LALOU gave also the “right of first buyer” to farmers leasing land on contracts for 5 years and more, which is expected to increase their long-term security and thus to create investment incentives.

To reduce the problem of parcel fragmentation, farmers (owners or leasers) often negotiate annual agreements for exchange of land parcels in order to form larger land blocks. The amendments of LALOU in 2007 introduced a better regulation of parcel exchange agreements, increasing their transparency and improving the dispute settlements procedure.

The development of the land sales market is also expected to contribute to land consolidation in Bulgaria. Over the last few years the land sales market has gained momentum, but it is still constrained by the expectations for significant land price increases, unsettled inheritance claims and the large spread of subsistence farming. In recent years the land market has been boosted by the entrance of several agricultural land investment funds. The MAF policy is to support the land market development by improving access to land market information and maintaining updated registers of landowners and leasers.

In 2003, 665 500 agricultural holdings were operating in Bulgaria\textsuperscript{16}. The majority of these holdings (75\%) cultivated up to 1 ha, which, however, accounted for less than 7\% of the total UAA\textsuperscript{17}. On the other hand, only 0.8\% of the holdings managed more than 50 ha, but they farmed the majority of the UAA – 78\% (Table 6).

\textsuperscript{13} Pilot land consolidation actions have been implemented since 2002 in various regions in Bulgaria within the framework of projects supported by the Netherlands Pre-Accession Programme MATRA and the World Bank. They aimed building expertise in preparation of land consolidation plans as well as policy development.

\textsuperscript{14} 2003 Agricultural Census data.

\textsuperscript{15} World Bank, Emerging Challenges of Land Rental Markets, 2006.

\textsuperscript{16} The analysis in this section is based on 2003 Agricultural Census data, unless stated differently.

\textsuperscript{17} The Agricultural Census did not cover the holdings with size below threshold for an agricultural holding (for definition see Table 6), the fallow lands and around 2 million ha of commonly used pastures. The total UAA of the surveyed agricultural holdings was 2.9 million ha, of which 92.1\% was arable land, 3.7\% – pastures and meadows, and 3.5\% – permanent crops.
Table 6  Distribution of Agricultural Holdings by Size of UAA

<table>
<thead>
<tr>
<th>UAA</th>
<th>Agricultural holdings</th>
<th>UAA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>number (000)</td>
<td>%</td>
</tr>
<tr>
<td>No UAA</td>
<td>10.7</td>
<td>1.6</td>
</tr>
<tr>
<td>Less then 1 ha</td>
<td>501.7</td>
<td>75.4</td>
</tr>
<tr>
<td>1 ha to less than 5 ha</td>
<td>131.8</td>
<td>19.8</td>
</tr>
<tr>
<td>5 ha to less than 50 ha</td>
<td>16.1</td>
<td>2.4</td>
</tr>
<tr>
<td>50 ha or more</td>
<td>5.1</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>665.5</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Note:* The 2003 Census covered agricultural holding exceeding at least one of the following thresholds: 0.5 ha UAA, 0.3 ha arable land, 0.1 ha of specialized crops – vegetables, tobacco, hops, cotton, aromatic and medicinal plants, seeds, flowers or permanent crops, 0.05 ha under greenhouse, 0.2 ha permanent grassland or having 1 cow/female buffalo/mare/sow/ reproductive male animal, 2 other bovines/draught animals/breeding goats, 5 pigs/breeding sheep, 50 laying hens, 100 broilers, 10 beehives/10 breeding rabbits.


There are substantial differences between the size of the holdings managed by the natural persons and those managed by the registered entities (cooperatives, limited companies, sole traders, partnerships). In 2003, the vast majority of the agricultural holdings were managed by natural persons (658 000). These were predominantly small agricultural holdings, 99% of which had less than 5 ha of UAA.

There were about 6 500 agricultural holdings managed by legal entities in 2003 (including sole traders and cooperatives). They accounted for 70% of the UAA of all holdings, included in the 2003 Census, with an average of 290 ha per holding. In this group were about 2 000 cooperatives, which farmed 40% of the UAA. Agricultural co-operatives used to make an important contribution to the agricultural value added in the transition period, but their role has declined. The sector of *farming companies* includes 4500 entities registered under the Commercial Law, and which cultivated 30% of the UAA.

The large share of very small agricultural holdings contributes to the *small average size of Bulgarian agricultural holdings* – on average 1.6 European Size Units (ESU) and 4.4 ha compared to the EU-25 average of 16ha.

The share of holdings that are smaller than 1 ESU was 76.4% (Table 7) in 2003. These were primarily *subsistence farms*, which farmed less than 0.5 ha UAA. These farms cultivated only 9.5% of UAA, but reared about 61% of the livestock. The subsistence farms accounted for 60.7% of the agricultural employment (Table 7).

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18 In this section the economic size of the farms is used as the criteria to differentiate between subsistence and semi-subistence farms to facilitate the analysis. In reality part of the farms below 1 ESU market part of their produce, and part of the farms sized 1 to 4 ESU produce only for household consumption. In both groups there are farms, which have crops that are intended primarily for the market. In addition the size of the farms is not static; it fluctuates, depending on the needs of the households.
Table 7  Distribution of Agricultural Holdings by ESU, UAA, Livestock and Labour Force (2003)

<table>
<thead>
<tr>
<th>ESU</th>
<th>Agricultural holdings</th>
<th>UAA</th>
<th>Livestock</th>
<th>SGM</th>
<th>Labour force</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(number (000))</td>
<td>ha (000)</td>
<td>%</td>
<td>LSU (000)</td>
<td>%</td>
</tr>
<tr>
<td>Less than 1</td>
<td>508.2</td>
<td>275.1</td>
<td>9.5</td>
<td>636.1</td>
<td>60.7</td>
</tr>
<tr>
<td>1 to less than 4</td>
<td>139.4</td>
<td>252.7</td>
<td>8.7</td>
<td>514.4</td>
<td>26.9</td>
</tr>
<tr>
<td>4 to less than 40</td>
<td>14.7</td>
<td>408.0</td>
<td>14.0</td>
<td>175.8</td>
<td>4.9</td>
</tr>
<tr>
<td>40 to less than 100</td>
<td>1.6</td>
<td>523.1</td>
<td>18.0</td>
<td>37.1</td>
<td>1.9</td>
</tr>
<tr>
<td>&gt;=100</td>
<td>1.6</td>
<td>1 445.5</td>
<td>49.8</td>
<td>264.7</td>
<td>5.6</td>
</tr>
<tr>
<td>Total</td>
<td>665.5</td>
<td>2 904.5</td>
<td>100.0</td>
<td>1 628.1</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Notes: 1) SGM provides an indication of the contribution (output minus variable costs) in MEUR of each ESU category and when compared to Labour Force column provides an indication of labour productivity.


The holdings between 1 and 4 ESU were about 139 000 or about 21% of the total. They accounted for 8.7% of the UAA, with an average size of 1.8 ha, and 27% of the livestock. These are predominantly semi-subsistence farms, producing mainly for their own consumption and marketing part of their output\(^{19}\). The semi-subsistence farms accounted for 26.9% of the agricultural labour force.

Thus, in total subsistence and semi-subsistence farms accounted for almost 90% of the agricultural employment and 42% of the SGM of the Bulgarian agricultural sector. The subsistence and semi-subsistence farms have significant similarities in Bulgaria in terms of pattern of production and productivity. They specialise in labour intensive crops (vegetables, fruits, vineyards) and livestock. They are wide-spread in all regions of Bulgaria and the pattern of specialisation depends on local natural conditions.

The emergence and stability of a large sector of subsistence and semi-subsistence farms in Bulgaria is explained by the characteristics of the agricultural reforms and the economic situation in the 1990s. The subsistence and semi-subsistence farms spread as a result of the restitution of the land and the administrative closure of the socialist type co-operatives. They also emerged as a reaction to the post reform shock and the 1997 crisis, which resulted in a sharp decline of incomes and in persistent high unemployment, and became a dominant poverty alleviation strategy in rural areas.

Part of the semi-subsistence farms were started by people left jobless as a result of the economic restructuring. They had little opportunity to grow and to commercialise these holdings due to limited resources, lack of access to external capital and managerial skills. Semi-subsistence farming is also practiced as a form of temporary employment by rural people while looking for better job opportunities generally outside agriculture. That explains the high 15% share of farm managers that defined themselves as unemployed in the 2003 Census.

Subsistence and semi-subsistence farming was also a reaction to the low income of rural and urban households. Thus, about a quarter of the subsistence and semi-subsistence farms are operated as an additional income generating activity of people employed in other sectors of the economy. About half of the subsistence farms and one third of the semi-subsistence farms are

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\(^{19}\) The RDP will target policy interventions on those semi-subsistence farms between 1 and 4 ESU, who also meet the minimum area eligible criteria for payments under SAPS and/or LFA, are not specialised in a single agricultural activity and which are owned/leased by farmers below 60 years old. In the 2003 Census there were about 41 573 such holdings and they accounted for 4% of the UAA of the surveyed agricultural holdings with the average size of 2.9 ha. In 2005 the number of farms corresponding to this definition of semi-subsistence farms declined to 34 500.
operated as an additional income generating activity for retired people, who suffered a major decline in their incomes.

The current trend in economic growth, increasing job opportunities and incomes in other sectors, creates the stimulus to exit from agriculture for part of the holders of (semi-) subsistence farms and discourages the emergence of new farms in this category. This will bring a reduction in number and importance of the (semi-) subsistence sector. There are risks related to the fast dissolution of the (semi-) subsistence farms. First, they create a significant share of employment in rural areas, and their rapid decline may result in additional draining of resources and population from rural areas and land abandonment. Second, their pattern of specialisation differs significantly from the one of the larger companies, and decline of production may not be compensated by larger companies. Therefore, there is a need to create incentives for commercialisation and consolidation of those semi-subsistence farms which have the capacity to develop into viable commercial farming enterprises, and to stimulate their investments in physical and human capital for the increase of productivity and compliance with Community standards.

The large agricultural holdings specialise mainly in the cereals and industrial crops sectors, and therefore their concentration is higher in grain producing regions. There are 1600 holding with economic size above 100 ESU, which cultivate nearly half of the UAA and contribute to 35% of the total agricultural SGM.

The large agricultural holdings will benefit significantly from the introduction of the single area payment system under the 1st Pillar of the CAP (SAPS). By the end of September 2007, 78 900 farmers had registered and identified their land in the IACS system for total 3.38 million ha. The agricultural holdings cultivating more than 100 ha are 5 250 and they account for about 75% of the land.

The result of SAPS for the smaller farms (1-5 ha group) will be to provide a vital added income support, but it is unlikely to be substantial enough to allow them to expand or invest in modern technology. It will contribute to retaining people in rural areas and preventing further rural to urban migration. In the larger farms, especially the 5 250 large farms with over 100ha, the SAPS will provide a vital incentive to introduce innovative techniques and diversify into other areas of agriculture. In this respect it is expected that these farmers will branch out into dairy farming, beef, pig, and poultry production fulfilling the gaps presently seen in the supply of these products.

**Land Use and Ownership Structure in Forestry**

According to the National Forest Policy and Strategy 2007-2013 in Bulgaria, the major part of all forests in Bulgaria are state owned with 78.1% of the total forest area, whereas non-state owned forests account for 21.9% (893 000 ha) of the total forest area in 2005. These non-state forests include:

- Municipal owned forests – 450 000 ha in 26 000 parcels;
- Privately owned forests– 382 000 ha in 550 000 parcels;
- Other type of ownership – 61 000 ha in 5 000 parcels.

Due to the ongoing restitution of former non-state forests, the share of non-state forests will increase. The structure of forests’ ownership is uneven throughout the country. The private forests are in the form of small plots, predominantly below 1 ha. Because of the small plot sizes of private forest property and the fact that owners’ often live in urban areas away from their
forest plots, the interest for managing these forests is low\textsuperscript{20}. The management of municipal owned forests varies by size of the forestry land. The municipalities with relatively large forestry area established municipal forestry management units and manage well their forests. The municipalities with small forest land do not allocate sufficient resources for the management of the forests.

Therefore, a great problem in formulating and delivering forest policy stems from this large number of small-scale forest owners. This problem is being intensified as more of the restituted forests and forest lands is owned by such owners. The restitution process to original owners becomes further complicated as the children of the often deceased owners inherit even smaller plots. The restitution process is planned to be finalised by the end of 2007, before that time any people with claims to ownership must submit them to the authorities.

3.1.2 Performance of the Agricultural, Forestry and Food Processing Industry

Competitiveness of Agriculture and Forestry

Agriculture and forestry make a significant contribution to GDP, exports and employment in Bulgaria. In 2004 the gross value added (GVA), generated in agriculture, forestry and food processing industry in Bulgaria amounted to EUR 1 820.2 million. (Table 8).

The relative share of agriculture and forestry in the GVA has been decreasing over the last decade. It fell from 18.7\% in 1998 to 13.9\% in 2000, and to 11.0\% in 2004. The fall in the share of agriculture of the GVA is explained by the slow and uneven growth of the sector, and the faster growth of the national economy (Table 8).

Table 8 Main Macroeconomic Indicators

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP at current prices</td>
<td>MEUR 13 678.5</td>
<td>15 190.1</td>
<td>16 566.7</td>
<td>17 704.8</td>
<td>19 849.7</td>
</tr>
<tr>
<td>GDP growth rate at constant prices (compared to the preceding year)</td>
<td>% 5.4</td>
<td>4.1</td>
<td>4.5</td>
<td>5.0</td>
<td>6.6</td>
</tr>
<tr>
<td>GVA</td>
<td>MEUR 12 115.9</td>
<td>13 475.4</td>
<td>14 370.9</td>
<td>15 136.5</td>
<td>16 584.8</td>
</tr>
<tr>
<td>GVA in agriculture, hunting, forestry and fisheries (NACE, A,B)</td>
<td>MEUR 1 687.8</td>
<td>1 806.2</td>
<td>1 757.8</td>
<td>1 778.1</td>
<td>1 820.2</td>
</tr>
<tr>
<td>% of total GVA</td>
<td>13.9</td>
<td>13.4</td>
<td>12.2</td>
<td>11.7</td>
<td>11.0</td>
</tr>
<tr>
<td>GVA growth rate in agriculture, hunting, forestry and fisheries at constant prices (compared to the preceding year)</td>
<td>% -10.3</td>
<td>0.3</td>
<td>4.7</td>
<td>-2.3</td>
<td>2.3</td>
</tr>
<tr>
<td>Average annual number of employed</td>
<td>000 2 980.1</td>
<td>2 968.1</td>
<td>2 978.6</td>
<td>3 166.5</td>
<td>3 226.3</td>
</tr>
<tr>
<td>Average annual number of employed in agriculture, hunting, forestry and fisheries (NACE, A,B)</td>
<td>000 781.2</td>
<td>766.4</td>
<td>768.5</td>
<td>805.9</td>
<td>803.1</td>
</tr>
<tr>
<td>% of total</td>
<td>26.2</td>
<td>25.8</td>
<td>25.8</td>
<td>25.5</td>
<td>24.9</td>
</tr>
</tbody>
</table>

Note: In the RDP and its annexes all calculations or amounts indicated in Bulgarian Lev have been converted into EUR using the official exchange rate of 1.95583 EUR/BGN

Source: NSI.

\textsuperscript{20} It is estimated that more than 30\% of all private forest owners live in big cities without any relationship to their ownership and motivation to do appropriate and expensive silvicultural activities in their forests.
According to NSI data, in 2004 the average annual number of people employed in agriculture, hunting, forestry and fisheries (NACE A, B) was 803,100 or 24.9% of the total in Bulgaria.

The agriculture and forestry sector has lower productivity than other sectors of the national economy. In 2004 GVA per employed in agriculture and forestry was EUR 2,260, or 43% of the country average. The labour productivity in agriculture was among the lowest in EU member states (12% of the EU 25 average for the period 2002-2004).

**Major Agricultural Sectors**

*Crop Output*

In 2004, crop production amounted to 51.8% of the gross agricultural output. *Cereals, vegetables and industrial crops* accounted for 80.4% of the value of the crop output. (Table 9)

**Table 9**  

<table>
<thead>
<tr>
<th>UAA</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crops</td>
<td>51.8</td>
</tr>
<tr>
<td>Cereals</td>
<td>18.3</td>
</tr>
<tr>
<td>Vegetables</td>
<td>14.4</td>
</tr>
<tr>
<td>Industrial crops</td>
<td>8.5</td>
</tr>
<tr>
<td>Tobacco</td>
<td>2.2</td>
</tr>
<tr>
<td>Fruits</td>
<td>4.3</td>
</tr>
<tr>
<td>Wine Grape</td>
<td>1.6</td>
</tr>
<tr>
<td>Livestock</td>
<td>31.4</td>
</tr>
<tr>
<td>Milk</td>
<td>9.5</td>
</tr>
<tr>
<td>Sheep and goat</td>
<td>4.7</td>
</tr>
<tr>
<td>Poultry</td>
<td>4.7</td>
</tr>
<tr>
<td>Pig breeding</td>
<td>4.5</td>
</tr>
<tr>
<td>Eggs production</td>
<td>3.1</td>
</tr>
<tr>
<td>Services</td>
<td>5.5</td>
</tr>
<tr>
<td>Secondary non separated non-agricultural activities</td>
<td>11.4</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: NSI.

Most of the arable land area in 2004 was used for the production of cereals (around 1.9 million ha or 58%), oilseeds (0.6 million ha or 19%), industrial plants21 (5%) and vegetables (4%).

The pattern of crop production varies by economic size of the farm. The largest farms (above 100 ESU) specialise mainly in cereals and industrial crops (mainly sunflower). They accounted for 54% of the areas under cereals and 58% of the areas under industrial crops of the farmers included in 2003 Census. Small farmers are very important producers of fresh fruits and vegetables, grapes and root crops. Thus, farms under 4 ESU accounted for 56% of the areas under vegetables, 45% of the area under permanent crops, and 79% of the areas under root crops (See Figure 6).

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21 In this group are tobacco, protein crops, fibre plants and other industrial crops.
A significant part of the crop production comes from agricultural holdings with a mixed type of farming. According to the Agricultural Census data, mixed holdings produce half of the root crops, one third of barley, vegetables and maize.

Major cereal crops are wheat, grain maize and barley. The wheat production in 2004 was 4 million tonnes, grain maize - 2.1 million tonnes, barley - 1.2 million tonnes. The North-East and North-Central NUTS 2 regions accounted for about 60% of the wheat and barley production and for 85% of the grain maize production.

Sunflower seeds and rape are the main oil seeds. In 2004, 1 million tonnes of sunflower seed was produced. About 70% of it was harvested in the North-East and North-Central regions.

The 2003 Agricultural Census data revealed that cooperatives grow almost 42% of the cereals and 47% of the oilseed crops. Agro-companies grow respectively 17% and 18% of the cereals and oilseed plants, and the sole trader holdings - 13% and 15%. The remaining areas under cereals and oilseed crops were in holdings of natural persons.

In 2004, the vegetables produced amounted to 1.6 million tonnes, of which 573 000 tonnes potatoes, 237 000 tonnes tomatoes, 86 000 tonnes cucumbers and gherkins. About 80% of the vegetable production is concentrated in the South parts of Bulgaria.

In terms of area, the most important permanent crop is vineyards, which accounted for 129 600 ha or 61% of the total permanent crop area. In 2004 about 351 000 tonnes of grapes were produced.

Tobacco is an important industrial crop in Bulgaria. The total output of tobacco (raw leaves) in 2004 was estimated at 69 600 tonnes. The South-Central region accounts for 61% of all the tobacco produced. In 2004, there were about 62 000 registered tobacco growing producers. According to the Agricultural Census data, about three-quarters of them planted less than 0.5 ha, but they accounted for one third of the total produce.

Bulgaria has a large potential for the production of energy crops. Approximately 4.8 - 5.2 million tonnes annually remain as a biomass after the harvesting of plant production. The largest share of plant residues (around 3 million tonnes) comes from cereals. Part of it is used for livestock breeding and the remaining quantity is ploughed in. The main crops that could be used

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22 Tobacco Fund data.
for the production of bio-fuels in Bulgaria are cereals, technical crops, oil crops, vegetables and perennials.

In the crop production sector the low productivity is determined to a large extent by low level of mechanisation, low quality seeds and permanent plant varieties/rootstocks and poor land management practices, etc.

The lack of investment in agricultural machinery resulted in the significantly increased use of manual labour and in consequence low labour productivity. In 2004, the total number of tractors in Bulgaria was about 32 000 and of harvesters – 10 000. Less than 5% of the agricultural holdings of natural persons owned a tractor. A significant part of the agricultural machinery is worn out and obsolete. Thus, despite the significant support under SAPARD for the modernisation of agricultural machinery, further investment is needed in the crop production sector.

Significant investments are also needed for planting and replanting of permanent crops, on-farm irrigation (modern sprinkle/drip irrigations systems to replace the obsolete channel irrigation systems).

Livestock

Livestock production contributed to 31.4% of the Bulgarian agricultural output in 2004. The cattle herd amounted to 672 000, sheep – 1 692 000, pigs – 931 000, goats - 718 000.

The 2003 Agricultural Census revealed that there is a large number of agricultural holdings specialised in grazing livestock – 117 000, they, however, have quite a small economic size. Farms under 4 ESU account for 77% of the cattle stock, 87% of the sheep and 96% of the goats (Figure 7).

Figure 7  Livestock by Economic Size of the Farm (2003)

One third of the agricultural holdings breed cattle. On average, each holding has 3 animals, of which 2 milking cows. About 90% of the cattle are in holdings of natural persons. More than 80% of the milking cows are reared in herds of less than 10 animals. The small size of the agricultural holdings, the inadequate breeds and animal housing determine the low productivity of the sector and low quality of the products. Currently, less than 30% of raw milk delivered to milk processing establishments in Bulgaria is compliant with EU requirements. The introduction of milk quotas and increased EU requirements for the quality of milk, will result in a rapid consolidation of the sector as some of the producers will further reduce their size and will start producing for their own consumption only, while the number and share of output of larger farms who have, or are in process of, adapting their businesses to meet Community standards - will increase.

The sheep breeding is also concentrated in small-scale agricultural holdings. The average number of animals per farm is very small: 57% of the sheep are bred in farms that keep less than 10 animals and only 17% belong to holdings having more than 50 animals, kept mainly for meat production.

99.8% of the goat breeding farms are owned by natural persons. 85% of the herds have less than 5 animals and only 96 goat herds in Bulgaria have more than 100 animals. The average age of the managers of goat breeding farms is nearly 63 years of age, while the average age of the managers of all agricultural holdings is 60 years.

A significant share of the agricultural holdings breed pigs (42%) but the majority of them have 1 to 2 pigs. There are 647 agricultural holdings with more than 100 animals, which accounted for 46% of the total pig-stock. Pig rearing accounts for more than half of the total national meat output.

In 2004, the poultry-stock amounted to 19.5 million, of which 88% - hens and chickens. The predominant part of the poultry production is concentrated in large holdings (see Figure 7). Industrially produced eggs account for 60% of the overall output.

It is worth noting that 38% of the poultry, 28% of the pigs, 3% of the cattle, sheep and goat are bred in holdings, which have no UAA. In the case of cattle, sheep and goats the livestock owners use municipality common grazing land, while for pigs and poultry concentrate feed is purchased.

In the animal breeding sector the harmonisation of national legislation with the European acquis and the alignment with the Community standards in the area of hygiene, environmental protection and animal welfare – particularly in the milk and meat production sectors require significant investments by the Bulgarian agricultural holdings. According to farmers associations’ estimates, EUR 35 million is necessary in the milk production sector alone to comply with the milk quality standards. 81% of the holdings with milking cows have no milking installations. The enforcement of the new European acquis related to egg-laying hens in the poultry branch requires an investment of at least EUR 30 million.

Significant investments must also be made in manure-storing points and in purification installations, especially in the nitrate vulnerable zones. Barely 528 of the present holdings had special sites for safe disposal of manure by May 2006.

The organic farming sector is underdeveloped in Bulgaria and the number of agricultural holdings certified as organic is small (see Section 3.1.3). The organic production is mainly exported, as the domestic market is still limited. There is a growing export demand for the main Bulgarian organic products, such as essential oil plants, herbs, spices, fruits, vegetables, honey. The farmers also show an increasing interest in organic production and need support for the transition from conventional to organic production, purchase of specialised machinery.
Agricultural Labour Force

In 2003 the agricultural labour force amounted to 1.35 million persons, of which 45.5% were women\(^23\). The agricultural labour force was equivalent of 791 600 Annual Work Units (AWU)\(^24\).

The majority of the agricultural labour force was employed in small farms – 75% worked in farms less than 1 ha and 93% in farms less than 5 ha. This determines the high share of family workers in the labour force (95.6%).

In 2003 about a quarter of the farm holders being also farm managers, had other gainful activity outside agriculture. One fifth of the farm managers had their main occupation outside agriculture (ranging from 8% in farms above 100 ESU to 23% in farms below 1 ESU).

The non-family workers employed in agricultural holdings were 59 500 in 2003. The majority of them were employed in the larger holdings (75% were in holdings above 40 ESU).

In 2003 there were 336 300 persons employed full time in the agricultural holdings, with another 150 400 persons devoted to farm work more than 75% of the time (Table 10). Almost half of the agricultural labour force worked on the farm less than 50% of the working time.

Table 10 Distribution of Agricultural Labour Force by Time Worked on the Holding

<table>
<thead>
<tr>
<th>Number (000)</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>full time</td>
<td>336.3</td>
</tr>
<tr>
<td>from 75% to 99% of the time</td>
<td>150.4</td>
</tr>
<tr>
<td>from 50% to 74% of the time</td>
<td>228.1</td>
</tr>
<tr>
<td>under 50 %</td>
<td>633.3</td>
</tr>
<tr>
<td>Total</td>
<td>1 348.1</td>
</tr>
</tbody>
</table>


One of the major problems in the Bulgarian agricultural sector is the aging of the labour force. In 2003 only 11.6% of the persons included in the agricultural labour force were less than 35 years old vs. 54.6% at the age of 55 and more (Table 11). Low incomes and unfavourable working conditions in agriculture, as well as deteriorating living conditions in rural areas discourage young people to start a career in agriculture. Young people are more mobile and less emotionally related to the land and country-side, and there is a clear risk for a shortage of qualified labour, especially for production of labour intensive products.

Table 11 Distribution of Agricultural Labour Force by Age

<table>
<thead>
<tr>
<th>Age</th>
<th>Labour force total</th>
<th>Farm managers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number (000)</td>
<td>% of total</td>
</tr>
<tr>
<td>under 35 years</td>
<td>156.9</td>
<td>11.6</td>
</tr>
<tr>
<td>from 35 to 54 years</td>
<td>454.8</td>
<td>33.7</td>
</tr>
<tr>
<td>55 years and over</td>
<td>736.5</td>
<td>54.6</td>
</tr>
<tr>
<td>Total</td>
<td>1 348.1</td>
<td>100.0</td>
</tr>
</tbody>
</table>


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\(^23\) In this document 3 main sources of data on agricultural employment are used: 2003 Agricultural Census; NSI employment statistics and NSI Labour Force Survey (LFS). The used source is indicated in the references. The definitions of agricultural labour force used in 2003 Agricultural Census comply with Commission Decision 2000/115. NSI data on employment covers hired employees, self-employed, unpaid family workers, working business owners and is based on registered agri company statistics and 2003 Census data on employment in non-registered farms of physical persons. NSI Labour Force Survey is a quarterly household sample survey and complies with Eurostat recommended categories and methodology.

\(^24\) 2003 Agricultural Census data is used in this section, unless stated differently.
The number and share of young farmers in Bulgaria is very low. Thus, in 2003 the sole farm holders under 35 years old were 7.8% of those above 55 years old, compared to 18% in the EU-25. The lack of start-up capital and managerial skills are significant barriers to entry of young people into the farming business and to the development of viable farms. There is a need to support entrance of young and educated people into farming business to ensure the sufficient replacement a large number of old farmers and to speed up productivity growth in agriculture.

The majority of the agricultural labour force lack formal agricultural training and managerial and business skills. Only 2.4% of the farm managers have secondary or higher agricultural education.

The overall low educational attainment of those employed in agriculture is another problem. The 2004 LFS showed that 57% of those employed in agriculture were with ISCED levels 0 to 2 education (primary and lower secondary education), while the country average was 17%. The share of those employed with tertiary level education was only 4.4% (country average - 25%).

This clearly reveals the need for development of a system for continuous vocational training for farmers and improvement of the quality, and outreach of the extension services.

Access to Credit

The access to credit has been one of the main problems limiting the development and modernisation of agricultural holdings in Bulgaria, although the situation has been improving since 2003.

The growing competition among commercial banks brought about a significant credit expansion and improvements in credit terms (longer maturities, lower interest rates and collateral requirements). Banks have developed special lending products for small and medium-sized companies, including agricultural producers. State Fund Agriculture (SFA) developed a special facility operated through commercial banks for easing access to credit of applicants under SAPARD.

Yet access to credit remains a significant problem for small and medium-sized agricultural producers in Bulgaria, which limits their investment and reduces demand for support. To facilitate the access to credit of potential beneficiaries under the RDP, MAF and SFA (the single Paying Agency for the CAP in Bulgaria) have negotiated an agreement with 21 commercial banks, for preferential treatment of beneficiaries under the RDP25. MAF will follow the developments of the credit market, and, where feasible, will propose and implement measures to reduce barriers to credit access.

Food Processing Industry

The gross value added in the food processing industry in 2004 was EUR 441.6 million and it contributed to 2.6% of the overall GVA. The people employed in the enterprises of the sector were 111 000, which corresponded to 3.5% of the total number of employed in Bulgaria.

The food processing industry is the most important market for the agricultural output of Bulgaria. The food processing industry directly purchases more than 75% of the output of wine grapes, milk, poultry, and 30 to 70% - of the fruits. The surveys of food processing enterprises show that in some sectors the efficiency of the processing industry suffers from the structural problems of the Bulgarian farming sector. The small size of the farms results in low quality

25 The participating commercial banks will accept the expected grant as collateral in pre-financing operations of the approved projects. SFA and banks will establish a register of the grants taken as collateral. In addition, some of the participating banks, took the commitment not to request additional collateral in case of loans below EUR 25 000.

26 The analysis below is based on NSI data, unless stated differently.
and/or insufficient or uneven quantity of the processing industry inputs, which creates significant problems, especially in the milk and certain meat sectors where the predominant part of raw materials comes from very small farms.

In 2004 the food processing industry contributed to 15% of the industrial output. In 2004 the value of the food processing industry output increased by 27.6% compared to 2001, which however was lower than the overall growth of the industrial output (40.5%). In the 2001-2004 period, the fastest output growth was in the meat processing industry (77%), fruit and vegetable processing (66%) and dairy industry (41.1%). A significant part of the food processing industry growth could be attributed to the fast growth of the domestic demand and exports.

In the 2001-2004 period the growth of the output of food processing industry was achieved without an increase in the number of employed indicating an increase in the labour productivity. Nevertheless, the labour productivity in the food processing industry remains lower than the national average. *GVA per employed in the food processing industry in 2004 was EUR 4 036 or 78% of the country average.* Labour productivity in the food industry was about 8% of the EU 25 level for 2002.

In terms of contribution to output the most important food processing industry sectors are bread and bakery production (about a quarter of the output and one third of the employment), beverages (18% of output), meat processing (16% of output) and tobacco (12%). Next come dairy, fruits and vegetables processing, milling, oil industries, each accounting to about 7% of the food processing industry output.

Only a small share of the companies specialise in the processing of organic products and thus, the output is relatively small, focused mainly in the following sectors: drying of herbs, spices, seeds, fruits and vegetables, preparation of canned fruits, vegetables and combined food with low sugar content, processing and packing of honey and bee products, processing and distillation of essential oil crops, production of oils and beauty products, processing of dairy and sheep milk, freezing of fruits and vegetables. Currently most of the processed organic products are exported, however there is a growing domestic market.

In 2004 there were about 6 500 enterprises, operating in the food processing industry. The food processing industry has been dominated by micro and small enterprises (74% - micro enterprises and 20% - small). The number of medium-sized enterprises was about 390 (6%) and of large companies in terms of annual turnover - only 8 (4 cigarette factories and 4 companies with considerable foreign investments – 2 in beverages, 2 in sweets).

In recent years the sectors involved in processing inputs of animal origin underwent a process of production concentration as a result of competition and the need to comply with Community veterinary and hygiene standards. Thus, in the period 2000 – 2006 the number of milk processing establishments dropped from 512 to 303 and the number of meat processing establishments dropped from 463 to 363. In the sectors involved in processing inputs of plant origin the number of processing establishment did not change (in the case of canning industry) and even grew in the case of milling and plant oil production). In the first few years after Bulgaria’s accession to the EU the restructuring processes in the food processing industry will continue as a result of two main factors – the closure of small processing establishments that do not have the financial resources required to meet the strict hygiene standards and the increased competition on the domestic market.

Irrespective of the concentration process the volume of output of most processing enterprises is still quite low compared to levels elsewhere in Europe. At present most Bulgarian food processing enterprises operate at the regional or national level. This precludes these enterprises from becoming competitive on the mass product markets and in highly industrialized production sub-sectors. The issue of capacity of the food processing sector in Bulgaria is an ambiguous one, from the one side the capacity of processors that have yet to implement EU standards and who
produce less than competitive products is significant and underutilised. However on the other side the capacity of processors with modern processing equipment that produce products that can compete on the single EU market is considerably limited, especially in the milk processing and fruit and vegetable sectors.

The increase in output volumes of processing enterprises is also hindered by the structural problems in agriculture and in particular by the lack of sufficient numbers of large farmers (the only exception is made by cereal farmers). Therefore, the comparative advantages of food processing industry in the next programming period will be in the production of high value added output and in sub-sectors where production cannot be easily automated.

The investments in the food processing industry in 2004 were EUR 288 million, which corresponded to 7% of the total investments in the country. Foreign direct investment (FDI) in the food processing industry amounted to 2.8% of total FDI in Bulgaria for 2004. The SAPARD Programme encouraged the growth in investment in the industry especially in the five sectors that were eligible under the Programme – milk and meat processing, wine making, fruit and vegetable processing and fish products. By August 2006 investments in these sectors amounted to EUR 217 million. The bulk of investment supported under SAPARD in the period 2001-2006 went to sectors meat processing (34 %), fruit and vegetable processing (23 %) and wine making (20 %).

Despite the dynamic investment activity of food processing enterprises in recent years the need for further investments is still considerable, especially in those sectors that cater to the demand of the domestic market – milling [products], meat and milk processing, animal feed stock production, production of oils and fats of animal and plant origin – as well as in the sectors that are export-bound – fruit and vegetable processing, wine making, processing of medicinal and industrial crops, honey production. For the enterprises that have problems with quantity, quality or the prices of raw materials the investments should be combined with priority measures for increasing the competitiveness of the primary sector.

The level of technical and technological quality, which is of crucial importance for the industry in order to withstand competitive pressures in the enlarged European Union, is still quite low. According to a study\(^{27}\) in the South-Central Region, which has the highest number of food processing enterprises, the use of integrated production systems is more often the exception rather than the rule. Two-thirds of the enterprises have also problems with worn-out or inadequate equipment in the processes of quality control, packaging and labelling. In the various technological lines the new equipment of less than 5 years in use comprises between 10% and 28% of all equipment involved. More than half of the enterprises need to introduce or upgrade storage technologies.

Competitive pressures on the domestic market are mounting after 1 January 2007, as some of the operators are losing their market share while still unable to mitigate the losses through increasing sales on the European market due to the shortage of good quality local inputs and to the fact that only small part of operators are licensed for EU exports during the first year of Bulgarian membership. A substantial part of meat and milk processors do not yet have permission to export to the EU market.

In the past few years the food processing industry enterprises took action to prepare for the accession of Bulgaria to the European Union and to comply with the quality, hygiene, and work safety standards. While the food industry enterprises made significant progress in bringing their practices into line with EU food safety standards, the process has not yet been completed. Transitional period until the end of 2009 was granted to 378 meat and 207 milk processing

\(^{27}\) ARC Foundation, 2004.
establishments to upgrade to EU structural standards. As long as those establishments are in transition, products originating from those establishments should only be placed on the domestic market or used for further processing in Bulgarian establishments in transition. Bulgaria should ensure gradual compliance with the relevant structural requirements in accordance with upgrading plans.

As Bulgaria also has a transition period for raw milk till the end of 2009 to achieve full compliance with the EU requirements, some milk-processing enterprises need to have two separate production lines to process the two types of milk – fully meeting the EU requirements (for the entire EU market) and milk not-meeting the standards (to be marketed only in Bulgaria). According to a derogation of Council Regulation (EC) 2597/97, the requirements related to the fat content do not apply for the drinking milk for Bulgaria till 30 April 2009. Processing enterprises will have to make investments to adapt their technology to the requirements for drinking milk of Council Regulation (EC) 2597/97.

According to a survey implemented by Bulgarian Association of Food and Drink Industry (BAFDI) only 7% of enterprises are certified under the ISO 9001 and only about 100 companies are certified under ISO 22000. As for the systems for traceability of products, more than half of all enterprises questioned within the BAFDI research stated that they already had introduced such systems. The greatest share of companies declaring that they already were using the systems for traceability were from the meat-processing (72%) and milk-processing sectors (71%), whilst the milling industry has the lowest share (36%).

There is still a need for more investment in environmental protection by food processors. There are no enterprises in the sector which have currently developed an integrated system for management of the problems related to the environment. Many companies have elaborated strategies for reaching legislative compliance but have not taken into account the need for environmental compliance strategies. All enterprises in Bulgaria are obliged to respect a number of provisions regarding legislation related to the emissions norms (air and water), food safety, and occupational safety. For instance only for the processing of fruit and vegetables which is considered a sector with a relatively small share of environmental pollution, the enterprises are obliged to comply with more than 30 Acts or provisions related to the environment. The fact that a large number of individual legal cases have been drawn up by the authorized state institutions against a lot of companies for different contraventions, confirms the existence of problems relating to the environmental protection in all food-processing sectors.

There are 7 existing and 11 potential producer markets, which are under construction or reconstruction as well as 81 commodity wholesale markets registered by the Commodity Exchange and Wholesale Markets State Commission. The infrastructure and the equipment used by part of the registered producer markets are obsolete and fail to meet the Community hygiene and quality standards. There is a need to renovate/upgrade the facilities of existing producer markets to ensure compliance with the Community standards.

In 2004 the food industry accounted for 3.2% of the national final energy consumption (280,000 tonnes oil equivalent). The energy efficiency of food industry enterprises is low due to use of

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30 Till this period, the milk with 3% fat content could be sold as whole milk; the milk with 2% fat content could be sold as semi-skimmed. The drinking milk that does not comply with the requirements related to the fat content, could be sold only in Bulgaria or could be exported to third countries.

energy-inefficient technologies, equipment and buildings. Therefore, special encouragement of energy efficiency measures in food industry is needed to reduce cost and improve competitiveness of enterprises. The food industry enterprises has to be encouraged also to utilise renewable energy sources to increase their efficiency and making them more environmentally friendly.

An important need for the food processing industry enterprises is the improvement of the system for vocational training and increasing the share of workers and managers participating in continuous vocational training. Training related to compliance with EU food safety standards is considered as a key priority.

Priority must also be given to funding innovations, the production and marketing of new food products and diversification of the variety of output, which will lead to an increase in the added value of agricultural products.

**Foreign Trade in Agri-food Products**

In 2004 agri-food products accounted for a 10.7% share of Bulgaria’s total exports, and the sector has a positive trade balance. In the period 2002-2004 the value of agricultural exports more than doubled, which coupled with the slower growth of imports, resulted in a 23% increase in the agricultural trade surplus (Table 12).

<table>
<thead>
<tr>
<th>Year</th>
<th>Export - FOB (USD million)</th>
<th>Import - CIF (USD million)</th>
<th>Balance (USD million)</th>
<th>Export – EU (USD million)</th>
<th>Import – EU (USD million)</th>
<th>Balance (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>491.6</td>
<td>352.3</td>
<td>139.3</td>
<td>164.0</td>
<td>144.0</td>
<td>20.0</td>
</tr>
<tr>
<td>2001</td>
<td>508.4</td>
<td>408.1</td>
<td>100.3</td>
<td>195.0</td>
<td>165.4</td>
<td>29.6</td>
</tr>
<tr>
<td>2002</td>
<td>716.0</td>
<td>476.0</td>
<td>240.0</td>
<td>317.6</td>
<td>196.7</td>
<td>120.9</td>
</tr>
<tr>
<td>2003</td>
<td>783.2</td>
<td>598.0</td>
<td>185.2</td>
<td>394.4</td>
<td>335.4</td>
<td>59.0</td>
</tr>
<tr>
<td>2004</td>
<td>1 055.0</td>
<td>808.0</td>
<td>247.0</td>
<td>484.1</td>
<td>415.0</td>
<td>69.1</td>
</tr>
</tbody>
</table>

Source: NSI.

In 2004 the largest share of exports was recorded in the group of cereals (wheat, maize, barley) - 14%, tobacco leaves and cigarettes - 13.6%, oilseeds (mainly sunflower seeds) - 11.1%, beverages - 8.5% (mainly wine), live animals and meat products - 8.1% (Table 13). In 2004 the five leading export commodities were tobacco leaves, sunflower seeds, wine, wheat, and prepared fruits. Bulgarian agricultural exports to the EU are dominated by raw materials and by-products, while the imported products are mostly processed products with high added value.
**Table 13   Foreign Trade by Commodity Group (2004)**

<table>
<thead>
<tr>
<th>Code</th>
<th>Commodity Group</th>
<th>Exports 2004</th>
<th>Imports 2004</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Thousand USD</td>
<td>Thousand USD</td>
<td>Thousand USD</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>9 877 000</td>
<td>14 380 400</td>
<td>-4 503 400</td>
</tr>
<tr>
<td></td>
<td>of which</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>agricultural</td>
<td>1 054 988</td>
<td>807 984</td>
<td>247 004</td>
</tr>
<tr>
<td>Section I</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Live animals</td>
<td>182 632</td>
<td>168 635</td>
<td>13 997</td>
</tr>
<tr>
<td>2</td>
<td>Meat and edible offal</td>
<td>85 384</td>
<td>90 663</td>
<td>-5 279</td>
</tr>
<tr>
<td>3</td>
<td>Fish and molluscs</td>
<td>8 944</td>
<td>15 258</td>
<td>-6 314</td>
</tr>
<tr>
<td>4</td>
<td>Milk, dairy products, eggs and honey</td>
<td>63 858</td>
<td>38 643</td>
<td>25 215</td>
</tr>
<tr>
<td>5</td>
<td>Meat products</td>
<td>2 436</td>
<td>4 681</td>
<td>-2 245</td>
</tr>
<tr>
<td>Section II</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Flowers</td>
<td>2 370</td>
<td>9 456</td>
<td>-7 086</td>
</tr>
<tr>
<td>7</td>
<td>Vegetables, edible tubers</td>
<td>48 546</td>
<td>27 395</td>
<td>21 151</td>
</tr>
<tr>
<td>8</td>
<td>Fruits and nuts</td>
<td>37 110</td>
<td>48 932</td>
<td>-11 822</td>
</tr>
<tr>
<td>9</td>
<td>Coffee, tea, spices</td>
<td>16 238</td>
<td>23 973</td>
<td>-7 735</td>
</tr>
<tr>
<td>10</td>
<td>Cereals</td>
<td>147 648</td>
<td>72 466</td>
<td>75 182</td>
</tr>
<tr>
<td>11</td>
<td>Milling products, malt, starch</td>
<td>3 056</td>
<td>22 647</td>
<td>-19 591</td>
</tr>
<tr>
<td>12</td>
<td>Oilseeds and oilcakes</td>
<td>117 183</td>
<td>25 922</td>
<td>91 261</td>
</tr>
<tr>
<td>13</td>
<td>Vegetable extracts</td>
<td>747</td>
<td>5 113</td>
<td>-4 366</td>
</tr>
<tr>
<td>14</td>
<td>Fibres</td>
<td>516</td>
<td>221</td>
<td>295</td>
</tr>
<tr>
<td>Section III</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Animal and vegetable fats</td>
<td>29 196</td>
<td>44 401</td>
<td>-15 205</td>
</tr>
<tr>
<td>Section IV</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Fish products</td>
<td>11 505</td>
<td>8 477</td>
<td>3 028</td>
</tr>
<tr>
<td>17</td>
<td>Sugar and confectionery</td>
<td>22 462</td>
<td>63 610</td>
<td>-41 148</td>
</tr>
<tr>
<td>18</td>
<td>Cocoa and cocoa products</td>
<td>16 687</td>
<td>38 705</td>
<td>-22 018</td>
</tr>
<tr>
<td>19</td>
<td>Cereal products</td>
<td>64 667</td>
<td>29 119</td>
<td>35 548</td>
</tr>
<tr>
<td>20</td>
<td>Vegetable and fruit products</td>
<td>65 424</td>
<td>37 387</td>
<td>28 037</td>
</tr>
<tr>
<td>21</td>
<td>Various food preparations</td>
<td>19 197</td>
<td>61 022</td>
<td>-41 825</td>
</tr>
<tr>
<td>22</td>
<td>Beverages</td>
<td>89 730</td>
<td>33 053</td>
<td>56 677</td>
</tr>
<tr>
<td>23</td>
<td>Feed stuffs</td>
<td>36 770</td>
<td>45 706</td>
<td>-8 936</td>
</tr>
<tr>
<td>24</td>
<td>Tobacco leaves and cigarettes</td>
<td>143 304</td>
<td>41 744</td>
<td>101 560</td>
</tr>
</tbody>
</table>

**Source:** Customs statistics.

In 2004 about half of the exports were to the EU countries (EU-25). Other important export markets are the Balkan countries (8.2%), Gulf Countries and Russia and other countries in the CIS - (6.6%).

**Forestry**

There is no official data on the contribution of the forestry sector to GVA and employment. Unofficial estimates assume that the forestry share was about 0.2% of GVA in 2004. According to FAO, about 34 300 people were employed in the forestry sector in 2000.\(^2\)

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\(^2\) GVA and employment data on agriculture, hunting, forestry and fisheries (NACE, A, B) given in Table 8 includes also data on forestry stated here.
In terms of the total forest area, 89.7% is wooded land, and 68.1% of this wooded land (2.5 million ha) has primarily timber production functions in 2005. The other 21.6% are protective forest areas with primarily environmental functions, 6.5% are recreation forests and 15.1% are forests with other protective purposes. These are forests in protected areas such as national parks, natural parks, reserves and water sheds. The remaining 10.3% of the total forest area is made up of tracks and natural meadows.

High stem forests account for 61% of the forestry area in Bulgaria (Table 14)\(^{33}\). They produce high quality timber (saw timber and furniture). By contrast, coppice forests are established for fire wood supply and they are not able to reach the high quality and quantity of timber seen from high stems forests. For this reason, for the last 40 years the forestry policy in Bulgaria has been focused on the transformation of coppice forest areas into high stems forests.

### Table 14 Total Forest Area in Bulgaria in 2005

<table>
<thead>
<tr>
<th>Total Forest Area</th>
<th>million ha</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wooded land</td>
<td>3.65</td>
<td>89.7</td>
</tr>
<tr>
<td>High stems forests</td>
<td>2.5</td>
<td>61.4</td>
</tr>
<tr>
<td>Coppice forests</td>
<td>1.2</td>
<td>29.5</td>
</tr>
<tr>
<td>Non wooded land and grassland</td>
<td>0.42</td>
<td>10.3</td>
</tr>
<tr>
<td>Total</td>
<td>4.07</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: State Agency for Forestry, 2006.*

The main part of Bulgaria is covered by broadleaved tree species. They dominate in the lowlands and semi-mountain regions, while conifers dominate in mountain regions. Forest cover is presented on Figure 8.

### Figure 8 Forest cover in Bulgaria 2006

Oaks dominate in coppice forests, so most oak stands are from coppice origin. Pine tree species include Scots pine (Pinus sylvestris) as well Black Pine (Pinus nigra). More than 50% of these stands are man-made on former low productive forest and agricultural lands.

The average age of the forests in Bulgaria is 51 years with a wide spread. In non-state forests, more than 119 000 ha are younger than 40 years old. This corresponds to a share of approximately 64% of the total area of all non state owned conifer forests. Furthermore, more

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\(^{33}\) SAF data is used for the analysis in this section.
than 60% of all forests are younger than 40 years, especially in coniferous forests. The young conifers dominate in non-state forests in Bulgaria. These are plantations, which were established 20-40 years ago in a very high stand density. For this reason, the stability against wind, heavy snows and insects is much lower in comparison to natural forests. Therefore, these stands require thinnings and other actions to improve stability and productivity.

The main silviculture practice in Bulgaria for transforming coppiced forests is regeneration felling, if these stands are between 40-60 years old. Due to the low quality stands as well as the decrease of increment in the next generation, transforming coppice into high stem forests is urgent.

The total timber growing stock amounts to approximately 591 million m³ according to the State Agency for Forestry (2005). The increment is 3.9 m³ per ha, so that the total increment is about 14 millions m³/year. According to the forest management plans the prescribed yield is 8.2 million m³/year. This means that only 58% of the annual increment will be used. The reasons for this are the lack of infrastructure and the young age classes of the forests.

In 2005, the harvested timber was 7 million m³ of standing timber in all forest ownership types, including 1.8 million m³ from non-state owned forests. The annual use in non state forest is 2.0 m³/ha whereas in state forests the harvested timber use was 1.8 m³/ha. It should be noted, that this higher use in non state forest is based on clear-cuttings in coppice forests older than 40 years.

The insufficient forest infrastructure and especially forest roads and its poor maintenance hamper forestry activities. In Bulgaria, the average density of forest roads is approximately 7.8 m/ha, it varies between 3 m/ha in mountain regions up to 15 m/ha in low lands. Most of them are not useable for timber trucks because of poor maintenance. Especially in the mountains more than 100 million m³ of growing timber stock is not open for use.

An important issue for the forestry sector in Bulgaria is forest protection against natural disasters, because forest health is essential for sustainable forest management. There are a number of threats that can cause tree mortality or reduce their ability to provide a full range of goods and services. In the year 2006, approximately 10 000 ha were damaged by abiotic threats (wind, floods, fires etc). This corresponds to 0.2% of the total wooded area in Bulgaria.

The most important threats are wind and fire. For this reason, silvicultural activities are necessary to increase the stability of affected forests and those potentially at risk. Bulgaria is situated in a Mediterranean region with traditionally high risk of forest fires according to the parameters of the risk of fires on its territory. About 30% of the forests are classified as high risk, 45% as medium and only 25% as low. Most of the fires in coniferous forests affected the whole trees and permanently harmed them (68%), these areas then need artificial reforestation. The burnt deciduous forests in the same condition are 15%. In accordance with the statistics, for the last 14 years in the Bulgarian forest fund land were registered on annual average about 500 forest fires, affecting about 9 000 ha of forest territories (European Commission 2005).

A significant problem is the low level of management activities in private forests, due to their small size and income and the high share of forest owners’ living in urban areas without motivation to do appropriate and expensive silvicultural activities in their forests. Therefore, the consolidation of forests is a strategic action within the National Forest Policy and Strategy. Additional actions aim at organising these small-scale forest owners in private forest associations. A project indicates that organised private forest owners are willing to manage as well as to consolidate their forests. The strategy in Bulgaria is to support such regional

34 SAF, 2005 data
35 Encouragement of the Agricultural and Forestry Structures in the Rodopi Mountain”, financed by German Technical Cooperation (GTZ)
endeavours as well as to encourage collaboration between municipal forest owners and private forest owners. The new ownership structure requires also to improve the access to training of private forest owners, who have insufficient knowledge in technical matters of forestry work and sustainable forest management.

Significant investments, however, are needed for improvement of the forest-management, wood felling and improvement of the forest infrastructure. The improvement of the economic value of forests could be achieved by planting appropriate species for timber production, including for biomass production and investing in installations and equipment for processing and utilization of this wood biomass. Presently no complete research has been done regarding the unused biomass capacity of the forests.

**Potential for innovation and knowledge transfer**

Bulgaria has long traditions in agricultural, forestry and food research. There are 25 state-owned research institutes, 15 regional centres for applied science and experimental activities, as well as centres for scientific and technical information. The institutes conduct basic, strategic and applied research. They develop and produce new plant varieties and animal breeds as well as preserve the national varieties of plant and animal breeds. An advantage of the network is that a significant part of the research institutions are located in rural areas.

The links between the research institutes and business has improved in recent years as more, and primarily large, agricultural holdings and food industry enterprises turn to the research institutes for information and advice. The research institutes also activated their role related to the transfer of scientific knowledge by managing demonstration fields, organising information days and seminars. So far, however, the long-term co-operation projects are limited in number and there is a limited coverage of the medium-sized companies and agricultural holdings. The resources allocated by the agri-food chain to research and innovation are small, which also constrains the development of the co-operation with the research institutions and innovation in industry.

The potential for innovation and knowledge transfer is constrained by lack of traditions in co-operation between companies in the agri-food sector. The limited co-operation in the farming sector is determined by the predominance of the very small farms, which receive small individual benefits from participation in producer groups, and are reluctant to organise themselves collectively. There are also the problems of lack of traditions, trust and managerial capacity. Therefore, there is a need to start from the support of the smaller producer groups of commercially oriented farmers, which in the long-run through a demonstration effect will contribute to the development of co-operation between farmers.

The improvement of co-operation between farmers and food industry enterprises can also contribute to increasing the innovation of the agri-food chain. A positive development is the improved capacity of the branch associations in the agri-food industry. Currently there are about 20 national associations covering the agri-food industry and forestry sectors, which provide information, training and direct assistance to companies related to quality and food hygiene standards, new technologies and products.

Innovation and knowledge transfer is also supported by a network of institutions active in education, training and extension. There are 5 universities and colleges in Bulgaria offering post secondary education in agriculture, forestry and the food industry. MAF supports 98 vocational schools - agricultural (72), forestry (14), food, and wine and tobacco technologies (12). Training for adults is provided by universities, part of the vocational schools, vocational training centres managed by branch associations, private companies, as well as by the Centre for Vocational Training within the National Centre for Agrarian Science. The education and training network needs modernisation in educational content, teaching methods and improvement of equipment.
There is a need also to develop curricula and training methods appropriate for the needs of small farmers and to motivate more effectively farmers to participate in training.

Currently, the public extension services to farmers are given by the National Agricultural Advisory Service (NAAS). It has 28 regional advisory services and an analytical laboratory. NAAS offers to the producers daily information, specialized advice and consultancy on agriculture production techniques, land management as well as general business advice (See also Annex 4). The services offered by NAAS to the agricultural producers are free of charge since NAAS is funded by the budget of MAF. There is a need for NAAS to improve the range and the quality of services it offers (particularly linked to the requirements and opportunities linked to implementation of the CAP in Bulgaria), and to develop specialised services for different target groups. This concerns in particular drawing up business plans, assistance in making applications for RDP measures, advice and extension related to respect of good agricultural and environmental conditions.

In the forestry sector, Bulgaria has a well developed state forest administration employing highly qualified forestry specialists. A major challenge is to develop an effective system for provision of extension services to private and municipal forest owners who lack knowledge, experience and training. The National Strategy for Sustainable Development of Forests 2006 - 2015 targets promotion of co-operation between forest owners, development of appropriate channels and institutional structures for training and advice.

3.1.3 Environment and Land Management

Biodiversity

Bulgaria is among the European countries with richer biodiversity, including a number of rare and endemic species. The Bulgarian flora comprises between 3 550 and 3 750 higher plant species. The 1984 issue of the Bulgarian Red Book listed 763 of them. More than 750 plants from the Bulgarian flora are used as medicinal plants. More than 250 of them are assessed as important for the economy. Bulgarians traditionally grow local varieties in their gardens, which is a prerequisite for preserving the significant diversity of old, primitive varieties (folks’ selection), local populations and their forms. The Institute for Plant Genetic Resources in Sadovo has a big collection of 2 900 cereal plants, 410 grain-leguminous and 2 150 vegetable cultures, collected from various locations in the country. All of them are rated according to the respective indicators (following classifications and methodologies) and need special care for preservation.

The extraordinary diversity of animal species in Bulgaria is of international significance. The country hosts more than 27 000 invertebrate species. The vertebrate fauna of Bulgaria is the best studied animal group in the country; it comprises more than 750 species: 94 mammal species, more than 400 bird species, 36 reptiles, 16 amphibians and 207 fish, living in the Black Sea, the Danube and the inland water bodies. The Danube and Black Sea fish species referred to are quite distinctly unique to the region. The old local (aboriginal) breeds of animals make part of the national heritage. The traditionally reared Bulgarian breeds have adapted well to the local conditions and are resistant to diseases. Because of this, they are preferred for the organic production schemes, whose conditions prohibit the use of veterinary medications. Data, provided by the MoEW, indicate that all 37 typical Bulgarian animal breeds have been endangered during the last several decades – 6 are irreversibly extinct, 12 are almost extinct, 16 are endangered and 3 are potentially endangered. The loss of populations of local breeds is in contradiction with the principles for sustainable development in agriculture and with the appropriate management of genetic resources.

By the end of 2004, the number of the protected areas in Bulgaria was 858, and their total territory was 544 395 ha – corresponding to 5% of Bulgaria’s territory. The protected areas are separated in the following categories: 3 national parks, 55 reserves, 10 nature parks, 346 nature
monuments, 409 protected localities and 35 maintained reserves. The nature and national parks have the biggest share of the protected areas’ territory: 44.9% and 27.6% respectively. The strictly protected areas, including reserves, national parks and maintained reserves cover 2.7% of the country territory.

The national strategy for protection of biodiversity defined 12 types of ecosystems and landscapes as unique and representative for Bulgarian bio-diversity. Such landscapes are included also in the National and Nature parks of the country.

Many of the protected areas of Bulgaria are internationally significant. Two areas, “Pirin” national Park and “Reborn” bio-sphere preserve, have been recognized as World’s natural heritage under the Convention for the Protection of the World’s cultural and natural heritage (1972). Seventeen of the areas have been enlisted as biosphere reserves under the UNESCO’s Man and Bio-sphere Programme. Presently, the Bulgarian list of internationally important wetlands consists of 10 Ramsar locations with a total area of 20 306 ha or 0.2% of the country’s territory.

The majority of biodiversity in Bulgaria finds its natural habitat in the forests. The species composition of forests is very rich, which is a result from their particular situation. The biogeographic position between the Mediterranean, Steppe and European broadleaved forest areas and from sea level up to 2900 m explains the great diversity in species composition. Also the variety in relief and of basic rocks that contributed to the variety of soils and the wide range of hydrological conditions, have established ecological niches for rich biological diversity, including trees and shrubs. Nowadays, the territory of the Bulgarian forests are preserving:

- over 80% of the protected plant species;
- over 60% of the endangered animal species;
- over 60% of the priority habitats;
- 8 from the 12 landscape complexes, defined in the National Strategy for Preservation of Biodiversity as unique and representative for Bulgarian biodiversity;
- Populations of 43 world endangered species.

HNV farmlands are relatively evenly distributed in the whole country – from the plains to the mountain tops. According to the European Environmental Agency data the indicative area of the HNV farmlands in Bulgaria is 0.4 million ha. (see the attached note in Annex 5). However a process of validation of the EEA map on HNV farmlands in Bulgaria began in the middle of 2007. The map is already completed and approved by the established working group. The map is based on the concept of three main categories of HNVF (high proportion of semi-natural vegetation, mosaic of low intensity agriculture and natural and structural elements, rare species or a high proportion of European or world populations). The results show that HNV farmlands in Bulgaria represent around 1.6 million ha or 31% of the UAA. The final map will be sent by the Bulgarian Executive Environmental Agency to the European Environmental Agency by the end of February 2008.

Permanent grasslands, most of which are semi-natural, cover approximately 34% of the utilized agricultural area (in the year 2004). The semi-natural grasslands are among the most valuable ecosystems of the agricultural landscape. They result from continual agricultural practices utilizing the grasslands for grazing and/or mowing. The semi-natural habitats in Bulgaria experience different types of pressure, which causes their biodiversity to drop:

- Following the huge decline in the numbers of livestock during the 1990s and the continuing low prices for milk and meat, many high nature value pastures are now under-grazed or abandoned. As grazing is reduced or abandoned, so is the mowing of meadows
and a process of succession begins with the intrusion of shrubs and trees into the grassland and the dominance of more competitive grassland species.

- With the poor economic returns from keeping grazing animals on semi-natural grasslands, many farmers in lowland areas and on more fertile soils resort to the conversion of grassland to arable crops, vineyards or orchards. This results in irreversible loss of plant diversity and subsequent disappearance of associated invertebrate and vertebrate communities;

- When semi-natural grasslands are owned by municipal authorities and located close to settlements, they are often used for common grazing by local people. In contrast to the pressures, described above, this often leads to over-grazing and pasture degradation with the loss of all previous nature value.

In general, the changes in Bulgarian agriculture during the past 15 years have led to a decrease in the use of chemicals and fertilizers, fragmentation of the holdings and restoration of some natural elements of the agricultural landscape; this has had positive general effect on biodiversity. Parallel to this, abandonment of lands with the resulting cessation of meadow cutting also appeared and has a negative influence on the biodiversity. Another negative trend is the transformation of high nature-value areas (like pastures, meadows) into arable lands.

Threats to the coastal ecosystems include water pollution, reckless collection of rare and endangered species, and the introduction of alien species. In the case of the wetland zones, the major problems are associated with drying up, changing the water regime, engineer works on the riverbanks which occurred in the past decades and the respective extermination of plant and animal species, and loss of complete natural habitats. The reasons for drying-up of wetlands are either related to climate change or resulted from farmer’s activities for expanding their utilized area.

Bulgaria is designating its less favoured areas (LFA) for the first time within the 2007-2013 rural development programme. The less favoured areas will cover 47.9% of the overall territory and 24.8 % of the UAA, and are primarily mountainous areas (38.2% of territory and 16.5% of the UAA) and the remainder are designated as other less favoured areas.

**Natura 2000 Network**

The sites falling within the pan European Natura 2000 network are identified in accordance with the two major EU Directives, aiming to preserve the environment: Directive 92/43/EEC on the preservation of natural habitats and wild flora and fauna (‘The Habitats Directive’) and Directive 79/409/EEC on the preservation of wild birds (‘The Birds Directive’). The requirements set in the two Directives have been transposed in the Bulgarian legislation through the Biodiversity Act (BA), which was adopted in August 2002 by the National Assembly and last amended on 7.08.2007. According to the Act, locations are nominated as protected zones as part of the national eco-network Natura 2000.

The Council of Ministers, with Decision № 122 / 02.03.2007 adopted a list of the protected areas of the environmental network Natura 2000. In compliance with this decision, until now 11.3 % (1 254 310 ha are inland territories and 801 ha are aquatory, total - 1 255 111 ha) of the Bulgarian territory is designated as Special protected areas – SPA (Birds Directive), and 13.4 % (1 472 069 ha are inland territories and 12 309 ha are aquatory, total - 1 484 378 ha) as Sites with Community importance - SCI (Habitats Directive) (list of SCI proposed to the Commission).

According to The Biodiversity Act (SG No 77/9.08.2002, amended in SG No 64/7.08.2007) the Ministry of Environment and Waters will issue Orders designating each of the sites as protected zones. The process of issuing the orders for the sites designated according to the Birds Directive has already started and the first Order has been published in the Bulgarian SG No
100/30.11.2007. The orders for the designated protected zones according to the Habitats Directive will not be issued before 2009 at the earliest (as these sites need to be approved first at Community level). Before the designation and/or entry into force of related requirements for land management, all Natura 2000 sites (both SPA and SCI sites on lists adopted by the Bulgarian Council of Ministers) will be regarded under the RDP as HNV farmlands and will be supported under the measures for HNV farmlands and arable lands management, elaborated in the Measure 214 *Agri-environmental payments*. This will contribute to the achievement of the EU Plan for halting the loss of biodiversity by 2010.

**Water Quantity**

The water resources of Bulgaria as a whole are sufficient to secure the normal water-supply of towns and villages. According to National Statistics Institute data, the total amount of water used for 2004 was 5.4 billion m³ or 81% of the debited water resource for the same year. The major part of the debited water for the 2004 sources are collected by the own sources of the economic sectors, while the public water-supply debited 15% of them. The water used in agriculture was 171 million m³ or 3% of the whole water used. The irrigated land was 18 850 ha.

Bulgaria has a well developed water-supply system for about 5 000 inhabited areas covering 98.8% of the population. However asbestos cement pipes account for 70% of the network and are in poor condition. There is a need for support to replace this current network and introduce modern water-saving technologies.

An important problem in the water-supply sector is the water shortages that occur in some of the regions, leading to rationing of water. These shortages are caused by the internal losses of the distribution networks or the lack of storage equipment. To overcome the water supply problems the Government has plans to rehabilitate the existing water supply system, and to further explore groundwater sources and construct small dams, some of which are partially completed.

Insufficient sewage systems development, including waste water treatment, is a serious problem for the environment as well as for human health. The share of the population with access to sewage infrastructure is 69% while only 41% of the population have access to waste water treatment facilities.

The necessary rehabilitation of the water-supply systems, the construction of sewage infrastructure as well as waste water treatment facilities are a precondition for sustainable management of water supplies and for sustainable growth of the municipalities of Bulgaria.

**Water Quality**

The Water Framework Directive 2000/60/EC is fully transposed in the national legislation, although almost all of the Directive’s requirements are introduced in the Water Act (SG No 67/27.07.1999, last amend. SG No 59/20.07.2007). Approximately 75% of the river-length is in a condition that meets the normative indicators for good water quality. Under the Water Act it is foreseen that water basin management plans have to be elaborated until the end of 2009.

Major problems regarding the quality of water relate to the pollution level of settlements and farms that fail to meet the requirements, lack of safe-places for storing manure on farm, lack of sewer systems in many settlements, etc. The agricultural census in 2003 indicated that only 528 holdings have safe manure-storage sites and 484 836 have only primitive dunghills; this calls for special measures to help the farmers in establishing the manure storage capacities. As a result of unbalanced use of mineral fertilizers (mainly Nitrogen) the soil structure has been damaged. The *gross nutrient balance is negative for Nitrogen* (-89.5 kg/ha) and *very negative for Potassium and Phosphorus*.
The Directive 91/676/EEC on protecting waters from contamination with nitrates with agricultural origin (referred to as the Nitrate Directive in short) was transposed in Bulgarian legislation with Ordinance № 2/16.10.2000 on protecting waters from contamination with nitrates with agricultural origin, enforced jointly by the Minister on Environment and Waters, the Minister on Healthcare and the Minister of Agriculture and Food (published in SG No 87/24.10.2000).

Nitrate vulnerable zones have been defined with Order № RD-795/10.08.2004 by the Minister of Environment and Waters; they cover entirely or partially the territories of 96 municipalities. The whole area of the 96 municipalities represents 53% of the country territory (68% of the UAA). The Minister of Agriculture and Food enforced a Code for good agricultural practices with Ordinance RD 09-431/22.08.2005. The Code was established in pursuance to Ordinance № 2/16.10.2000 and provides instructions for an appropriate application of organic and mineral fertilizers (specifically on sloping terrains) as well as their appropriate storage, so that the possibility for contaminating surface and underground waters can be avoided.

The first Bulgarian Programme for restricting and decreasing the pollution by nitrates from agricultural sources in vulnerable zones (the so called Nitrates Directive ‘Action Programme’) was approved by the Minister of Agriculture and Food and by the Minister of Environment and Waters in October 2006. The Programme will be implemented during the period October 2006 to October 2010. The control over the implementation of the Programme is assigned by both Ministers to the National Plant Protection Service under the Ministry of Agriculture and Food.

The implementation of the good agricultural practices is compulsory for farmers located in protected sanitary zones around water sources and installations for the provision of drinking water; the same obligation exists for farmers operating near sources of mineral water used for medicinal prophylactic and hygiene purposes, as well as sources of drinking water. For the farmers within the vulnerable zones, the Codes are obligatory through the implementation of the Action Programme for restricting and decreasing the contamination in vulnerable zones.

In cases when monocultures dominate the way of land use, continuous applications of the same fertilizers are applied by farmers. The crops absorb only part of these fertilizers and their year on year input increases their contamination in the soils. Their concentration in the soils might pollute by diffusion or leakage into ground waters as well the surface waters. The risks from these intensive monocultures (cereals, corns) are higher in the Dobrudzha region.

**Soils**

In Bulgaria there are a range of factors which indicate that soil degradation processes afflict the countryside. These factors are complex and involve degradation processes, such as, all types of soil erosion, acidification, salinization, pollution, destruction, etc.

More than 60% of the country is afflicted in various degrees by erosion processes, while in the southernmost parts, the foothills of the Balkan Mountains and the Ludogorie and the mountain areas prone to erosion reach 70%. 11.8% of the total territory is heavily affected by erosion. Of agricultural lands 65% are at risk of water erosion and 24% of wind erosion. The average annual intensity of the water erosion process varies according to land use, but the soil losses for the agricultural land are estimated at an average of up to 12.256 t/ha annually. The risk of irrigation erosion is currently low as lands with over 3° of slope are not under irrigation. The majority of such lands have not been irrigated since the early 1990s. The highest risk of irrigation erosion is where gravitational irrigation is used in furrows.

Forests affected by water erosion cover 292,000 ha. The support to activities, related to the use of agricultural lands in less favoured areas, and the adherence to good agriculture and environmental conditions will reduce the abandonment of land in these areas, and will lead to a decrease in the erosion processes.

The distribution of erosion risk and the erosion caused by wind losses—shows that afflicted forest areas are mostly having losses of up to 5 t/ha and are with a moderate to very high erosion risk. Contrary to the erosion caused by water (typical for mountain and hilly areas), the wind erosion occurs mainly in large and open plains.

On the grounds of these data further afforestation should be performed in Bulgaria. The forest vegetation stops soil losses by decreasing the speed of the ground water and also preserves the artificial lakes, which are the main source for drinking water, to be silt up.

The degradation processes described decrease the multi-functionality of the soils in the affected areas or fully destroy them, which is a threat for their future use for agricultural activities.

There are about 35,500 ha of arable land affected by salinization in Bulgaria. The major part of these lands are fields that are presently not cultivated due to decreased soil fertility.

The agricultural lands tending to acidification are 4,300,000 ha. About 4.5% of the lands affected by acidification contain soil pH which is dangerous for the crops. The unbalanced input of Nitrogen fertilizers is the main factor for soil acidification in Bulgaria.

The other main reasons for soil degradation processes are the low technological cropping patterns—unbalanced use of fertilizers and low quantity of organic fertilizers, reduced number of soil cultivations, inefficient plant protection practices, growing of crops dependant on soil humidity without irrigation, etc. The overgrazing and trampling down of grasslands which is particularly an issue for commonly grazed municipal land also leads to soil erosion processes and loss of soil fertility.

The decrease of the soil organic matter in arable lands, known as dehumification, is a process related to secondary acidification and salinization of soils. The other cause for dehumification lies in the widely applied practice in Bulgaria of burning the stubble fields, which endangers the biodiversity too. In the region of the Rodopi Mountains less or no fertilizers are applied, but the monoculture growing of tobacco and potatoes might affect or deplete the soil structure, exposing it to degradation processes.

Landslides following flooding cause great damage to infrastructure and the appearance of certain regions. In the period 2000-2005 1,334 landslides were registered in Bulgaria, of which 143 occurred in 2005. The trend is of an increase in the number of new landslides and the reason might be the heavy rainfalls in 2005. The total area affected by landslides for the last 5 years is 24,300 ha.

Climate Change and Air Quality

In order to fulfil its national obligations under the Kyoto Protocol, Bulgaria prepared its National Action Plan for combating climate change (adopted in 2000). Two basic groups of measures were assigned to the Ministry of Agriculture and Food in the Plan. The first group aim at the adaptation of agricultural sector to climate change and the second one aims at a decrease of greenhouse gas emissions from agricultural origins.

As regards emissions, Bulgaria has the obligation to decrease greenhouse gas emissions by 8% of the total quantity emitted in 1988, taken as the base year. For the 2008–2012 period, the limit is 144,523,000 tons of CO₂ equivalent. This means, according to expert opinions that 10 million tons annually are left as a reserve for Bulgaria.

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For ammonia, in 2003, the trend of emission stabilization shows levels of less than 56 kg/year, which is less compared to the past years levels. Even the pessimistic prognosis for the country shows values lower than the limit of 108 kg/year both in short-term (2010) and long-term (2020) perspective in compliance with the National Programme for limitation of total emissions of sulphur dioxide, VOC and ammonia (2006), which is elaborated according to implementation of the requirements, laid down by Directive 2001/81/EC.

Efficient management of solid and liquid manure is essential for the reduction of methane and ammonia emissions, originating from biological fermentation processes in livestock breeding. Therefore specific attention will be given under the RDP for measures aimed at improving manure storage and manure spreading techniques to reduce N emission, and measures aimed at afforestation to reduce CO2 emissions.

As regards adaptation to climate change, the expected increase in temperature due to climate change in Bulgaria is in the range of 0.7 – 1.8 ºC by 2020, 1.6 – 3.1ºC by 2050 and between 2.9 – 4.1 ºC by 2080. This trend will lead to a decrease of the water resources and humidity and will negatively affect agriculture, forestry and biodiversity. Climate change will impose additional major ameliorative actions during the dry months of the vegetation period (June – September) for compensating the lack of humidity. It will lead to changes in the representation of wood species varieties and their occurrence and will increase the expenditures and incomes foregone due to the increased and difficult to predict disasters like flooding and droughts. Most vulnerable to climate change in Bulgaria will be: spring cultures due to the expected deficit of rainfall; crops grown on less fertile soils and non-irrigated crops. The South-East NUTS II Region, where rainfall quantities are insufficient for normal growth even in the present climate conditions, will especially suffer from the effects of climate change.

**Renewable energy resources**

Bulgaria has a big potential for production and utilization of biomass. A 2002 study conducted by Sofia Energy Centre under the PHARE Programme estimated the total annual potential for biomass resource as follows: fuelwood: 2,146,761 tons; wood waste: 942,232 tons; agricultural solid waste: 4,912,000 tons; agricultural liquid waste: 494,860,000 m³ (as biogas); biofuel: 60,000 tons; energy crops: 2,000,000 tons.

The general approach for biomass classification, adopted in the draft National Programme for Promotion of Use of Renewable Energy Sources (2005-2015) is based on the origin of biomass, and the principal categories of biomass - waste biomass, unused biomass and energy crops which could be produced in Bulgaria.

The waste and unutilised biomass categories include: forestry by-products (branches and loppings), industrial wood residues (sawdust, barks, chips, black liquor, etc.), demolition wood, wood residues from parks and gardens, solid agricultural residues (straw, grain maize stems, sunflower stems, vine and orchard pruning, tobacco stems), manure from animal breeding farms, municipal solid waste, sewage sludge, cooking oil residues, and possible additional extraction of low quality wood from forests.

Energy crops include: annual energy crops (e.g. cereal grain and straw harvested together, cereal grain alone, maize grain, potatoes, sugar beet, sunflower seed, rape seed) or perennial energy crops (short rotation willow or poplar coppice, elephant grass, reed canary grass, etc.).

The establishment of an appropriate infrastructure for the production of energy from renewable energy resources (RERs), including integration with the transfer and distribution network, is directly related to the pre-accession commitment of Bulgaria to reach an indicative 11% share of

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39 Second Action Plan for Combating Climate Change 2003-2004
40 December 2005, prepared by the Energy Efficiency Agency
electro-energy produced by RERs in the gross home consumption of electro-energy by 2010. Currently, the electro-energy produced by RERs consists mainly of hydroelectric power stations and a relatively smaller share of wind generators. The share of hydroelectric energy in the total forecast of electro-energy for the period 2005-2015 (without substantial additional effort) is around 5.5% on average. In 2005, 4.6 GWh of energy were produced from wind, which is less than 1% of the total RER-produced energy in the country. Approximately 116 GWh (10 ktoe) electro-energy is produced from biomass and more precisely by black lye in the cellulose and paper factories.

In order to achieve the national target it is necessary that the electro-energy production from RERs grows up to 4.61 TWh in 2010, which will require the utilisation of biomass in all its forms by constructing facilities for combined production of electro- and heat energy, the use of existing possibilities for new hydroelectric facilities, as well as the use of wind energy in the zones with wind potential.

**Organic farming and animal welfare**

The total area under organic production by the end of 2004 was 12 300 ha, representing 0.23% of the UAA. Of this figure, 11 900 ha have passed through the necessary transition period, and the remaining are still in transition period (before certification is possible). The conversion of more than 500 new ha is supported under SAPARD pilot Agri-environmental measure for organic farming. The areas approved for gathering wild organic fruits and herbs, were spread on 27 881 ha in 2004. Greenhouse organic production was supported in 12 greenhouses with total area of 20.6 ha.

The plant-growing holdings with organic production were 77, of which 56 have already been certified as organic, while the remaining were still in a transition period. There were also 5 organic farms for animal production, where a total of 722 animals were reared (cattle, sheep, goats).

Apiculture is another agricultural sector with a strong potential for the development of organic production. Those recognised as organic producers were 23 508 bee families in 258 apiaries. An additional 375 bee families in 11 bee-gardens were in the transition period.

In March 2007 the Government adopted a Strategy and a National Action Plan for Developing Organic Agriculture for the period 2007-2013. The Action Plan envisages measures for support of research in the area of organic farming, training and advisory services as well as improvement of the legislative framework. The strategy puts a target of 8% of the UAA to be managed under organic production methods by 2013.

The national Law on Veterinary Activities (LVA) establishes general requirements on protection and welfare of animals and legal bases for introduction of the EC animal welfare legislation. All the ordinances on animal welfare requirements are published in accordance with the LVA and constitute complete transposition of the requirements laid down in the relevant EC directives. They cover protection and welfare of farm animals, laying hens, pigs, calves, animals for experimental purposes, minimising suffering of animals during slaughtering. Bulgaria has ratified all the Council of Europe Conventions for protection of animals.

The National Veterinary Service (NVS) is the competent authority, which controls the compliance with the animal welfare legislation according to the requirements in the LVA and relevant ordinances. The NVS border veterinary inspectors inspect, amongst others, the compliance with the animal welfare rules during transportation – import, export and transit.

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41 LVA was adopted in 2005 (State Gazette No. 87/1.11.2005 and entered into force on 01.05.2006.)
The Draft of the Law on Protection of Animals elaborated by the Working Group appointed by an Order of the Minister of Agriculture and Food has been submitted for adoption by the National Assembly and it is in a procedure of second reading.

**Forest Areas under Fire Risk**

As indicated in section 3.1.2 Bulgaria is situated in a region with traditionally high risk of forest fires. About 30% of the forests are classified as high risk, 45% as medium and only 25% as low risk\(^{42}\). In accordance with the statistics, for the last 14 years in the Bulgarian forest fund land were registered on annual average about 500 forest fires, affecting about 9 000 ha of forest territories (European Commission 2005).

The forest fires not only caused substantial loss of timber but also triggered dramatic negative changes in the mechanical and microbiological texture of the soil in afflicted areas, which in turn quickly led to soil erosion. Forest fires also led to poorer compositions of forest plant species, to reduced biodiversity and lower sustainability of forest eco-systems.

**3.1.4 Rural Economy and Quality of Life**

**Structure of the Rural Economy**

Rural areas in Bulgaria are highly dependent on agriculture. In 2004, in the predominately rural regions, the share of agriculture and forestry in GVA was 50% higher than the average for Bulgaria (17.0% vs. 11%) (Figure 9). There were significant differences on NUTS-3 and LAU-1 levels. Thus, in 11 NUTS 3 regions, the share of agriculture in GVA exceeded 20%, reaching as high as 37.7% in the Silistra district.

![Figure 9  GVA and Employment in Rural Areas by Sector (%)(2004)](image)

*Source: NSI (MAF calculations).*

The importance of agriculture and forestry for employment in rural regions was even higher. In the predominately rural regions, 33% of the employment was in agriculture and forestry, and in the intermediate rural regions it was 24%, as compared to 2% in urban regions. The situation varied significantly by NUT 3 regions. Thus, in 19 out of 28 NUTS 3 regions of Bulgaria, the share of primary sectors in employment was higher than 30%, and in 6 regions - higher than 40%.

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\(^{42}\) SAF, 2005 data
Almost all agricultural holdings and the agricultural labour force are located in the rural regions (Table 15). There were no significant differences between predominantly rural and intermediate rural regions in terms of structure of agricultural holdings or labour force.

Table 15  Agricultural Holdings and Labour Force by Type of Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Agricultural holdings</th>
<th>UAA</th>
<th>Average size of the farm</th>
<th>Agricultural Labour Force (persons)</th>
<th>Agricultural Labour Force (AWU)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>000</td>
<td>%</td>
<td>%</td>
<td>000</td>
<td>%</td>
</tr>
<tr>
<td>Predominantly Rural regions</td>
<td>503.0</td>
<td>75.6</td>
<td>72.5</td>
<td>1.6</td>
<td>4.2</td>
</tr>
<tr>
<td>Intermediate Regions</td>
<td>154.9</td>
<td>23.3</td>
<td>27.1</td>
<td>1.8</td>
<td>5.1</td>
</tr>
<tr>
<td>Predominantly Urban regions</td>
<td>7.7</td>
<td>1.2</td>
<td>0.4</td>
<td>0.8</td>
<td>1.7</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>665.5</td>
<td>100.0</td>
<td>100.0</td>
<td>1.6</td>
<td>4.4</td>
</tr>
<tr>
<td></td>
<td>1 348.1</td>
<td>100.0</td>
<td>100.0</td>
<td>1 019.1</td>
<td>75.6</td>
</tr>
<tr>
<td></td>
<td>594.1</td>
<td>75.1</td>
<td>594.1</td>
<td>594.1</td>
<td>75.1</td>
</tr>
<tr>
<td></td>
<td>189.5</td>
<td>23.9</td>
<td>189.5</td>
<td>189.5</td>
<td>23.9</td>
</tr>
<tr>
<td></td>
<td>7.9</td>
<td>1.0</td>
<td>7.9</td>
<td>7.9</td>
<td>1.0</td>
</tr>
</tbody>
</table>


There were small differences in the share of farmers with other gainful activities – 26.0% of the farm holders in predominantly rural regions and 22.7% of the farmer holders in intermediate regions had other gainful activities outside agriculture.

A very small number of farms had diversified into non-agricultural activities – 10 000 provided services, using the equipment of the holding; 1 064 had developed additional activities in aquaculture. Only 370 had developed rural tourism services and 290 - local crafts.

The non-agricultural sectors generated more than 80% of GVA and about 70% of employment in rural areas.

In 2004, services contributed to 53% of the GVA in rural regions (compared to 73% in urban regions). The majority of the companies in rural areas operate in the service sector. The service sector is concentrated in retail trade and catering.

There is a good potential for development of tourism in rural municipalities but it is still underdeveloped. Specialised surveys show that almost half of the national territory has a large resource potential for developing attractive tourist products. The majority of municipalities have sufficient natural and built resources to develop recreation tourism. In 2006, however, tourism had a tangible contribution to incomes and employment in only 35 rural municipalities (60% of which were mass sea and ski, or spa resorts)43.

Currently rural tourism generates a very small share of the Bulgarian tourism revenues. It is concentrated in a limited number of regions (mainly West and Central Stara Planina Mountains, and the Rodopi Mountains). During the last few years a few villages located close to the seaside resorts also offer rural tourism products, mainly one-day round tours. The number of travel agencies that offer rural tourism in Bulgaria is small but their experience shows that the demand for rural tourism is growing. Most of the rural sites are visited by Bulgarian tourists during their holidays or during weekends /national holidays. There are rural tourist products offered to foreign markets, as well.

Accommodation is a key element of the tourism supply that strongly impacts on the level of tourism development and its impacts on a particular area. In 2004, there were 107 000 bed places in rural municipalities, but 80% of them were concentrated in 12 municipalities, specialised in mass sea and ski tourism. Because of this concentration at present tourism development in many

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43 MAF, Survey of basic services in rural municipalities. The questionnaire survey was executed in 2007 within the framework of an EU-Phare supported TA project and had 100% response rate (complete coverage of rural areas).
areas of the country is hampered by the lack of accommodation, while in others the key gap is the quality/standard of accommodation and the respective accompanying services provided.

Among the greatest obstacles for tourism development in rural areas in Bulgaria is insufficient development of tourism attractions and facilities as well as difficult access to tourism amenities, national parks and tourist sites primarily due to the poor condition of the road infrastructure.

There is a significant problem of lack of trained human resources, and of strategic planning and marketing of rural tourism resources and products. Only a few municipalities currently have tourism development strategies, mainly as a result of donor-supported projects. An advantage is that the capacity of non-profit organisations offering support for rural tourism development has improved significantly. Two national organisations (Bulgarian Association for Alternative Tourism and Bulgarian Association for Rural and Ecotourism) and several regional ones operate in support of rural tourism.

More than 80% of rural municipalities put tourism as a priority in their development strategies for the period 2007-2013. Nearly two-thirds of rural municipalities identified in their strategies specific projects for rural tourism development. Thus, there are about 1200 projects already identified for the development of tourism infrastructure, restoration of historical and cultural monuments, and other tourism related projects, amounting to EUR 185 million. About one-third of these projects are located in smaller rural municipalities, with population below 10 000.

Industry contributed to about 30% of GDP and employment in rural areas in 2004. All industrial sectors are represented in rural areas. The situation and sectoral balance however varies significantly between regions. Some rural regions have a relatively well developed industrial sector, with many industrial enterprises. In some of the regions industry has developed based on local resource clusters such as food processing, wood processing, etc. In the border regions with Greece industry has developed significantly as a result of inflows of foreign investments in the last decade. In the majority of rural regions, however, industry is represented mainly by small companies, serving local/regional markets. In all regions the development of industry is constrained by the quality of road infrastructure and business related infrastructure and increasingly by the shortages of qualified labour.

There is an underdeveloped SME sector in rural areas. The company density in rural areas is significantly lower than in urban areas. In 2004, in the predominantly rural areas there were 26 companies per 1 000 inhabitants, while in the predominantly urban areas there were 35 companies. SMEs in rural areas work predominantly for the local (municipal/regional) market.

As a result of the implementation of government programmes for support of entrepreneurship development, the access of rural SMEs to business consultancy services has improved significantly. In 2000 the Ministry of Labour and Social Policy supported the creation of a network of business centres in rural areas and has been funding a large part of their operations. The business centres were established in municipalities with high unemployment, economic decline and high poverty rates. In 2007, the network consisted of about 50 business centres, which provided business information, counselling and entrepreneurship training to small businesses and potential entrepreneurs in rural areas. To support the self-employment of Roma people, about 20 new craft and agricultural development centres will be created in 2007 in rural municipalities, with the support of the EU Phare Programme.

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44 All municipalities in Bulgaria have elaborated Municipal Development Plans for the period 2007-2013 in line with the requirements of the Regional Development Law.
45 The network was created through UNDP Project Job Opportunities through Business Support (JOBS), which was funded by MLSP.
46 Project BG2004/006-070.05.01 Ethnic Minorities Labour Market Integration.
In 2006 20% of rural municipalities had business centres and in another 50% of rural municipalities the nearest business centre was within 30 km. In 202 rural municipalities there was at least one bank office and in the remaining 29 rural municipalities, the nearest bank was within 20 minutes drive.

The efforts to promote entrepreneurship in rural areas are constrained by the poor educational status of the labour force and lack of professional experience. The entrepreneurship promotion schemes operated in rural areas to date, revealed that there is a lack of mature business ideas and entrepreneurial skills and knowledge. Business start-ups are constrained by low incomes/low purchasing power of rural residents and the saturation of sectors that require low start-up capital (small retail shops, restaurants, communal services). Currently the lack of start up capital is a significant barrier for the development of viable businesses.

Access to Basic Services

The quality of physical and social infrastructure in rural areas has deteriorated significantly since 1989 due to under-investment in infrastructure development and maintenance. This results in a deterioration in the quality of life and threatens the ability of rural areas to maintain their population and attract investments.

The quality of the infrastructure differs by type and size of settlements. In Bulgaria there is a dense network of small rural towns, which are evenly spread throughout the country. In all rural municipalities, the settlements are grouped around the municipal centre (usually a small rural town, or a big village). In the municipal centre are located institutions, providing part of the basic services for the rural population – secondary and/or vocational schools, health care centres, bank offices, etc.

A special problem is the high share of the rural population living in small settlements. There are 3,850 settlements with a population below 2,000 people and in these settlements reside nearly half of the rural population (Table 16). Within this category, about 15% of the rural population live in very small settlements with below 500 residents. Municipalities have significant problems to maintain the quality and access to basic services in small settlements. Given the small size of the population the access to basic services of the population in small settlements is highly dependent on the quality and accessibility of the road infrastructure.

Table 16 Distribution of Rural Population by Size of the Settlement (2004)

<table>
<thead>
<tr>
<th>Population of the rural settlement</th>
<th>Share of settlements %</th>
<th>Share of population %</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to 500 residents</td>
<td>68.0</td>
<td>14.4</td>
</tr>
<tr>
<td>500 - 999</td>
<td>15.7</td>
<td>14.5</td>
</tr>
<tr>
<td>1,000 - 1,999</td>
<td>9.2</td>
<td>16.6</td>
</tr>
<tr>
<td>2,000 - 2,999</td>
<td>2.8</td>
<td>8.7</td>
</tr>
<tr>
<td>3,000 - 4,999</td>
<td>1.9</td>
<td>9.4</td>
</tr>
<tr>
<td>5,000 - 9,999</td>
<td>1.4</td>
<td>13.4</td>
</tr>
<tr>
<td>0,000 - 29,999</td>
<td>1.1</td>
<td>23.1</td>
</tr>
</tbody>
</table>

Source: NSI (MAF calculations).

The gaps between the municipal centres and the villages are quite pronounced. The municipal centres usually have better street infrastructure, water supply, and sewage and waste collection systems.
A MAF survey of the access to basic services in rural areas revealed that there is a relatively small number of settlements lacking electricity and water supply (Table 17). Despite the well-developed electricity and water supply network, electricity supply breakdowns and water access restrictions are not uncommon in rural areas. The majority of rural residents have access to daily public transport connections with the municipal centre and supplies of basic household products.

Social infrastructure

In 2004 there were about 1 900 kindergartens in rural municipalities, 70% of which were located in villages and the rest in the rural towns. About 85 000 children were enrolled in these kindergartens but only half of them were in the village-based kindergartens. The buildings and facilities of rural kindergartens need significant investments for rehabilitation. The trend of withdrawal of children living in villages from pre-school education due to low incomes, hampers the social integration of children, especially from minority groups. (Table 18)

There is a well-developed schools network in rural areas. There are 1 840 schools in rural municipalities, including about 1 600 general schools and 175 secondary vocational schools. The total number of students in rural areas was 366 000 in 2004. A problem in rural areas is the declining rate of enrolment in secondary schools.

The educational facilities are not well maintained and nearly two-thirds of the buildings have not been renovated for the last 10 years. In the last few years the programme for ICT penetration implemented in the Bulgarian education system has brought about considerable improvement of ICT in rural schools. In 2006 about 90% of the rural schools were equipped with computers and related software, but the development of digital content is still at an initial stage. By the end of 2006 nearly 800 rural schools (48%) were connected to the Internet, and in another 400 there are programmes for connection to the Internet by the end of 200747.

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47 The analysis in this section is based on MAF 2007 Survey of basic services in rural municipalities, unless stated differently.
The rural population has relatively easy access to the primary health care system. In almost every village there is a general practitioner, who commutes from the neighbouring town and consults the patients on predetermined dates and hours of the week. However, the access to specialised health care in the municipal centres is not so easy because of the high transportation costs and the quality of services is poor due to the poor health infrastructure/equipment. This is a serious problem, especially for chronically ill people and for older people. Another major problem is the high share of people living in villages who do not have any health insurance.

There is increasing concern about the availability and quality of services to vulnerable groups in rural municipalities – elderly people, people with disabilities, etc. The MAF survey revealed that more than half of the municipalities consider that there is an insufficient supply or services are missing for elderly people and people with disabilities. There is an urgent need to establish new houses for elderly people, day care centres for people with disabilities, shelters, and to extend the capacity of in-house social care services. About 40% of the municipalities also need support for the improvement of the facilities – primarily for renovation of buildings and upgrading of equipment. A special problem, especially in municipalities with many dispersed settlements, is the poor quality of municipal roads and lack of specialised vehicles for delivery of mobile services. The development of services is constrained by the lack of financial resources and low incomes of the rural residents. In about a third of the smaller rural municipalities the shortage of qualified staff is an additional problem.

There are extremely limited opportunities for leisure, recreation, culture and sports in rural areas, which also constrain human capital development and retaining young people. There is a significant need for the renovation and development of public sports facilities.

Bulgarian rural municipalities have a rich historical and cultural heritage. There are about 6500 monuments of culture of national and local importance located in rural municipalities (Table 19). There are also about 300 museums in rural municipalities.

**Table 19 Buildings of Cultural Institutions and Monuments of Culture in Rural Areas (2006)**

<table>
<thead>
<tr>
<th></th>
<th>Chitalishte</th>
<th>Museums</th>
<th>Libraries</th>
<th>Monuments of culture</th>
<th>Sport facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>National</td>
<td>Local</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Rural municipalities</td>
<td>1 380</td>
<td>4 866</td>
<td>1 602</td>
<td>4 866</td>
<td></td>
</tr>
<tr>
<td>in agglomerations</td>
<td>206</td>
<td>466</td>
<td></td>
<td>4 183</td>
<td></td>
</tr>
<tr>
<td>Other rural</td>
<td>677</td>
<td>1 719</td>
<td>1 448</td>
<td>1 719</td>
<td></td>
</tr>
<tr>
<td>municipalities</td>
<td>88</td>
<td>180</td>
<td></td>
<td>1 448</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2 057</td>
<td>6 585</td>
<td>5 631</td>
<td>2 453</td>
<td></td>
</tr>
<tr>
<td></td>
<td>294</td>
<td>646</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Data covers information on 223 municipalities.
Source: MAF, Survey of basic services in rural municipalities, 2007.

The cultural centres ‘chitalishte’ are important institutions in the rural areas, which make a major contribution to the provision of educational and cultural services to the rural population. There are more than 2000 active chitalishte in rural municipalities, located in all municipal centres and bigger villages. The majority of these need support for the renovation of buildings, equipment and development of services.

**ICT penetration**

From 2000 to 2004, the number of Internet users in Bulgaria increased nearly 3 times, but Internet penetration remained low compared to the EU average. Digitalisation of the fixed network in Bulgaria is still too low. Broadband is developing mostly in urban areas. The number of interactive business and citizen services is small.
At the end of 2006 about 60% of the rural population could receive broadband\(^{48}\). About 800 rural settlements had access to broadband networks (less than 20% of total) and only 250 had access to DSL connection.

There are significant disparities between rural and urban regions in Internet penetration. In 2006, 13% of the households in rural municipalities in Bulgaria had access to Internet compared to 37% in urban municipalities (by OECD definition). The Internet uptake in villages (outside the rural municipal centres) is extremely low – about 4% of the households in villages had access to Internet in 2006\(^{49}\).

The ICT uptake in enterprises of rural regions is higher. In 2006, about 90% of the enterprises with more than 10 employees, located in rural regions, had computers and about 80% had access to Internet. Nearly a quarter of enterprises had access to a DSL connection\(^{50}\).

The Bulgarian government is aiming to improve the situation in three main directions: further liberalisation of the telecommunications market, equipment and connectivity in schools and a network of e-centres. Over the past 4 years, the rural areas benefited from the creation of a network of tele-centres\(^{51}\). For the connectivity of the tele-centres, the broadest possible range of technologies is used: hired phone lines, wireless connections, satellite connectivity, cable modems or ISDN. The implementation of the Government’s programme for full computerisation of the Bulgarian school system, also support Internet usage in rural areas.

**Roads**

The road network in rural areas is relatively well developed but it is poorly maintained. A recent World Bank survey indicated that nearly two-thirds of the rural residents expressed discontent with the quality of inter and intra municipal settlements roads and half of them were not satisfied with the quality of roads to agricultural fields\(^{52}\).

The rural municipalities are responsible for the management of more than 16 000 km of municipal roads and of the streets within the rural settlements (Table 20). A large portion of the municipal roads have not been repaired for more than 15 to 20 years and are in poor condition.

<table>
<thead>
<tr>
<th>Type of rural area</th>
<th>Number of municipalities</th>
<th>Motorways</th>
<th>1st class roads</th>
<th>2nd class roads</th>
<th>3rd class roads</th>
<th>Municipal roads</th>
<th>Streets(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural municipalities in agglomerations</td>
<td>53</td>
<td>188</td>
<td>680</td>
<td>1 011</td>
<td>2 446</td>
<td>4 528</td>
<td>10 624</td>
</tr>
<tr>
<td>Other rural municipalities</td>
<td>178</td>
<td>145</td>
<td>1 225</td>
<td>1 944</td>
<td>6 396</td>
<td>11 561</td>
<td>20 284</td>
</tr>
<tr>
<td>Total rural municipalities</td>
<td>231</td>
<td>333</td>
<td>1 905</td>
<td>2 955</td>
<td>8 842</td>
<td>16 089</td>
<td>30 907</td>
</tr>
</tbody>
</table>

Note: Data on streets covers information on 187 municipalities. The remaining rural municipalities have no exact data on the streets network.

Source: MAF, Survey of basic services in rural municipalities, 2007.

A special problem is the poor quality of third- class roads connecting municipal centres with the national roads, which are managed by the State Road Infrastructure Fund. These roads are very

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\(^{48}\) MAF, Survey of basic services in rural municipalities, 2007.

\(^{49}\) NSI, Survey on ICT usage in households in 2006.

\(^{50}\) NSI, Survey on ICT usage and E-commerce in non-financial enterprises in 2006.

\(^{51}\) The Tele-centres core mission is to raise citizens’ level of general knowledge in the ICT sphere, trainings on personal computer (PC) and Internet use are also included. A basic training package is planned to be developed and replicated along with a standardized array of electronic services to be offered by the tele-centres.

important for the accessibility of rural areas, but more than 60% of these roads are in need of reconstruction, or major/minor repairs.

According to Municipal strategies for the period 2007-2013 there is a need to reconstruct more than 8 600 km of roads and 4 900 km of streets in rural municipalities. The investments needed amount to about EUR 1800 million, of which EUR 1200 million in municipalities not included in agglomeration areas (Table 21). The MAF survey showed that the reconstruction of municipal roads and streets is rated as the highest priority by more than 50% of the rural municipalities.

Table 21 Projects for rehabilitation of roads included in the Municipal strategies of rural municipalities 2007-2013

<table>
<thead>
<tr>
<th>Type of project</th>
<th>Total</th>
<th>In villages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>km</td>
<td>M EUR</td>
</tr>
<tr>
<td>Projects for construction/</td>
<td>8 622</td>
<td>921</td>
</tr>
<tr>
<td>reconstruction of municipal roads</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Of which, in municipalities not included in</td>
<td>6 076</td>
<td>644</td>
</tr>
<tr>
<td>agglomerations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projects for construction/</td>
<td>9 507</td>
<td>868</td>
</tr>
<tr>
<td>reconstruction of streets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Of which, in municipalities not included in</td>
<td>5 909</td>
<td>594</td>
</tr>
<tr>
<td>agglomerations</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Data on 212 rural municipalities (out of total of 231).
Source: MAF, Survey of basic services in rural municipalities, 2007.

Water Supply and Sewage

In rural municipalities the water supply network exceeds 40 000 km. The data on water supply networks in smaller settlements with population equivalents below 2000 is available for 152 rural municipalities. It shows that the length of the water supply network in these municipalities is about 18 000 km. The larger part of the network (88%) was built in the 1960-1980’s and due to poor maintenance it experiences frequent breakdowns, low operation efficiency and large water losses due to leakages. In addition there is a need to replace asbestos cement pipes, which as already commented account for more than two-thirds of the water supply network.

The underdevelopment of the sewage system is another significant problem in rural areas, and particularly in villages (only 2.1 % of the villages have sewage systems).

Social Capital

Local self government is an important factor for mobilising local communities and for the development of rural areas in Bulgaria. In recent years many municipal councils and administrations accumulated experience in local development planning, partnership and mobilisation of various stakeholders on the local level. About 60 rural municipalities participated in integrated development projects, funded by EU, bilateral and national programmes, aiming at the development of capacity for local development policy planning and implementation. The experience was also gained in the process of elaboration of the Municipal Development Plans for 2007-2013, prepared in line with the requirements of the Regional Development Law. These Plans set local development objectives and priorities, measures and major projects. In many cases Plans were elaborated in co-operation with local stakeholders – NGOs, business community, educational and cultural institutions, which also contributed to building local partnerships.
The civil participation on the local level, however, remains underdeveloped. There is a lack of tradition in developing and sustaining local partnerships and implementing common actions. With some exceptions, the civil society organisations in rural areas are in a rudimental phase of development. Some differences have been observed with respect to the size of the municipality and previous project interventions. In larger rural municipalities (population above 30 000), the NGO sector is better developed, while in smaller municipalities it has extremely limited capacity and resources. Therefore, there is a need for long-term support for the creation of co-operation structures in rural areas and for the mobilisation of local communities.

3.1.5 Leader
Bulgaria, as a new member state, has no experience in implementation of Leader measures. In order to promote Leader approaches and to build capacity for the implementation of Leader measures, MAF initiated or supported several projects that employ Leader methodology. Under these projects 11 Leader type local action groups were established, covering about 4% of the rural population. These groups developed strategies and managed small project funds of about EUR 50 000 (see also Section 3.4.2). Since 2005 the establishment of Leader type local action groups has been also supported by projects funded by bilateral aid, Ministry of Labour and Social Policy and municipalities53.

3.1.6 Strength and Weaknesses, Opportunities and Threats
Based on the analysis in the preceding sections (and on the results of the ex ante evaluation), the following analysis of key strengths, weaknesses, opportunities and threats (SWOT) for the development of rural areas in Bulgaria was elaborated.

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry and food industry</td>
<td>● Polarised farming structure with a large share of subsistence and semi-subsistence farms;</td>
</tr>
<tr>
<td>• Rich traditions in the production of various primary products and processed foods;</td>
<td>● Fragmented land and forest ownership;</td>
</tr>
<tr>
<td>• High natural potential for timber production;</td>
<td>● Low educational level, inadequate qualification, business and managerial skills of the labour force in agriculture and for private forest owners;</td>
</tr>
<tr>
<td>• Good image of the Bulgarian agricultural and food processing industry products in the Central and Eastern European countries;</td>
<td>● Ageing labour force in agriculture and forestry;</td>
</tr>
<tr>
<td>• Good strategic locations for timber industry;</td>
<td>● Worn-out assets and outdated technologies;</td>
</tr>
<tr>
<td>• Processing sub-sectors and part of the primary units are represented by well functioning Associations;</td>
<td>● Part of establishments and products do not comply with the new standards and requirements of the Acquis;</td>
</tr>
<tr>
<td>• Functioning system of research, training and consultancy units in agriculture, food-processing industry and forestry;</td>
<td>● Lack of own capital and difficult access to credit of small agricultural and forest holdings;</td>
</tr>
<tr>
<td></td>
<td>● Poor integration of agri-food chains and lack of cooperation between producers;</td>
</tr>
<tr>
<td></td>
<td>● Low productivity in agriculture and food industry;</td>
</tr>
<tr>
<td></td>
<td>● A significant share of young forests which need expensive silvicultural activities; a considerable share of old coppice forests;</td>
</tr>
<tr>
<td></td>
<td>● High share of low value-added unprocessed or semi-processed products in agri-food exports;</td>
</tr>
<tr>
<td></td>
<td>● Underdeveloped system for adult vocational training in agriculture, food industry and forestry and insufficient outreach of the extension services;</td>
</tr>
</tbody>
</table>

53 The Swiss Agency for Development and Co-operation supports establishment of 4 Leader type Local Action Groups; the Ministry of Labour and Social Policy through Social Investment and Employment Promotion Project supported establishment of 5 Local Action Groups.
<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Poor integration of R&amp;D and slow-pace of innovation in agri-food sector</td>
<td></td>
</tr>
</tbody>
</table>

### Environment
- Favourable agro-ecological potential;
- Rich biodiversity;
- Improved status of ecosystems and species due to reduced use of chemicals in agriculture during the last decade;
- Significant share of the territory is high nature value farmland
- High diversity of landscape;
- Existence of extensive nature friendly practices;

- Destruction of valuable semi-natural habitats through drainage, ploughing, construction activities and use of fertilizers and chemicals;
- Inefficient use of natural resources, including overexploitation.
- Inappropriate water and soil management: pollution, disturbed water balance, etc.
- Permanent trend to degradation of soil structure in the arable lands soils.
- High risk for damaging forests by natural disasters;
- Insufficient level of knowledge amongst land users on nature value and sustainable land use

### Rural Areas
- Well-developed settlements network;
- Large number of preserved vital rural communes with rich historical and cultural traditions;
- Presence of major road infrastructure with secured access to relatively smaller settlements in rural areas.

- Ageing population, negative population growth and out-migration;
- Decreasing employability of rural labour force (lower educational status, low participation in life-long learning, long unemployment spells);
- High dependence on agriculture and poor job opportunities in non-agricultural sectors;
- Rural poverty and social exclusion;
- Poor access and low quality of basic services to the population in rural areas (schools, health and social care, ICT penetration, leisure and recreation);
- Worn-out and/or missing basic infrastructure (roads, water supply and sewage systems);
- Weak social capital for local development

### Opportunities
- New technologies in agriculture, food processing industry and forestry;
- Increase in incomes and increasing domestic demand for high quality food products;
- Improved access to EU single market;
- Easier access to know-how and participation in European scientific networks;
- Increasing EU support for improvement of the competitiveness of agriculture, forestry and food industry
- Increasing foreign investment;
- Easier access to know-how and participation in European scientific networks;

### Threats
- Loss of specialized workforce in agriculture and forestry due to out migration;
- Increase in the labour and land costs;
- Increased cost for business to adjustment to continuously rising quality, food safety and environmental standards;
- Increased competition on the domestic market;
<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environment</strong></td>
<td>• Global climate change, falling of the country in the drought zone and risks, related to natural disasters (i.e. floods, accidents, fires, drought);</td>
</tr>
<tr>
<td>• Better implementation of the environmental legislation;</td>
<td>• Land abandonment and associated loss of biodiversity;</td>
</tr>
<tr>
<td>• Access to EU Funds for biodiversity by conservation, and sustainable land</td>
<td>• Pollution increase due to intensification of agriculture, industrial activities, transport and tourism;</td>
</tr>
<tr>
<td>management;</td>
<td>• Loss of soil multi-functionality, resulting from water and wind erosion; reduction of the soil organic matter; monoculture production patterns, lack of crop rotation; salinization of soils; acidification of soils; mechanical soil destruction;</td>
</tr>
<tr>
<td>• Increased environmental awareness;</td>
<td></td>
</tr>
<tr>
<td>• New technologies: for energy saving and renewable energy production;</td>
<td></td>
</tr>
<tr>
<td><strong>Rural Areas</strong></td>
<td>• Increased mobility of the rural labour force as a result of membership in EU;</td>
</tr>
<tr>
<td>• ICT technologies that provide opportunities to improve access to services</td>
<td>• Increased requirements for quality of the labour force for businesses;</td>
</tr>
<tr>
<td>and development of new businesses;</td>
<td>• Increased competition on the domestic market;</td>
</tr>
<tr>
<td>• Increasing demand for Bulgarian rural tourism products on the domestic and</td>
<td>• Increasing disparities between rural and urban areas in economic development, education and access to basic services.</td>
</tr>
<tr>
<td>international markets;</td>
<td></td>
</tr>
<tr>
<td>• Increasing foreign investment;</td>
<td></td>
</tr>
<tr>
<td>• EU support for business and human resource development and basic services</td>
<td></td>
</tr>
<tr>
<td>improvement in rural areas.</td>
<td></td>
</tr>
</tbody>
</table>

### 3.2 The Strategy Chosen to Meet Strengths and Weaknesses

The National Strategy Plan for Rural Development of Bulgaria defines the following overall objectives for the period 2007-2013:

- To develop a competitive and innovation based agriculture, forestry and food processing industry.
- To protect the natural resources and environment of rural areas.
- To protect the natural resources and environment of rural areas.
- To protect the natural resources and environment of rural areas.
- To protect the natural resources and environment of rural areas.
- To protect the natural resources and environment of rural areas.

These objectives are addressed by specific measures of the four axes of the RDP.

#### 3.2.1 Hierarchy of Objectives and Choice of Measures under Axis 1

The interventions under Axis 1 aim at increasing the competitiveness of agriculture, forestry and the food processing industry. They directly address the main needs of these sectors through:

- Modernisation of physical assets/production factors;
- Investments for compliance with EU standards;
- Structural adjustments in farming structures;
- Improvement of human capital potential.
The intervention logic under the First Axis is summarised in the table below.

<table>
<thead>
<tr>
<th>Overall objective of Axis I</th>
<th>To develop a competitive and innovation-based agriculture, forestry and food processing industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-objectives</td>
<td></td>
</tr>
<tr>
<td>1. To restructure and modernize physical potential and promote innovation</td>
<td>2. To support adjustment of farming structures and support co-operation</td>
</tr>
<tr>
<td>3. To promote and improve human potential</td>
<td></td>
</tr>
<tr>
<td>Operational objectives</td>
<td></td>
</tr>
<tr>
<td>– To improve the economic performance of the agricultural holdings and the food processing industry through better use of production factors, introduction of new technologies and innovation, and environmentally friendly farming practices;</td>
<td>– To facilitate the move into the market for semi-subsistence farms;</td>
</tr>
<tr>
<td>– To take advantage of market opportunities through widespread innovative approaches in developing new products, processes and technologies;</td>
<td>– To facilitate the establishment of young farmers and structural adjustments of their holdings;</td>
</tr>
<tr>
<td>– To meet EU standards;</td>
<td>– To encourage the setting-up of producer groups.</td>
</tr>
<tr>
<td>– To improve the infrastructure, necessary for increasing the competitiveness of agriculture and forestry;</td>
<td>– To support land consolidation</td>
</tr>
<tr>
<td>– To broaden the economic value of private forests and to increase diversification of forest production.</td>
<td></td>
</tr>
<tr>
<td>Measures for achievement of sub-objectives</td>
<td></td>
</tr>
<tr>
<td>- Modernisation of agricultural holdings;</td>
<td>- Setting up of young farmers;</td>
</tr>
<tr>
<td>- Improving the economic value of the forest;</td>
<td>- Infrastructure related to the development and adaptation of agriculture and forestry</td>
</tr>
<tr>
<td>- Adding value to agricultural and forestry products;</td>
<td>- Supporting Semi-Subsistence Farms Undergoing Restructuring;</td>
</tr>
<tr>
<td>- Cooperation for development of new products, processes and technologies in the agriculture and food sector and in the forestry sector;</td>
<td>- Setting up producer groups;</td>
</tr>
<tr>
<td>- Infrastructure related to the development and adaptation of agriculture and forestry;</td>
<td>- Training, information and diffusion of knowledge;</td>
</tr>
<tr>
<td>- Restoring agricultural production potential damaged by natural disasters and introducing preventive actions;</td>
<td>- Provision of farm advisory and extension services in Bulgaria and Romania (2007-2009)</td>
</tr>
<tr>
<td></td>
<td>- Use of farm advisory services (2010-2013)</td>
</tr>
</tbody>
</table>

The **first sub-objective** targets development of physical potential and promotion of innovation.

Investing in modernisation of physical assets is of key importance for the reduction of costs, the production of better and higher value added products, and the improvement of environmental standards.

The harmonization of the national legislation with the European acquis and the alignment to Community standards in the area of hygiene, occupational health and safety, environment and animal welfare, requires significant investments in the modernisation of facilities and for improving labour force knowledge and skills. A significant part of the investments will be directed at meeting Community standards, especially in the construction of sites for manure storage and purification installations in the nitrate-vulnerable zones. In the milk sector, investments will be targeted at meeting the requirements concerning hygiene, animal welfare, and health and safety at work. In the poultry sector, the stress will be put on introducing the new European legislation related to animal welfare for egg-laying hens. A significant part of the
funds will be targeted at the modernisation of the buildings and livestock premises on the holdings.

A special emphasis will be given to support the investments both on farms and in food processing sector that contribute to the EU environmental priorities such as: investments in on-farm use of renewable energy sources, improvement of on-farm water management, new water saving technologies, pesticide handling technologies, etc.

The Bulgarian agriculture and food processing industry will be operating in the conditions of increasingly competitive domestic and export markets. Bulgaria has its traditions in producing foods already known on the European markets, but the successful future development of the processing industry and its ability to compete with the dynamic food processing industry in Europe, depends on its preparedness to develop through innovation. The growth of innovative small and medium-sized enterprises in the food processing industry, together with the renewal of the physical production assets of the enterprises operating in the sector, will predetermine the market position of the agri-food sector.

Promoting the cooperation among agricultural producers, processors and research institutes will create favourable conditions for the development of new products and for the introduction of new technologies, both in agriculture and the food processing industry.

In the forestry sector, the transformation of unstable, low quality coppice forests into stable, high stem forests has a high priority under this axis. Furthermore, the improvement of forest road infrastructure is a key issue for increasing the competitiveness in the sector. Private forest managers have a smaller role in Axis 1 and will be supported for investments in improving the economic value of the forests, forest infrastructure, timber cutting and harvesting machinery, processing and marketing in forestry sector. Access to modernisation measures will be given to all agricultural holdings (above a certain minimum size, taking into account the focus of support under this axis is on promoting competitiveness, and the high share of very small subsistence farms in Bulgaria) and food processing SMEs. Priority will be given to holdings managed by young farmers and to modernisation of sectors where Bulgarian producers have long traditions and export potential: wine production, fruits and vegetables production and processing, milk and meat production and processing honey, oilseeds, forages, milling industry, milk, meat and fruit & vegetable processing industries.

The second sub-objective addresses the priority for rationalising the farming structures in Bulgaria. The successful adjustment of the farming structures in Bulgaria is a key factor for raising the productivity and the incomes of the farming population. The approach to achieving this sub-objective includes efforts to improve the age structure in farming, by facilitating the entry of young farmers into business, and also to support the transformation of part of the semi-subsistence farms able to achieve long-term viability as commercial businesses.

The major negative effects of land fragmentation in Bulgaria have been primarily felt in agricultural production activities that require long-term fixed investments (permanent crops, irrigated vegetable production, etc). Therefore, in the attempt to establish the foundations for fruit and vegetable farmers to consider long-term investment, i.e. clear property rights and access to reliable irrigation, the land consolidation and irrigation interventions will focus on areas where traditional fruit and vegetable production are concentrated. Efforts to counter the effects of land fragmentation will also be supported outside the Programme, by measures that promote the development of the land market and land tenure.

The strategy will also support the setting up of producer groups in order to facilitate the market access of small and medium-sized agricultural holdings. The adjustment of farming structures will also be supported by targeted training for improvement of business skills, agricultural knowledge and skills of the holders under the third sub-objective below.
The third sub-objective will aim at improving the skills base and stimulating innovation through diffusion of knowledge and building human resources. The funds will be directed to vocational training and advisory services to farmers and forestry owners. Apart from the improvement of business skills and managerial practices, the aim will be to target skills’ development and transfer of knowledge in the areas of: new technologies, renewable energy sources, organic products, and training farmers for implementation of cross-compliance. The vocational training of workers and managers in the food processing industry will be supported outside the Programme by other EU funds, notably the Human Resources Development Operational Programme.

Taking into account the needs for restructuring and modernising Bulgarian agricultural, forestry sector and food processing industry to **Axis 1 is allocated 42% of the Community contribution** under the three axes. Approximately **90% of Axis 1 budget** will be allocated for modernization and restructuring and **10%** will be targeted at knowledge transfer and innovation over the 2007-13 period.

### 3.2.2 Hierarchy of Objectives and Choice of Measures under Axis 2

The overall objective of **Axis 2** is associated with the development of agricultural methods consistent with the protection and preservation of the environment, and on compensating the producers in the mountainous and other less favoured areas for keeping their land in good condition, and preventing the abandonment of land in these areas. Sustainable development of the forests will be addressed mainly through improvement of forest resources and restoration of forest potential

The intervention logic under the **Second Axis** is summarised in the table below.

<table>
<thead>
<tr>
<th>Overall objective of Axis 2</th>
<th>To protect natural resources and the environment of rural areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-objects</td>
<td>Conservation of biodiversity and HNV farmland</td>
</tr>
<tr>
<td>Operational objectives</td>
<td>– To introduce agricultural methods compatible with the preservation of biodiversity;</td>
</tr>
<tr>
<td></td>
<td>– To promote the multifunctional character of agriculture;</td>
</tr>
<tr>
<td></td>
<td>– To prevent future land abandonment and keep the agricultural activities in marginal and HNV farmlands;</td>
</tr>
<tr>
<td></td>
<td>– To preserve traditional orchards</td>
</tr>
<tr>
<td></td>
<td>– To maintain the genetic variety and natural heritage by traditional local breeds and plant varieties</td>
</tr>
<tr>
<td></td>
<td>– To help farmers to address the restrictions, resulting from the Community legislation on conservation of natural habitats, wild flora and fauna</td>
</tr>
<tr>
<td>Overall objective of Axis 2</td>
<td>To protect natural resources and the environment of rural areas</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Sub-objectives</strong></td>
<td>1. Increase sustainable management of agricultural land</td>
</tr>
<tr>
<td></td>
<td>2. To promote sustainable forest and forest land management</td>
</tr>
<tr>
<td></td>
<td><strong>Measures for achievement of sub-objectives</strong></td>
</tr>
<tr>
<td></td>
<td>Conservation of biodiversity and HNV farmland</td>
</tr>
<tr>
<td></td>
<td>Development of Organic farming</td>
</tr>
<tr>
<td></td>
<td>Improvement of water and soil quality</td>
</tr>
<tr>
<td></td>
<td>Develop sustainable land management practices</td>
</tr>
<tr>
<td></td>
<td>– Natural handicap payments for farmers in mountain areas</td>
</tr>
<tr>
<td></td>
<td>– Payments for farmers in areas with handicaps other than mountain areas</td>
</tr>
<tr>
<td></td>
<td>– Natura 2000 payments (agricultural land)</td>
</tr>
<tr>
<td></td>
<td>– Agri-environmental payments</td>
</tr>
<tr>
<td></td>
<td>– First afforestation of non-agricultural land</td>
</tr>
<tr>
<td></td>
<td>– Natura 2000 (forests)</td>
</tr>
<tr>
<td></td>
<td>– Restoring forestry potential and introducing prevention actions</td>
</tr>
</tbody>
</table>

The environmental objectives of the RDP will not be delivered by support under Axis 2 alone. For example, under Axis 2 farmers will be provided with payments, to encourage both conversion to and maintenance of organic production. In addition these farmers will be supported under Axis 1 for purchasing of the necessary equipment they require for organic production. The mowing and baling equipment needed for management of HNV pastures and meadows, as well as the construction of manure storage facilities that will prevent nitrate pollution from agricultural origin will also be supported under Axis 1. Measures under Axis 3 will also contribute to the preservation of biodiversity and encourage best use of natural resources, for example extension of the sewage system and promotion of renewable power generation for municipalities.

Solving the major problems associated with the preservation and restoration of the bio and genetic diversity, the protection of soils against erosion and degradation, the promotion of eco-planning, the identification and the maintenance of valuable habitats and landscape characteristics, the preservation of the cultural heritage, the introduction of appropriate crop rotations, the prevention of abandonment in high-mountainous pastures and grasslands are the main objectives of the National Agri-Environmental Programme (NAEP), which will be implemented in Bulgaria under the Agri-Environmental Payments measure of the RDP. One of the main activities targeted is the conservation of high nature value farmlands. The other NAEP activities to be supported are organic production, support to traditional livestock breeding and mountain pastoralism, preservation of soils and waters, and protection of the landscape.

To Axis 2 is allocated 27% of the Community contribution under the three Axes. It is planned that 40% of the funds for Axis 2 will be allocated for agri-environmental activities in the NAEP.

The support for activities associated with the use of agricultural lands in less favoured areas and the adherence to good agricultural and environmental practices in these areas will lead to a decrease in the abandonment of land, diminishing erosion and will help prevent the general depopulation in rural areas. It is planned that 35% of the funds for Axis 2 will be allocated for the support of farmers in less favoured areas.

The remaining 25% of the Axis 2 budget will be dedicated to Natura 2000 and forestry measures.

The compensation for farmers and forest holders, whose lands fall within the Natura 2000 network, will be of major significance for the preservation of biodiversity. The measures target the conservation of different habitats and species included in the respective orders and management plans that Natura 2000 site landowners will be obliged to respect. Compensation for undertaking of activities associated with the conservation of habitats and sites to encourage
the well being of important bird species (in accordance with the Birds Directive), is planned to start after the Orders of designations of the sites are issued. Gradually they will be expanded to include activities targeting the conservation of important flora and fauna habitats, defined in conformity with the Habitats Directive. Until mandatory Natura 2000 requirements enter into force for farmers or forest owner the farmers can voluntary apply to undertake activities related to conservation of protected species in grassland or arable lands under the measure Agri-environment payments. Forests have a significant importance under this axis. The support aims for sustainable management and protection of all forests and preservation of the rural landscape. The envisaged measures will support the fight against wind and water erosion, desertification and decreasing the unfavourable consequences from increased temperatures due to climate change. The restoration of the forests and the introduction of preventive measures will play a major role in the protection against forest fires. The afforestation activities will be aimed at transforming low quality abandoned land into forests resulting in increased carbon sequestration, reduced soil erosion, improved water balance, etc.

3.2.3 Hierarchy of Objectives and Choice of Measures under Axis 3

The interventions under Axis 3 aim at improving the quality of life and diversification of job opportunities in the rural areas of Bulgaria. They address the major problems of rural areas, identified in the analysis of the baseline situation, which are summarised as follows:

- Declining quality and accessibility of basic services and infrastructure;
- Lack of job opportunities;
- High dependency on agriculture.

These problems result in decreasing attractiveness of rural areas as a place to work and live and increase the disparities between urban and rural areas. With the decline in life quality and job opportunities the rural areas have witnessed demographic decline, and a related deteriorating employability of the rural population.

The intervention logic under the Third Axis is summarised in the table below:

<table>
<thead>
<tr>
<th>Overall objective of Axis 3</th>
<th>To improve the quality of life and diversify job opportunities in rural areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-objectives</td>
<td>1. To improve the quality of life in rural areas</td>
</tr>
<tr>
<td></td>
<td>2. To promote diversification of job opportunities in rural areas</td>
</tr>
<tr>
<td>Operational objectives</td>
<td>To improve access to and quality of basic services and infrastructure in rural areas;</td>
</tr>
<tr>
<td></td>
<td>To develop income generating activities outside the agricultural sector for farm households and the wider rural population.</td>
</tr>
<tr>
<td>Measures for achievement of sub-objectives</td>
<td>- Basic Services for the Economy and Rural Population;</td>
</tr>
<tr>
<td></td>
<td>- Village Renewal and Development;</td>
</tr>
<tr>
<td></td>
<td>- Diversification into Non-Agricultural Activities;</td>
</tr>
<tr>
<td></td>
<td>- Support for the Creation and Development of Micro-Enterprises</td>
</tr>
<tr>
<td></td>
<td>- Encouragement of Tourism Activities;</td>
</tr>
</tbody>
</table>

To Axis 3 is allocated 31% of the Community contribution under the three Axes. Sub-objective 1 ‘To improve the quality of life in rural areas’ will be achieved by support to investments for improving basic services to the rural population and rural infrastructure.

It is planned that 69% of the budget under Axis 3 will be allocated to measures directly targeting the improvement of quality of life in rural areas. The budgetary allocation reflects the urgency of needs of rural areas and the high absorption capacity of the beneficiaries (primarily

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54 Subject to the revision of the RDP to introduce the relevant Natura support measure
rural municipalities), which was revealed in the implementation of the SAPARD Programme. The quality of life sub-objective is highly complementary to the economic diversification efforts under the second sub-objective, since the renewal of infrastructure and services favours the overall access to territories, the development of SMEs and the attraction of investments, and thus leads to growth and creation of jobs. Improving the quality of life is of a crucial importance for retaining the young, entrepreneurial and well-educated people in the rural areas.

The support for achieving this sub-objective is focused on:

- improving infrastructure for selected rural municipalities targeting municipal roads, water and sewage facilities, as well as improving the village environment by repairing streets, parks, cultural and historic buildings.
- improving basic services for the rural population to ensure improved access to culture, recreation and sports, services for children and vulnerable groups, ICT-based services;

Priority for support will be given to rural areas outside agglomeration areas that are distant and weakly integrated to urban centres, and to smaller municipalities and settlements in the rural areas since they are most threatened by continuous social and economic decline.

Part of the identified urgent needs of the rural population will be addressed outside the Programme, by other Operational Programmes funded by Community cohesion policy and by national programmes. Improvement of second and third-class roads, education and healthcare infrastructure and broadband penetration in rural areas will be supported by the Regional Development Operational Programme. The Human Resources Development Operational Programme will also support services for the integration of vulnerable groups and improvement of quality of education, including in rural areas

The remaining 31% of the funds under Axis 3 are allocated to measures directly targeting diversification of job opportunities. It will be achieved by support to job creation outside agriculture for farming households and for the rural population in general. The allocation reflects the expected demand for support and the slow uptake of the measures, as revealed by the implementation of similar measures under SAPARD and national programmes. In addition considerable vocational training opportunities for farmers willing to diversify into non-agricultural activities, and for the rural population will be available under Human Resources Development Operational Programme.

The creation of new job opportunities in rural areas will be supported by a combination of measures aiming at diversifying the rural economy. Support will be given both to farmers to develop new income generating activities outside agriculture, and to rural micro-businesses as the SAPARD experience shows that entrepreneurship in the wider rural population needs to be supported.

The strategy does not set sectoral limitations for diversification of activities. Any sustainable entrepreneurial activity outside the primary sector will be supported if it creates jobs, develops services for rural areas and/or promotes diversification of the rural economy. Priority will be given to the creation of businesses based on emerging business niches, related to information technologies, innovative production and use of renewable energy sources, adding value to local resources and development of rural tourism.

The support for achieving this sub-objective will be channelled through measures supporting investments in:

- creation of diverse employment opportunities outside agriculture for agricultural producers;
• support for investments and consulting services targeting micro-enterprises providing services for rural communities, encouraging the entrepreneurship of the wider rural population, and particularly women and young people;
• development of opportunities for tourism in rural areas, through creation of information centres, and small-scale infrastructure

3.2.4 Hierarchy of Objectives and Choice of Measures under Leader Axis

The implementation of Community rural development policy in the 2007-13 period will be strengthened by giving greater importance and funding to the Leader Approach, as an instrument for decentralized governance and integrated local development in rural areas.

The intervention logic under the Fourth Axis is summarised in the table below:

<table>
<thead>
<tr>
<th>Overall objective of Axis 4</th>
<th>To build local capacity and to improve local governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-objectives</td>
<td>1. To build local capacity for implementation of the LEADER approach</td>
</tr>
<tr>
<td>Operational objectives</td>
<td>– To support establishment of Local action groups and preparation of local development strategies; – To increase capacity of local action groups</td>
</tr>
<tr>
<td>Measures for achievement of sub-objectives</td>
<td>- Running Costs, Acquisition of Skills and Animation</td>
</tr>
</tbody>
</table>

The major objective of the interventions under the Leader Axis will be to build a sustainable capacity at local level for rural development policy design, implementation, monitoring and evaluation. To achieve this objective, the Programme will support actions relating to:

• activating the involvement of various groups of rural stakeholders and building sustainable partnerships through Local Actions Groups (LAGs).
• informing and training local people to prepare and implement local development strategies including the management of their LAGs
• promotion of cooperation among Leader groups within Bulgaria, as well as international cooperation.

The Leader axis will support the establishment of new LAGs and the preparation of their local development strategies, as well as raising the capacity of already established LAGs.

The Leader axis will support the implementation of local development strategies aiming at sustainable development of rural areas through diversification of economic activities, preservation of nature and the countryside, development of higher-quality services responding to the needs and expectations of local people.

To implement their local development strategies, LAGs can apply measures under EU Regulation 1698/2005, specified under Axis 1 (with the exception of flat rate payments), Axis 2 (with the exception of area payments) and Axis 3. Other actions, outside the measures specified in the RDP, but within EU Regulation 1698/2005, may also be supported, if they contribute to
the implementation of the concrete goals of the local development strategies and to the overall objectives of the RDP. Cooperation projects between Leader groups will also be supported.

The Leader Axis will be used to deliver 2.6% of the Community contribution allocated to the other three Axes. About 82% of the funds under the Leader axis will be allocated to the implementation of local development strategies and promotion of co-operation, and 18% to information activities and capacity building of rural actors concerning the Leader approach.

3.3 The Ex-ante Evaluation

3.3.1 The Ex-ante Evaluation – approach and findings

The Ex-ante Evaluation of the Rural Development Programme 2007 – 2013 was carried out in the period June 2006 - March 2007 by a team of Bulgarian and international experts from the Scanagri Denmark Consortium Partners. The methodology used follows the procedures set out in the Handbook on Common Monitoring and Evaluation Framework, July 2006, Guidance Document + Guidance Note from A to O. The final evaluation report was based on the December 2006 version of the RDP. The evaluation team established good working relationships with the Managing Authority - RDD and other institutions involved in the Programme.

The key findings and recommendations of the evaluators were as follows:

The SWOT analysis singled out a number of needs which have to be addressed by the Programme. The relevance of the interventions seems adequate, although some improvement can be made by including/strengthening specific interventions related to easier access to credit, introduction of innovation techniques (for Axis 1 and Axis 3); specific intervention to comply with the Water Framework Directive and Birds and Habitats Directive (for Axis 2). For Axis 4, a strong information campaign to local communities is indispensable to cope with the lack of experience in the implementation of this kind of intervention.

The relations between the general objectives and the specific sub-objectives indicate that there is a useful synergy between the Axes: for example, the expected positive impact of the measures on the environmental situation. There is as well a good coherence with the Community Strategic Guidelines, even if stronger attention could be paid to the promotion of territorial balance and the entry of women in the labour market. The interventions concerning Leader initiatives have to be detailed as well.

An analysis of the measures to be implemented and analysis of expected impacts have been produced. The analysis confirms the subsidiarity and proportionality principles, the coherence of the Rural Development Programme and the efficiency of the foreseen interventions.

Indications on the future set up of the implementing bodies and relevant procedures have been produced. The Bulgarian Government has already planned and carries out the strengthening and reorganisation of the RDD (MA). State Fund Agriculture will act as a Paying Agency, benefiting from the experience of the SAPARD interventions and having a well structured network of local offices throughout the Bulgarian territory.

55 The evaluators and RDD worked together on RDP preparation right from the start of the evaluators’ contract. The recommendations of the final evaluation report were used to finalize the March 2007 version of RDP in view of its official submission to the EC. Thus, the evaluators had the opportunity to contribute to and to comment on the March 2007 version of RDP as it was submitted to the EC via the SFC. Furthermore, the core Bulgarian experts from the team of evaluators were also subsequently involved in the consultations in the framework of WGs on RDP axes.
The evaluator has provided a calculation/estimation of indicators (outputs, results and impacts) expected from the implementation of the RDP.

Main recommendations of the Ex-ante evaluation

- Considering the extremely diversified structure of agriculture, forestry and food processing enterprises, an appropriate strategy for each measure should be detailed, both in terms of targets/beneficiaries and/or geographical location. Once the priority targets for each intervention are well defined, the relevant eligibility conditions and the ranking systems for assessing the project proposals/beneficiaries admitted for financing should be adjusted accordingly.

- It is essential that Programme applicants and beneficiaries are provided with effective procedures for filing claims against decisions of the Managing Authority or the Paying Agency; in this vein it is recommended also that applicants and beneficiaries are provided a tribunal for exchanging good and bad practices, experiences and warnings against unqualified consultants/ providers and suppliers of services and machinery;

- Another strategic issue concerns the necessity to focus the Programme resources on production sectors that are considered perspective in terms of added value, export, environmental aspects, etc.

- Specific recommendations have been detailed per each measure. In general, it is recommended to specify priority criteria, especially for measures that have a wide pool of potential beneficiaries;

- SAPARD experience should be kept in mind when considering the implementation procedures for the RDP, in order to avoid past problems. In particular: a) full transparency of the procedures has to be ensured: in terms of list of eligible costs, scoring system for selection of eligible projects and detailed motivations for the rejection of projects; b) achieving the RDP general and operational objectives should always be considered as a priority instead of concentrating only on achieving the targets associated with “utilization of the measure budgets”. The lack of “interest” for a particular support scheme within measures could be just a matter of insufficient information poorly targeted to potential beneficiaries, or to insufficient access of bridge capital; c) procedures must be simplified as much as possible to reduce the transaction costs for the applicants/beneficiaries;

- The appropriate set up of the MA and PA and their interactions is essential for successful achievement of RDP targets. Considering the extremely high number of applications to be processed, as a minimum, the majority of the administrative tasks should be carried out at decentralized-district level. Specific technical training to the relevant personnel could greatly help their implementation;

- A closer cooperation between MA and PA seems indispensable in order to assure the necessary efficiency of the procedures utilized during the implementation phase;

- It is suggested to put in place a specialized Management Information System in order to simplify and make more accurate the collection of monitoring data;

- A specific effort should be made in finding the adequate way to reach also potential beneficiaries belonging to minority groups. The information campaign should find the technical solutions in order to deal directly and appropriately with them, taking into consideration the regional concentrations of the minorities;

- An important issue the Programme should tackle is how to ensure an easier access for beneficiaries to credit for investments (bridge capital);
In implementing the measures, the support to the participation of women in the labour market has always to be taken into consideration. Additional ranking scores must be given to projects presented by women;

In view of the Bulgarian “hierarchy of needs” it seems that particular measures should be launched as soon as possible – especially the ones that contribute to stronger project management capacities with potential targeted beneficiaries, or ones that benefit “collective interests” (Training, Consulting, Skills acquisition, Leader Approach);

Training activities should be focused also on the creation of an effective network of private consultants able to assist the beneficiaries in the preparation of the project applications. The administrative burden for the offices charged with the assessment of project proposals could be decreased if the documentation that they receive follows the rules;

Some of the measures need to be accomplished taking into consideration the mitigation measures proposed in the Strategic Environmental Assessment, thus avoiding undesired negative environmental impacts.

The evaluator proposed a reduction in the number of measures to be implemented by the RDP, namely Measure 131, Measure 132, Measure 133 and Measure 216. This seems appropriate taking into consideration that:

- These measures’ added value in achieving the RDP general objectives will be weak as more pressing needs are existing which can be better dealt with other measures;
- These measures’ concepts are relatively new for Bulgaria and there are no accumulated public interest and readiness to benefit from the measures;
- These measures’ relatively small budgets would require intensive administrative effort to set up effective implementing arrangements for their implementation, monitoring and evaluation.

It was also recommended that the redistribution of these measure budgets should go to measures which will deal more efficiently with more urgent rural development needs. The same logic was applied in the proposal for redistributing budgets among other rural development measures so that a better balance within the Axes is achieved in terms of measure targets and impacts.

The complete Ex-ante evaluation report is attached in Annex 7.1.

The table below summarizes the MA response to ex-ante evaluation recommendations.
## Managing Authority response to ex-ante evaluation recommendations

<table>
<thead>
<tr>
<th>№</th>
<th>Recommendation</th>
<th>Accepted/Not Accepted</th>
<th>Resultant Modifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Proposed decision: 1) not to implement Measure 131 and to transfer its budget to Measure 121; 2) not to implement Measure 132 and Measure 133 and to transfer their budgets to Measure 111; 3) to transfer EUR 40 million of the budget allocation of Measure 122 to Measure 125; 4) not to implement Measure 216 and to transfer its budget to Measure 224; 5) to transfer EUR 39.02 million of the budget allocation of Measure 322 to Measure 312;</td>
<td>Partially Accepted</td>
<td>Concerning point 1-4, RDP 2007-2013 menu of measures and budget has been modified accordingly. Concerning point 5 the budget has been partially reallocated.</td>
</tr>
<tr>
<td>2</td>
<td>Considering the extremely diversified structure of the agriculture, forestry and food processing enterprises, an appropriate strategy for each measure should to be detailed, both in terms of target of beneficiaries and/or geographical location. Once the priority targets for each intervention are well defined, the relevant eligibility conditions and the ranking systems for assessing the list of beneficiaries admitted to financing should be adjusted accordingly;</td>
<td>Accepted</td>
<td>The ordinances on measures implementation shall contain the concrete ranking criteria for project selection with a view to the ex-ante recommendations under section 7.1 of the Ex-ante Evaluation Report. Targeting through eligibility criteria or eligible sectors/investments is also sought. Priority targets are now also identified within the RDP measure fiches: thematic targeting is envisaged under measures 121, 123, 311, 312, 321; compliance with EU standards is priority under measures 121 and 123 and in the investment measures of axis 3. Environment protection is prioritized under measures 121 and 123. Support to young farmers is prioritized under measures 111, 112, 121, 143 and 311. Sustainable tourism is targeted in measures 311, 312 and 313. Entrepreneurship and job creation are prioritized under measures 311 and 312. Territorial targeting applied for axis 3 and 4 measures, as well as for measures 123 and 223.</td>
</tr>
<tr>
<td>3</td>
<td>It is essential that Programme applicants and beneficiaries are provided with modified effective procedure for filing claims against decisions of the Managing Authority or the Paying Agency; in this vein it is recommended also that applicants and beneficiaries are provided a tribunal for exchanging good and bad practices, experiences and warnings against unqualified consultants/providers and suppliers of services and machinery. This, together with more transparent implementation procedures would contribute to smaller rate of sanctioned projects;</td>
<td>Accepted</td>
<td>The National Rural Network shall serve as the key venue for exchange of practices and information among stakeholders this shall be part of the &quot;terms of reference&quot; for the network organization; the complaints procedure shall be laid out in the measure ordinances (a two or three-tier complaints procedure is envisaged with the requirement that sufficient detail is provided to applicants as to the reason[s] for rejection).</td>
</tr>
<tr>
<td>4</td>
<td>Another strategic issue concerns the opportunity to focus the resources on production sectors that are considered to have potentialities in terms of added value, perspectives for export, environmental aspects, etc.</td>
<td>Accepted</td>
<td>Added value and environmental protection have been adopted as key priorities in the preparation of RD strategy. The measures ordinances in turn will have ranking systems that target these priorities (especially Measure 123 as regards value added).</td>
</tr>
<tr>
<td>№</td>
<td>Recommendation</td>
<td>Accepted/Not Accepted</td>
<td>Resultant Modifications</td>
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<tr>
<td>5</td>
<td>Specific recommendations have been detailed per each measure in par.7.1. In general it is recommended to specify priority criteria, especially for measures that have a wide target of potential beneficiaries;</td>
<td>Accepted</td>
<td>See comment under previous recommendation and recommendation 2.</td>
</tr>
<tr>
<td>6</td>
<td>SAPARD experience should be kept in mind considering the implementation procedures, in order to avoid the same problems. In particular: a) it has to be assured the total transparency of the procedures, in terms of list of eligibility costs, scoring system for the list of approved projects and motivations for the rejection of the others; b) general objectives has always to be considered instead of concentrating only on the “financial spending” targets. The lack of “interest” could be just matter of insufficient information poorly targeted to potential beneficiaries or to insufficient access of bridge capital c) procedures must be as much as possible simplified;</td>
<td>Accepted</td>
<td>a) Under RDP 2007-2013 a special Communication Plan is envisaged employing all possible information and publicity means (also in line with the Implementing Regulation); b) The RDP measures were prepared with focus on the achievement of NSP objectives (rather than just funds absorption). It will also be a key task of the Monitoring Committee and of the on-going evaluation efforts to ensure appropriate achievement of objectives; c) simplification of procedures will be sought in the ordinances and be based on type of measure/support, but with respect to EU regulations on controls, avoidance of double financing and prevention of irregularities.</td>
</tr>
<tr>
<td>7</td>
<td>In general the appropriate set up of the MA and PA is of course essential to the success of the initiative. Considering the extremely high number of application to be processed, at least most part of the administrative tasks (and the complete processing of the “simple” measures) should be at decentralized level. A specific technical training to the relevant personnel, could help greatly the entire structure;</td>
<td>Accepted</td>
<td>The approval of applications under the measures from Axis 1, Axis 3 and forestry-related measures under Axis 2 at first will be done at central level with the exception of approval of applicants under the measure for support to semi-subsistence farmers, which shall be done at the regional level. After the start of the Programme a plan and timetable shall be developed for the decentralization of approval and contracting for the above measures depending on the type of measure and size of projects. In addition, under the operational manuals of the PA it is envisaged that on-the-spot controls will be carried out by the Technical Inspectorate of the Agency and not be repeated by the HQs (as was the case under SAPARD) and that beneficiaries will apply at the regional branches of the Agency in all cases (whereas under many measures of SAPARD application was at the HQs only).</td>
</tr>
<tr>
<td>8</td>
<td>A closer cooperation strategy between MA and PA seems indispensable for the technical solutions that will be necessary to find during the implementation phase;</td>
<td>Accepted</td>
<td>The need for closer cooperation is recognized and apart from the contract b/n MA and PA on RDP implementation, a Management Committee is to be set up comprising key managerial staff from MAF, MA and PA in order to institutionalize cooperation in RDP management.</td>
</tr>
<tr>
<td>№</td>
<td>Recommendation</td>
<td>Accepted/Not Accepted</td>
<td>Resultant Modifications</td>
</tr>
<tr>
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<tr>
<td>9</td>
<td>It is suggested to put in place a specialized Management Information System in order to simplify and make more accurate the collecting of data for monitoring. Same system will be indispensable also for the on-going evaluation of the Programme;</td>
<td>Accepted</td>
<td>A special information system for management, monitoring and evaluation will be established by the MA. It will be related to the Management Information System of the PA.</td>
</tr>
<tr>
<td>10</td>
<td>A specific effort should be directed on how to find the adequate way to reach also potential beneficiaries that belong to minority groups. The information campaign should find the technical solutions in order to deal directly and appropriately to them, considering also the regional concentrations of the minorities;</td>
<td>Accepted</td>
<td>The MA will seek to devise a special module within the information campaign to target minority groups.</td>
</tr>
<tr>
<td>11</td>
<td>An important issue the Programme should tackle is how to assure an easier access to credit;</td>
<td>Accepted</td>
<td>The MA recognizes the need of smaller applicants to have easier access to credit, but the issue will not be tackled directly by the RDP. In an attempt to solve this issue MAF, the Paying Agency and 21 commercial banks have signed a memorandum to facilitate provision of credit to farmers who will be benefiting from CAP subsidies. (covering 2nd Pillar schemes as well) The envisaged option for advance and interim payments for RDP beneficiaries [under the investment measures] should also reduce the need for bridge financing.</td>
</tr>
<tr>
<td>12</td>
<td>In the preparation of the specific measures, it has to be taken always into consideration the support to the participation of women in the labour market. Additional ranking scores must be given to projects presented by women;</td>
<td>Accepted</td>
<td>Gender equality will be upheld in the project selection process. The National Council on Equality between Women and Men was actively involved in the consultations for the preparation of RDP 2007-2013 to ensure that gender equality is respected in the design of rural development measures. The Council will be represented as permanent member in the RDP Monitoring Committee. In the selection of projects under measures 311 and 312 priority will be given to projects proposed by women. In the selection of projects under measure 321 priority will be given to projects for development of services for vulnerable groups. The Monitoring Committee will closely follow the access of women to support and, if necessary, will introduce additional ranking scores for projects submitted by women.</td>
</tr>
<tr>
<td>13</td>
<td>In view of the Bulgarian “hierarchy of needs” it seems that particular measures should be launched as soon as possible – especially the ones that contribute to stronger project management capacities with potential targeted beneficiaries, or ones that benefit “collective interests” (Skills acquisition, Leader Approach);</td>
<td>Accepted</td>
<td>The specified RDP measures are set for implementation as soon as the RDP is approved. The publicity campaign for the RDP shall also ensure full information for the implementation of these measures from the very beginning.</td>
</tr>
<tr>
<td>№</td>
<td>Recommendation</td>
<td>Accepted/Not Accepted</td>
<td>Resultant Modifications</td>
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<tr>
<td>14</td>
<td>Training activities should be focused also for the creation of an effective network of private consultants able to assist the beneficiaries in the preparation of the applications. The burden of work for the offices charged of the evaluation of the financing proposals could be decreased if the documentation that they receive follows the rules;</td>
<td>Accepted</td>
<td>All information campaigns and guides for applicants are providing enough information to the private consultants. Training seminars for private consultants will be organized under Technical Assistance.</td>
</tr>
</tbody>
</table>

*Note: The table lists the key recommendations from section 10 of the Ex-ante evaluation: recommendation 1 is summarized from section 10.1 "Re-arrangement of measures and allocated budgets", whereas recommendations 2-15 are quoted in full from section 10.2 "Ensuring the efficient meeting of objectives"*
3.3.2 The Strategic Environmental Assessment (SEA)

Approach and findings

The Strategic Environmental Assessment of the Rural Development Programme 2007–2013 was carried out in the period June 2006 - March 2007 by a team of Bulgarian and international experts (part of the wider team of evaluators) from the Scanagri Denmark Consortium Partners, who carried out the Ex-ante evaluation of the RDP.


Directive 2001/42/EC is fully transposed in the Bulgarian legislation through the Environment Protection Act and the Ordinance on the Environmental Assessment Terms for Plans and Programmes.

With Decision No EO-5/2006 identifying the need to carry out an Environmental assessment the Minister of Environment and Water decided to commission such an assessment of the RDP. The requirements on the scope of the Environmental assessment scope were defined in the Decision. (Attachment 1 of Annex 8)

Under the Environmental Assessment of the RDP a complete analysis of the major environmental components (Biodiversity, Flora, Fauna, Air, Soil, Water, Climate, Landscape and Cultural heritage) has been carried out. An analysis has been made of the situation which would emerge under three scenarios: present situation without the implementation of the Programme (0 alternative); implementation of measures without applying the proposed mitigation actions (I alternative) and implementation of the measures with application of the proposed mitigation actions (II alternative). An analysis of the environmental problems related to the implementation of the measures has been made and a final assessment matrix and actions envisaged to mitigate impacts have been prepared. The evaluators judged the 0 alternative as unacceptable and did not support the implementation of the I alternative as it would have negative impacts on the environment. The II alternative was recommended as most favourable in terms of environmental impact.

As far as the environmental situation is concerned, in general terms most of Bulgaria’s pollution problems stem from the lack of treatment and inadequate dumping facilities for waste and sewage. Specifically, within agriculture, the main sources causing environmental degradation are: diffused pollution of ground and surface waters with nitrates and phosphates, point-source pollution of ground and surface waters by poorly stored animal manure, and by pesticides, abandonment of land and pasture, and soil erosion. These problems persist from the period before the application of the SAPARD Programme. Additionally, pollution with heavy metals in some areas worsens the environmental situation.

SEA consultations

MAF developed a timetable in coordination with the Ministry of Environment and Water (MoEW) for public consultations on the SEA on the RDP. For the purpose of public consultations the evaluators prepared a detailed questionnaire and a non-technical summary of the SEA. The process involved formal and informal consultations with the RDP stakeholders and the general public. The SEA Report was posted on the MAF website in November 2006. All
stakeholders participating in the Working Groups for the preparations of the Programme were consulted - MAF circulated the questionnaire to the members of the Working Groups to corroborate and assess the significance of environmental impacts of RDP measures as anticipated by the SEA. The partners were given a month to respond to the questionnaire. The questionnaire findings were also posted on the MAF website. In December 2006 a public hearing was organized on both the RDP and the draft SEA report, which was attended by over 140 people (see also section 8.11 of the SEA report – Annex 7.2).

The Competent Authority (the MoEW) in its Opinion on Environmental assessment № 3-2/2007 approved the Rural Development Programme 2007 - 2013 and prescribed two types of measures – (1) for prevention, decrease and elimination of potential negative impacts from the Programme implementation and (2) measures for on-going monitoring (in addition to the monitoring arrangements as described in section 8.10 of the SEA report) and control during the Programme implementation. Each third year MAF through the Managing Authority (Rural Development Directorate) have to elaborate reports on monitoring and control, including on actions taken for prevention, decrease and elimination of potential negative impacts from the Programme.

The first group of measures proposed in Opinion № 3-2/2007 of MoEW will be taken into consideration within the definition of criteria for project selection and the second group of measures will be included in the general Programme monitoring.

The received recommendations from the Competent Authority (MoEW) are reflected in the final version of the Strategic Environmental Assessment Report. No changes in the aims or measures of the Rural Development Programme are necessary as a result of the environmental assessment.

The complete SEA report is attached in Annex 7.2.

The following documents and information can be found in Annex 8 to the RDP:

- Description of the measures decided concerning monitoring foreseen in article 9(1)(c) and 10 of Directive 2001/42/EC – the measures for monitoring and control of the implementation of RDP as regards its environmental effects are established in section II of the Opinion № 3-2/2007 of MoEW (Attachment 2).

- The statement foreseen by article 9(1)(b) of Directive 2001/42/EC summarizing how environmental considerations and opinions expressed have been taken into account (Attachment 3);

- A non-technical summary of the information provided in the SEA report as foreseen by Annex I(j) of Directive 2001/42/EC (Attachment 4);

- Information on the consultations with the public and the environmental authorities concerned in pursuance to article 6 of Directive 2001/42/EC (included as section “Consultation outcomes” in the non-technical summary – Attachment 4 and in the same section of the full SEA report);

In addition to the monitoring arrangements described in Opinion 3-2/2007 and chapter 12 of the Programme the Managing Authority has undertaken a special effort to ensure that data is collected for all environment-related indicators – as specified in Annex 3 to the Programme and Opinion 3-2/2007. Thus, data for baseline indicators, esp. those currently listed as “not available”, will be collected in the regular surveys of the Agri-statistics Directorate of MAF and the National Statistics Institute, Ministry of Environment and Waters – Executive Agency on Environment.

Data for the output indicators will be collected by the Programme monitoring system. Data for the result and impact indicators shall be collected in the course of Programme evaluation. The information needed for the indicators identified in Opinion 3-2/2007 will be collected with the help of the Executive Agency on Environment.
The mid-term evaluation will also include an environmental impact assessment based on primary and secondary (monitoring-based) sources of information as well as a critical overview of monitoring arrangements. The primary data for the environmental impact analysis will be collected through surveys/questionnaires, as well as by on-the-spot checks of beneficiaries based on the analysis of the supported actions.

The table below summarizes the MA response to the SEA recommendations.
Main recommendations resulting from the SEA and Managing Authority response

<table>
<thead>
<tr>
<th>№</th>
<th>Recommendation</th>
<th>Accepted / Not Accepted</th>
<th>Resultant Modifications</th>
</tr>
</thead>
</table>
| 1 | Measures for prevention, reduction or as complete as possible elimination of potential adverse impacts from the implementation of the Rural Development Program (2007 – 2013) on the environment  
1. The projects foreseeing investment proposals/plans, for which an EIA/EA (pursuant to the Environmental Protection Act) or a specific environmental evaluation (pursuant to the Biodiversity Act) are to be approved only after a positive decision is made on the EIA/opinion on EA and taking into account the recommendations in the conducted assessments, as well as the decision on the EIA/opinion on EA.  
2. In carrying out the activities under the Program only the best available technology should be employed and the good agricultural and forestry practices should be applied.  
3. The establishing of new perennial plants should be allowed only on an area of arable land and should not be allowed on an area of grass habitats (meadows, pastures, steppes) or wetland areas. Establishing perennial plans on land with inclination of over 10° should be encouraged with a view to prevention of soil erosion.  
4. No support should be given to the setting up of drainage systems in wet meadows or karst areas, as well as such adjacent to protected wetland areas or places, where endangered species of flora and fauna occur. In such territories agro-environmental schemes should be set up, which are to be managed with a view to preserve nature.  
5. Concerning the activities for Measure 125 Improvement and development of the infrastructure related to the development and adaptation of agriculture and forestry the support should be targeted to improvement of the existing infrastructure, and especially that for forest roads, whereby considerable impact on pastures and meadows should not be allowed.  
6. The activities related to building and reconstruction of road infrastructure, drainage systems, encouragement of tourism services, construction of new buildings and diversification aimed at non-agricultural activities, should comply with the territorial planning regimes for protected areas pursuant to the Protected Areas Act and with the requirements for preservation of protected areas and species pursuant to the Biodiversity Act.  
7. The need of new construction and reconstruction of irrigation systems should be accompanied by justification in compliance with the application of new technology, which ensures water saving, energy efficiency, and should be nature-friendly (erosion prevention).  
8. Retraining of water river basins should be in compliance with the requirements for preservation of protected areas and species pursuant to the Biodiversity Act. | Accepted | The RDP measures respect the prescriptions made, which shall be reflected in the national ordinances for measure implementation. |
9. Recovery of forests cut in the recent years in the upper streams of the rivers should be encouraged with a view to improvement of the water regime.

10. No support should be given to afforestation of pastures and meadows belonging to the agricultural and forestry fund.

11. The beneficiaries should be provided with training on the application of the environmental rules and norms.

12. The preparation of documentation for application of measure 313 Encouragement of tourism activities should include requirements for not allowing large-scale construction or construction of buildings with architectural style differing from the local one.

13. In designing sites and facilities under the measures foreseen in the Program consideration should be given to the boundaries of monuments of culture and their protection zones, as well as all territories having protection pursuant to a specialized statutory act.

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**Measures for monitoring and control of the application of the Rural Development Program 2007 – 2013**

1. The Ministry of Agriculture and Food (through the managing authority – the Rural Development Directorate) should prepare a report on the monitoring and control in the course of the Program implementation, including on the measures for prevention, reduction or elimination of environment damages resulting from the Program implementation, which report should be submitted to the MEW every three years of the course of implementation of the Program, not later than 15 April of the year.

2. The monitoring and control of the environmental impacts in the course of the Program implementation should report also on the following indicators:

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Measurement unit</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Areas with changed designated purpose of the land</td>
<td>Area (ha)</td>
<td>Impact on land use and biodiversity</td>
</tr>
<tr>
<td>Transformation of forests and pastures into arable land</td>
<td>Area (ha)</td>
<td></td>
</tr>
<tr>
<td>Impact on natural habitats</td>
<td>Area (ha)</td>
<td>Assessment of the impact on biodiversity, protected areas and the National Environmental Network</td>
</tr>
<tr>
<td>Impact on protected areas and areas within the National Environmental Network</td>
<td>Area (ha)</td>
<td></td>
</tr>
<tr>
<td>Impact on forest land with high natural value</td>
<td>Area (ha)</td>
<td>Allows for assessment of the change in the areas of high natural value</td>
</tr>
</tbody>
</table>

The prescribed indicators shall be included in the set of indicators of the RDP monitoring and evaluation system.
<table>
<thead>
<tr>
<th>№</th>
<th>Recommendation</th>
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<th>Resultant Modifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Changes in the bird populations inhabiting the agricultural land</td>
<td>Number</td>
<td>Assessment of the trends in fighting erosion</td>
</tr>
<tr>
<td>2</td>
<td>Limiting erosion (area of the eroded land)</td>
<td>Area (ha)</td>
<td>Identifying the trends in fighting erosion</td>
</tr>
<tr>
<td>3</td>
<td>Quantity of used manure and mineral fertilizers (nitrogen, phosphorus, potassium fertilizers)</td>
<td>Kg/ha</td>
<td>Assessment of the impact on soils and water</td>
</tr>
<tr>
<td>4</td>
<td>Quality of the surface and underground water</td>
<td>Concentrations of nitrates (mg/l)</td>
<td>Assessment of the impact on water</td>
</tr>
<tr>
<td>5</td>
<td>Quality of potable water</td>
<td>% incompliant samples in terms of nitrates, pesticides and microbiological indicators</td>
<td>Assessment of the impact on potable water</td>
</tr>
<tr>
<td>6</td>
<td>Emissions of CO2, CH4 and N2O</td>
<td>Tons</td>
<td>Assessment of the impact on air</td>
</tr>
<tr>
<td>7</td>
<td>Share of agriculture on the end energy consumption</td>
<td></td>
<td>Determining the relative portion of greenhouse gases in the emissions; climate impact</td>
</tr>
</tbody>
</table>

Note: The recommendations resulting from the SEA are quoted in full from MoEW Opinion 3-2/2007 (which sums up the recommendations from p. 8.8 of the SEA report)
3.4 Impact from the Previous Programming Period

3.4.1 Impact of the SAPARD Programme

Objectives and Measures of the SAPARD Programme

In the previous programming period (2000-06) Bulgaria benefited as a pre-accession country from support under SAPARD.


NARDP was prepared in line with the three main government programme documents (Accession Partnership, National Programme for the Adoption of the Acquis Communautaire and the National Economic Development Plan) and in compliance with Article 1 of Regulation 1268/99 which stated that assistance was provided for:

- Contributing to the implementation of the acquis communautaire concerning CAP and related policies;
- Solving priority and specific problems for the sustainable adaptation of the agricultural sector and rural areas in the applicant countries.

The Multi-annual Financing Agreement under SAPARD between Bulgaria and the European Commission was signed on December 18th 2000. The total amount of Community co-financing under all the signed Annual Financing Agreements for the period 2000-2006 was EUR 444 748 370.

The total public support under the Programme including the national co-financing amounted to EUR 592 961 125. The measure allocations from this budget were as follows (Table 22):

<table>
<thead>
<tr>
<th>Measures</th>
<th>Public funds (EU and national public contribution, EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in agricultural holdings</td>
<td>201 782 489</td>
</tr>
<tr>
<td>Improving processing and marketing of agricultural and fishery products</td>
<td>197 684 453</td>
</tr>
<tr>
<td>of which: Wholesale markets</td>
<td>25 000 000</td>
</tr>
<tr>
<td>Development of environmentally friendly agricultural practices and activities</td>
<td>2 045 167</td>
</tr>
<tr>
<td>Development and diversification of economic activities, providing for multiple activities and alternative income</td>
<td>75 337 197</td>
</tr>
<tr>
<td>Setting up producer groups</td>
<td>520 000</td>
</tr>
<tr>
<td>Renovation and development of villages and the protection and conservation of the rural heritage</td>
<td>54 061 449</td>
</tr>
<tr>
<td>Improvement of vocational training</td>
<td>449 508</td>
</tr>
<tr>
<td>Development and improvement of rural infrastructure</td>
<td>55 251 425</td>
</tr>
<tr>
<td>Water resources management</td>
<td>0</td>
</tr>
<tr>
<td>Forestry, afforestation of agricultural areas, investment in forest holdings, processing and marketing of forestry products</td>
<td>5 278 912</td>
</tr>
<tr>
<td>Technical assistance</td>
<td>550 525</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>592 961 125</strong></td>
</tr>
</tbody>
</table>
The official launch of the SAPARD Programme in Bulgaria was on June 1, 2001 with the publication of the detailed regulations for the implementation of the 3 accredited measures, namely:

- Measure 1.1 Investments in agricultural holdings;
- Measure 1.2 Processing and marketing of agricultural and fishery products; and
- Measure 2.1 Development and diversification of economic activities, providing for multiple activities and alternative income.

The SAPARD Agency was granted the conferral of management of funds for these measures on 15th of May 2001.

With a Decision of the EC dated August 14th, 2003 the SAPARD Agency was granted conferral of management for 7 other measures from the National Agriculture and Rural Development Plan:

- Sub-Measure 1.2.1 Wholesale markets;
- Measure 1.4 Forestry, afforestation of agricultural lands, investments in forestry holdings, processing and marketing of forestry product;
- Measure 1.5 Setting up producer groups;
- Measure 2.2 Renovation and development of villages, conservation of rural heritage and cultural traditions;
- Measure 2.3 Development and improvement of rural infrastructure;
- Measure 3.1 Improving vocational training;
- Measure 4.1 Technical assistance.

In September 2006 the implementation of the last Measure started – 1.3 Development of Environmentally friendly practices and activities.

Only one measure planned in the NARDP has not been implemented – Measure 1.6 Water resources management in accordance with a decision of the SAPARD Monitoring Committee.

Contracting under SAPARD was completed on 31.10.2007. At this date the contracted support added up to 100% of the EU commitments and the paid/claimed support added up to 52% of the EU commitments for the 2000-06 period.

**SAPARD Results and Impact**

The analysis of the competitiveness of agriculture, conducted during the Mid-term Evaluation\(^56\) and the Up-date of the Mid-term Evaluation\(^57\) of SAPARD, indicated that the key problems of the sector relate to low productivity, fragmentation of land ownership, inadequate use of machinery and equipment, lack of managerial skills and knowledge, difficult access to external finance, inadequate irrigation and drainage, underdeveloped network of agricultural extension services and research units, as well as to underdeveloped breeding and selection services. Therefore, the conditions in agriculture by 2003 and 2005 were similar to those of the time, when the SWOT analysis of the sector was done during the ex-ante evaluation of the Programme. However some of the unfavourable factors and trends, listed above, have gradually been overcome as a result of SAPARD assistance. This improvement has been particularly noticeable in the North East and South Central planning.

\(^{56}\) The MTE covered the period 2001-2003 and was conducted in the period June – December 2003.
\(^{57}\) The Up-date of the MTE covered the period 2004 – 2006 and was conducted in the period June - December 2006
regions where a large percentage of the agricultural investments under SAPARD were targeted.

As regards the **condition of the environment and environmental protection**, the main problems of Bulgaria are caused by the lack of facilities to treat both solid and liquid waste, and by the lack of storage facilities. In agriculture, the main causes for the deterioration of environmental conditions include: growing pollution of surface and underground water with nitrates and sulphates, pollution of waters from point sources due to improper storage of manure and pesticides, abandonment of arable and pasture lands, destruction or lack of maintenance of protective tree strips, mono-crop farming without proper crop rotation.

**Results from the Implementation of SAPARD Measures**

The Programme has had a positive impact on the implementation of European standards and the *acquis communautaire*. The conservation of the environment, compliance with food hygiene and safety standards were imbedded in the project selection criteria.

The Programme has contributed to the **implementation of CAP objectives** and to **administrative capacity building**. The assessment of the administrative capacity, the efforts to improve the functioning of the public institutions engaged in the programme management, and the level of harmonization of the national with the European legislation indicated a substantial progress in this field.

One of the conclusions of the Up-date of the Mid-term Evaluation was that the recommendations of the 2003 Mid-term Evaluation have been implemented which in turn had improved the implementation during the period 2004-2006. The SAPARD Programme thus provided invaluable experience to the administration who have been able to streamline the procedural process.

Farmers and people living in the rural areas now have a significantly improved awareness of EU requirements both in terms of accessing investment funds and in the harmonised standards introduced under the *acquis communautaire*.

SAPARD resulted in **substantial investments in Bulgarian agriculture and in the food processing industry**. The investments in agricultural holdings supported under the Programme for the period 2001 to June 2006 amounted to approximately EUR 111 million public investments\(^{58}\) attracting an additional EUR 134 million of farmers own funds. Investments in the food processing sectors supported under the Programme equalled for the same period nearly EUR 100 million public investments\(^{58}\) attracting an additional EUR 120 million of processors own funds.

As regards the effects of complementarity and deadweight support, the update of the mid-term evaluation update indicated that the Programme had attracted **considerable additional investments**. The evaluators discovered that 89% of respondents stated that they would not have made the same investment without SAPARD funds and 30% said that they would not have made any investment at all without the Programme. In terms of leverage effect ca 80% of respondents said that they had made additional investments as a result of SAPARD funding.

\(^{58}\) According to the data about paid projects.
**Contribution of SAPARD to Solving Priority and Specific Problems of the Sustainable Development of Agriculture and Rural Areas**

**Improving the Resources of Agricultural Holdings**

One of the key results of the programme implementation is the contribution to the improvement of resources of many crop production holdings. The improvement of holding resources included modernization of machinery and equipment and to a lesser extent - modernization of output storage facilities and land improvement.

The beneficiaries under the Measure *Investments in agricultural holdings* were large agricultural holdings or cooperatives, specialised in crop production. A large portion of the supported investments included purchase of modern agricultural machinery, which in turn contributed to the reduction of production costs and increase of incomes, and in general - to higher competitiveness of the supported holdings. The breakdown of investments by sectors indicated, however, that the support had been concentrated to the cereals and industrial crops sectors, which had absorbed 48% of the public assistance under the measure. That was a very high proportion having in mind that these sectors were not listed as high priority in the strategy of the National Agriculture and Rural Development Plan (NARDP).

Insufficient support was provided to the livestock breeding sectors, which faced the most serious problems in respect to compliance with EU standards. Amendments to the selection criteria for the milk and dairy production sub-measure have meant that 90% of all the projects approved were done so in the period 2004-06. In spite of this and other improvements to the Programme and procedures livestock farms had obtained relatively little support.

According to the monitoring and evaluation indicators, the measure should have benefited by the end of 2006 some 5 200 agricultural holdings, while in fact in mid 2006 it had benefited just over 1 000 farmers. This can be attributed to the fact that individual project sizes were larger than anticipated reflecting the fact the measure attracted market orientated, medium sized holdings.

**Improving the Processing and Marketing of Food Products**

The financial plan of NARDP allocated a large share of the support to the Measure *Improving the processing and marketing of agricultural and fishery products*.

A large proportion of the active companies in the sectors eligible for the measure have been supported. In most of the cases these were relatively large companies.

The information obtained from the survey of beneficiaries under the measure showed that investments had contributed to the competitiveness of the companies – 63% of the beneficiaries had improved the quality of their products (in terms of hygiene, introduction of standards ISO 9000, the system HACCP and the quality labels). More than 1/3 of the beneficiaries had reduced their production costs and increased their exports. All surveyed beneficiaries, under the Up-date of the Mid-term Evaluation, complied with the environment protection and occupational safety and health rules.

The evaluation of the investments contracted under the measure showed that the milk processing sector had managed to attract a small proportion of the measure funds.

The supported investments for modernization of the existing processing capacity (or for building new ones) have outstripped the investments in the agricultural providers of raw materials for the processing industry. This effect has been particularly acute in the meat processing sector, especially slaughter houses. Under the new programming period this imbalance needs to be addressed.
In all supported sectors, a relatively large share of the public support had been contracted to newly established companies. This shows that the Programme has influenced the inflow of private funds to the supported sectors. Thus, the Programme could contribute to the modernization of the sectors by pushing out of operation the old entities that did not comply with the harmonized legislation.

According to the monitoring and evaluation indicators of the Measure *Improving the processing and marketing of agricultural and fishery products*, some 630 companies should have been modernized, restructured or built by the end of 2006, by mid 2006 just under 200 projects were completed, as with the Measure *Investments in agricultural holdings*, the average size of projects tendered to be bigger than expected.

**Diversification of the Rural Economy**

Under the measure for diversification of economic activities, the amount of the support provided had been relatively limited. Under the three sectors of the measure that accounted for the bulk of investments – rural tourism, wood processing and beekeeping – beneficiaries were companies that had already been specialized in the assisted activities. The rural tourism part of this measure came under strong criticism by the Mid-term evaluators due to it funding hotels in the Black Sea coastal resorts and the mountain ski resorts. The measure was suspended in March 2004 and remained that way until June 2006 when a new call for projects was opened. This type of delay provides a clear warning for the new programme administration and must not be repeated as it led to the relatively low uptake of measure funds registered by the Up-date of the Mid-term Evaluation.

**Rural Infrastructure**

The measures aimed at improving rural infrastructure and development of villages were accredited in August 2003. The Mid-term update evaluators noticed that the measures had been well designed and targeted urgent developmental needs of rural municipalities. However they experienced ‘teething problems’, projects were approved and contracted relatively quickly but they could not start because the municipalities had no access to funds to start their investments. This problem was overcome through the adoption of Bulgarian Government Decree No. 40 providing beneficiary municipalities with Ministry of Finance loans for the pre-financing of projects and to cover VAT. Other ‘teething problems’ are being experienced but the measures now begin to operate effectively.

**Forestry**

The number of applications under the measure for investments in forestry and afforestation of agricultural areas was rather small. According to the Up-date of the Mid-term Evaluation this was due to the fact that private forest owners were not interested in long-term low-return investments and lacked forest management knowledge. For municipalities (who were eligible to apply under the measure) investments in forest resources were also not a top priority and they would apply instead under the measures for village infrastructure. To avoid this scenario under the RDP the scope of activities in the sector and their territorial coverage have been widened – e.g. inclusion of natural disaster/fire protection measures benefiting also state forests.

**Agri-environment**

The agri-environment measure under SAPARD was a pilot one – an important tool for introducing novel schemes to both rural stakeholders and the administration. Learning and preparations, however, took longer than expected and the conferral of management of funds under the measure was granted as late as September 2006. Despite the late launch of implementation, the two calls for proposals opened in October 2006 and February 2007.
attracted 201 applications and absorbing all the financial allocation left on this measure, which in the Bulgarian context is a good start. The RDP will build upon the preparatory efforts and knowledge accumulated under SAPARD, and the agri-environment schemes will be launched right from the start of RDP implementation.

Vocational training

According to the Up-date of the Mid term Evaluation there was massive interest towards the measure among farmers with over 4 000 submitting applications to participate in training courses. However, due to the extremely cumbersome tendering and contracting procedures few courses were organized. This has prompted an overhaul of the implementation approach of the measure and under RDP (Measure 111) the approach has been changed substantially to streamline the approval and contracting of training course organization.

Producer groups

Applications under the measure for producer groups under SAPARD picked up at the very end of Programme implementation after years of sustained awareness raising. Under the RDP the information and awareness campaign will continue, the eligibility criteria for producer groups are eased and advisory support shall also be provided under Measure 143 in order to boost applications.

Programme management

The Mid-term evaluators suggested that the monitoring data collected be expanded and be continuously used to manage the Programme implementation since under SAPARD there were substantial deviations of results achieved from the initial targets. Under the RDP the monitoring indicator menu will be expanded in terms of quantity and quality (in line with the CMEF guidance) in an attempt to collect data not only for the projects supported, but also about the beneficiaries and their farms/business. The information collected and analyzed in the process of on-going evaluation shall serve to better Programme implementation and avoid some of SAPARD deficiencies in this regard.

3.4.2 Impact of Other Projects

Project Related to Axis 1 Measure Advisory Services

Project Teams on Wheels between the National Agricultural Advisory Service, MAF and UNDP

This project is testing a model of partnership between the regional offices of National Agricultural Advisory Service (NAAS) and the business centres of UNDP JOBS project in 6 administrative districts: Vidin, Pazardzhik, Targovishte, Haskovo, Yambol and Bourgas.

Mobile teams composed of JOBS experts, NAAS experts and external consultants will provide the agricultural producers and entrepreneurs from the rural areas with timely and meeting their specific needs services: general and specific information, business development and financing, agricultural advice, registration of the agricultural producers.

Simultaneously with the provision of advisory services on the spot, the project Teams on Wheels in the Rural Areas will try to increase NAAS capacity in meeting the urgent needs of the rural entrepreneurs in the light of country’s EU accession.

Main activities under the project since its beginning in April 2006:

- preparatory actions for launching an information campaign for the agricultural producers and entrepreneurs from the rural areas – a communication strategy for the project was
prepared including draft information materials on the project activities and on the Rural Development Policy for 2007 - 2013;

- six mobile teams were established comprising representatives of Regional Agricultural Advisory Services and JOBS centres, operational plans were developed for their activities. Vehicles were purchased for each team to build team interaction.

**Projects Related to Preparation of Axis 2 Measures**

*Project Capacity Building for Sustainable Land Management*

The project *Capacity Building for Sustainable Land Management* is a joint initiative of the UNDP, Ministry of Environment and Water and MAF financed by the Global Environmental Fund (GEF). The project began in 2005 and will finish at the end of 2007.

**The long-term objective** of the project is to develop the favourable conditions and the capacity for limiting the land degradation and to create practices for sustainable land management, and in that way to contribute to healthier existence, wholeness, functions and servicing of the eco-systems encouraging the development of sustainable livelihoods in Bulgaria.

**The immediate objective** of the project is to build capacity for sustainable land management, and development and implementation of a consistent land policy. The project will focus on the integration, building of institutional and technical capacity, strengthening of financial mechanisms as well as on bringing together the resources needed for the purpose.

**Expected results**

- Stable land policy and clear legal and regulatory framework for sustainable land management and combating desertification;
- Strengthening the institutional and technical capacity for sustainable land management and combating desertification;
- Strengthening the local capacity for planning of land use and taking decisions with the participation of the interested parties;
- Bringing together resources for the implementation of the National Action Programme for sustainable land management and combating desertification as well as for innovative financial mechanisms and economic incentives discussed and agreed with the agricultural producers and other land users, as well as with the key Ministries concerned.

**Expected benefits**

- Institutional and technical capacity for sustainable land management in different sectors, at different levels will be built;
- Inventory report of the degradation process, including a working out and analysis of the opportunities for sustainable land management using the “analysis of the functions of the natural territorial complexes” developed.

28 trainings for increasing the qualification related to sustainable land management were carried out in 2005 and 2006 for representatives of central and regional government institutions, local administration, NGOs and associations.

The following documents assisting the agricultural producers were published with the support from the project: information materials concerning pastures and meadows, soil acidification and erosion; Code of Good Agricultural Practice; Manual how to apply under

**Pilot Scheme for Compensatory Payments in LFA**

In January 2004 a Phare project was launched to define the less favoured areas and the regions with environmental restrictions. The objective of the project was harmonization and application of the legislation in agriculture in its part on the structural policy, Chapter V Less Favoured Areas and Areas with Environmental Restrictions, of Regulation (EC) 1257/1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund. The project started with the preparation of the measure for determining criteria and coverage of the less favoured areas in Bulgaria and determining levels of compensatory payments which was done by Working Groups created by an Order of the Minister of Agriculture and Food.

The Phare project finished in July 2004 and the following main outcomes were obtained from its implementation:

- Analysis of the practice of the EU member states related to the development and implementation of schemes for support of the agricultural producers in the less favoured areas.
- Criteria for identifying the different types of less favoured areas in Bulgaria;
- Methodology for calculating the compensatory payments for support of the agricultural producers in the different types of less favoured areas in Bulgaria;
- Draft pilot scheme for support of the agricultural producers in the less favoured areas including guidance for implementation and a Manual for the participants in the compensatory payments scheme for the agricultural producers in the less favoured areas; draft requirements for good farming practice; draft process for administration of the scheme. Under the pilot scheme support was provided in 2005 and 2006 to some 340 producers covering roughly 7 870 ha.
- Draft Ordinance for identifying the less favoured areas and the areas with environmental restrictions.

**Partnership for Development of Organic Agriculture**

The Ministry of Agriculture and Food participates as a strategic partner in this project which was established under the Programme of the Swiss Agency for Development and Cooperation (SDC) at the Swiss Government. Parties of this partnership are: Bioselena Organic Agriculture Foundation, Bio Bulgaria Cooperation, Plovdiv Agricultural University, Ecofarm Organic Agriculture Association – Plovdiv - and the MAF.

The project Information and Promotional Campaign for the Implementation of the Agri-environment Measure in Bulgaria to support the organic agriculture in Bulgaria (2005-2007) was financed and implemented under the Programme. The project implementation was carried out by TIME-Ecoproject Foundation. The objective of the project was to inform the agricultural producers on the terms and conditions for receiving grant financial assistance under SAPARD for the development of agricultural activities aimed at environment protection. 11 workshops were carried out and 275 people participated in them.

Under the SDC project Protection of Rare Local Breeds the animals from the four breeds threatened with extinction were identified – 2 sheep breeds: copper red Shoumen sheep and karakachan sheep; and 2 cattle breeds: short-horn Rodopi cattle and Bulgarian grey cattle.
The results obtained under the project were used to develop sub-measure *Protection of Rare Local Breeds* of the agri-environment measure under SAPARD Programme.

Within the framework of the partnership and with the financial support of SDC a *National Plan for Development of Organic Agriculture in Bulgaria* over the period 2007 - 2013 was prepared. At the moment software is being developed to manage the data concerning organic agriculture.

**Global Environmental Fund Small Projects Programme**

Bulgaria began its participation in the Small Projects Programme (SPP) financed by GEF in the summer of 2005 and in April 2006 a call for proposals was launched. SPP encourages activities which involve local community and contribute to solving global problems of the environment in the following areas of GEF:

- Bio-diversity protection
- Decreasing climate change
- International waters protection
- Preventing land degradation, desertification and deforestation
- Limiting the distribution of sustainable organic polluters

The national priorities of the SPP are determined in its National Strategy. The thematic areas for Bulgaria are:

- **Ecotourism** development contributing directly for the capitalization, sustainable use and protection of the globally important biodiversity in priority ecosystems;

- **Sustainable agriculture** in priority ecosystems and territories with globally important biodiversity and/or problems/risks of land degradation, including protection of rare breeds of domestic animals and cultivated varieties, organic agriculture, agro-forestry, traditional sustainable agricultural practices, good agricultural practices and food production;

- Integration of the issues related to protection of the global environment into the processes of **local development and mapping of the territory** in those sites which are of globally important biodiversity and/or face problems/risks with land degradation;

- Developing **sustainable products** which involves running or starting enterprises into a new approach concerning the technical development of their products or their marketing aimed at achieving sustainable use of the materials, elimination of the sustainable organic polluters and minimizing waste and energy consumption.

Eight projects have been approved and are implemented since the start of the project in the thematic area of sustainable agriculture.

**Support for Preparation of Leader**

**Project Sustainable Development of Rural Areas**

In February 2003 the joint project *Sustainable Development of the Rural Areas* of the Ministry of Agriculture and Food (MAF) and United Nations Development Programme (UNDP) was launched. Its objective was to prepare Bulgaria for the implementation of the Leader Initiative at the moment of the country’s accession to the EU.
The project was implemented in six pilot municipalities. The activities under the project were focused on the sustainable development of agriculture, forestry and alternative tourism. The period of the project implementation was from 15.02.2003 until 30.04.2007.

The project was working to improve the capacity and cooperation of the municipality administrations, agricultural producers, small and medium size enterprises, non-government organizations, professional associations and cooperatives by establishing 11 Local Initiative Groups (LAGs) following Leader methodology. The objective is not only providing support to the establishment of LAGs but also providing competent assistance in the preparation of the LAGs local development strategies, their training, capacity building and financial support for the implementation of their activities.

Under the project 11 NGOs were registered at the court in the pilot municipalities as legal non-profit bodies and 11 co-operatives. The NGOs are acting as LAGs, they monitor and control the implementation of the project schemes under the Fund for Demonstration Projects (FDP) of the project. Four schemes are being implemented under the Fund: socially useful projects, innovative projects, training projects and a micro credit scheme. The co-operatives manage the micro financing scheme and gradually undertake those LAG activities which are of economic nature.

Project Rural Network and Leader (2006-2008)

MAF and UNDP launched a follow on project Rural Network and Leader for the period 2006-February 2008. The project aims at contributing to the decentralization, good local management, building social capital and decreasing the poverty in the rural areas of Bulgaria by providing support in the preparation of the country to utilize funds from the European Agricultural Fund for Rural Development after the EU accession. The project will increase the interest and the capacity of the communities and the interested parties in the rural areas to plan and use financial resources by networking and by developing and implementing integrated local development strategies. At the same time the project will increase inter municipality cooperation, especially between the smaller municipalities, and will contribute for the establishment of horizontal links between the actors in the rural areas including public-private partnerships. The project widens and deepens the efforts and the results obtained from the joint project Sustainable Development of the Rural Areas. In addition the project builds on the work of the Foundation for Reform of the Local Self-government in relation to the establishment of a National Network for Rural Development.

To date an information campaign has been implemented. A national conference First Steps of the Rural Network and six regional information meetings were carried out with the participation of more than 460 people. Information workshops were carried out where the opportunities for establishing LAGs were explained emphasizing on the horizontal cooperation between neighbouring municipalities in different geographical territories. 50 moderators from all 28 administrative regions of the country were trained in 5 different modules to support the activities on the animation of the local communities and organizing, establishing and strengthening of the LAGs.

The international exchange of experience under Leader was finalized when carrying out travelling workshops in Greece/Turkey – 54 people, Finland – 9 people and Hungary – 4 people. The trip to Finland was aimed at studying the local experience under Leader. An international specialized workshop Remote Rural Areas and Leader - Means for Animation and Innovation was organized as well. The experience of Finland was studied and visits on the spot were organized to familiarize with the experience of the Finnish rural development network and the projects implemented under Leader.
4. Justification of the Priorities Chosen having Regard to the Community Strategic Guidelines and the National Strategy Plan as well as the Expected Impact According to the Ex-ante Evaluation

4.1 Justification of the Priorities Chosen Having Regard to the Community Strategic Guidelines and the National Strategy Plan

The Rural Development Programme was elaborated taking into account both the priorities set in the Community Strategic Guidelines and the Bulgarian National Strategy Plan (NSP) for rural development for the 2007-13 period.

The Rural Development Programme responds to all priorities of the Community Strategic Guidelines. The distribution of the resources among the key areas of rural development is based on the identified needs of the agri-food sector, environment and rural population in Bulgaria. It also takes into account the significant opportunities for support of improvement of the environment and quality of life in rural areas by other Community Support Instruments (see Section 10.1).

Taking into account the needs for restructuring and modernising the Bulgarian agricultural, forestry and food processing sectors, **42% of the Community contribution under the three axes is allocated to Axis 1.** The actions under this priority axis will promote productivity growth and competitiveness of the agriculture, food processing industry and forestry sector and thus, will contribute to the Lisbon strategic objectives on economic growth and jobs (via both maintenance and creation of employment in these sectors).

The NSP strategy and RDP measures selected comply with the **Community priority 1 Improving the competitiveness of the agricultural and forestry sectors** by orientation to boosting productivity and competitiveness of the agricultural, food processing and forestry sectors through support for:

- Up-grading technologies, investments to improve agricultural factors of production, introducing modern land and water management practices;
- Promoting innovation in the agri-food chain for production of new high value added products and technologies;
- Achieving EU standards;
- Diversification within agriculture;
- Raising skills levels and knowledge of the labour force in agriculture and forestry;
- Improving the environmental performance of farms and forestry;
- Adjustment of farming structures and land ownership structures;
- Improving agriculture and forestry-related infrastructure.

In line with the strategy set out in the NSP, the RDP addresses **Community priority 2 Improving the environment and countryside** by measures proposed in Axis 2 and by targeting of measures under the other axes. **To Axis 2 is allocated 27% of the Community contribution under the three Axes.**
The environmental objectives set in Community priority 2 will be delivered by provision of actions that conserve biodiversity, promote sustainable use of the land and natural resources, preserve water resources and combat climate change.

The measures focus on solving the environmental problems and threats in the rural areas in Bulgaria:

- conservation and restoration of important habitats and natural systems in accordance with national objectives and the EU’s goal for halting biodiversity loss by 2010;
- improvement of water quality and its prevention from contamination from agricultural sources in accordance with EU environmental obligations, including the Nitrate and Water framework directives;
- prevention of soil degradation processes and preservation of soil diversity and fertility;
- sustainable management of forests and forest land;
- developing renewable energy potential in order to meet national/EU targets.

The support for sustainable management of lands and forests, and the conservation of biodiversity and traditional extensive farming systems will contribute to preserving the attractiveness of the rural areas. It will also create preconditions for the development of other activities within the rural economy, such as tourism, crafts, leisure time activities and last but not least – the development of sustainable jobs for the population in rural areas.

The NSP and RDP are based on a balanced and integrated approach, where the preservation of the landscape and environment is also a priority for measures under the other axes. The introduction of the Good agricultural and environmental conditions (GAEC) for area based support measures under Axis 2 will also contribute to the achievement of the environmental objectives, especially those related to the improvement of soil quality and prevention of soil degradation processes.

In the RDP climate change adaptation will be addressed mainly through the forestry measures as well as by some measures for adaptation in Axis 1, 2, 3 and 4. Under Axis 1 farmers can receive support for farm modernisation that will help them adapt to climate change. The processing industry will be able to use the available measures for capital expenditure on buildings and new equipment. Axis 2 measures and especially the Soil and Water package within the Agri-environmental measure aim to support agricultural production methods which protect and improve water and soil quality and will help adaptation to climate change. Axis 3 measures such as basic services for the economy and rural population and village renewal and development will provide local communities the opportunity to identify actions that can be undertaken to deal with the effects of climate change.

The Community priority 3 Building local capacity for employment and diversification is integrated in the NSP objectives and will be delivered under the RDP by measures under Axis 3. To Axis 3 is allocated 31% of the Community contribution under the three axes.

Improved access and quality of basic services for the rural population, and rural infrastructure are essential for maintaining the rural population and for the creation of conditions for business development. Therefore, considerable investment support will be given for improvements of physical infrastructure and facilities needed for provision of services to the rural population.
Entrepreneurship development and creation of employment opportunities in rural areas will be promoted by support to investments in non-agricultural activities of farming households and the wider rural population, and actions facilitating rural tourism.

Community priority 4 Building local capacity is integrated in the RDP and the leader Axis is allocated 2.6% of the Community contribution under the three Axes. The Leader measures will support building social capital and skills acquisition to develop locally based strategies for rural development. The implementation of such strategies will contribute to the overall objectives of the RDP.

The Community priority 5 for Consistency in programming is addressed in the RDP by targeting of the measures to synergies within measures of the axes and between axes.

The measures under the first Axis strongly contribute to the objectives of the second Axis. The support under Axis 1 for manure storage will complement the activities under Axis 2 targeting the problems associated with pollution of waters. The support for investments for transition from conventional to organic production will increase the impact of the support for organic producers within Axis 2. The first Axis also contributes to the objectives of the third axis by measures targeting increased competitiveness of agricultural holdings and adjustment of agricultural structures.

Within the first Axis support to semi-subsistence farmers will be complemented with the provision of advisory services, training and support for association of such smaller producers in producer groups, thus securing better market access for their joint output. Preconditions for bio-production will be secured through training and through investment support. Producer groups in organic production will also be subject to support.

The vocational training measure under Axis 1 will be used for acquisition of basic knowledge for the environmentally-friendly-practices in land management targeted under Axis 2. Trained farmers will be potential beneficiaries under the NAEP/agri-environment measure.

Through the support for agricultural producers in mountainous areas and other less favoured areas within Axis 2, preconditions will be set for preserving the environment, ensuring good agricultural practices and enhancing the attractiveness of these areas. The support will be complemented by support for diversification of the activities outside agriculture, i.e. rural tourism, craftsmanship to help prevent land abandonment and maintain viable rural communities in these areas.

The Community priority 6 for Complementarity between structural, employment and rural development policies is integrated in the programming in the selection and targeting of measures, and by both the well-defined demarcation mechanisms between actions supported by the different Community Support instruments and the supporting administrative co-ordination procedures (see part 10.1).

4.2 Expected Impacts Deriving from the Ex-Ante Evaluation with Regard to the Priorities Chosen

The impacts of the Programme have been estimated considering three main priorities: economic development, environment, employment.

4.2.1 Economic impacts of the Programme

(This section is prepared with the assistance of the Ex-ante evaluators on the basis of their assessment of RDP contribution to the common impact indicators under CMEF).
**Economic growth**

The total estimated increase of the NVA is more than 200 MPPS59, sustained from the measures of Axis 1 (148.86 MPPS) and Axis 3 (55.8 MPPS). The measures of Axis 1 will contribute to increase the economic growth of the agricultural sector and to improve access to the global market. Especially measures related to the modernisation of agricultural holdings and adding value to agricultural and forest products will generate a strong contribution to this economic growth with over 30% of the total increase expected to be generated by Axis 1. Activities supported under Axis 3 will contribute to creating favourable socio-economic conditions (especially the infrastructure investments), indispensable for the competitiveness of local enterprises. The combined impact of the measures will accelerate structural reform in agriculture, improve the competitiveness of the agricultural and food sectors and promote innovation. It is also expected to have a positive impact on farm incomes, overall productivity, and introduction of innovative technology and practices.

The contribution to economic growth of environmental activities under Axis 2 must also be considered although they cannot be specifically quantified. In fact they should also be appreciated in terms of payment to farmers (payment for Natura 2000 and LFAs areas) for delivery of public goods.

Concerning Axis 4, in order to avoid double counting, the evaluators consider that no positive impact should be attributed specifically to the activities under the Leader Approach, since the real benefits are already calculated under the other Axes.

**Labour productivity**

For this second indicator the 2004 value for GVA/FTE in agriculture has been utilized as a baseline, equal to EUR 2 206 per AWU. It served as the basis on which to estimate the specific increase — caused by the RDP in terms of productivity per worker - estimated as an average increase in GVA per AWU of EUR 342.

The estimated increase in terms of labour productivity is the consequence of two main factors: a) provision of more productive “production tools” - machinery, plants, infrastructures - and/or b) provision of training to improve management skills.

Logically, the calculations made by the evaluator indicate the highest contribution to productivity by the measures associated with physical investments (Measure 121 Modernization of farms, Measure 123 Adding value to agriculture/forestry products, Measure 311 Diversification of economic activities, Measure 312 Support for Micro-enterprises), due to the fact that they will determine such increases immediately after the provision of the support. For the measures related in general to training (Vocational training, but also Advisory services, Young farmers) the expected contribution is lower, since it is an “investment in the future”.

If well applied, Measure 141 Support for Semi subsistence farms could also have extremely positive effects in terms of labour productivity. If it is implemented simply as an additional support to farmers with low levels of income, its impact will be low (in terms of labour productivity as well as economic growth). If in contrast it is targeted at units with economic potential, it may provide opportunities to transform at least a part of the micro farms into viable economic enterprises, and thus the positive effects from implementing the measure will be much more significant.

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59 Purchasing Power Standard refers to the artificial common reference currency unit used in the European Union to express the volume of economic aggregates for the purpose of spatial comparisons in such a way that price level differences between countries are eliminated.
For Axis 4, the same consideration under sub-section “Economic growth” above holds true: no positive impact can be attributed specifically to the Leader Approach activities, since the increase of the labour productivity must be attributed to the implementation of that part of the other Axes activated through the Leader approach.

4.2.2 Environmental Impacts of the Programme

The RDP should lead to an effective improvement of the quality of the environment, and thus it should achieve much stronger impacts in this area than the previous SAPARD Programme.

For the present RDP the assessment on environmental impact has to take into consideration two main aspects:

- a budget of EUR 777 million (over 25% of the total budget, excluding complements to direct payments) is allocated to measures of Axis 2 specifically related to environment protection;
- many of the measures financed by Axes 1 and 3 (and as a consequence – also under Axis 4) not only are designed to avoid any negative impact (specific mitigation measures have been indicated by the Strategic Environment Analysis), but in some way are planned to contribute to the achievement of the general objective associated with protection/improvement of the environment.

Even if it is difficult to indicate precise quantitative indicators to measure the improvement of “quality of environment”, the RDP on the whole (not limited to Axis 2 only) is expected to have a positive influence on the four common EU impact indicators related to the environment:

Reversing biodiversity decline: several measures can contribute to the maintenance of the local riches in terms of animal and vegetal species (Support to LFAs and Agri-environmental payments, Natura 2000 areas). In other cases there should be an improvement of the situation, due to implementation of specific activities: first afforestation and afforestation of land damaged by natural disasters, support to the preservation of local genetic resources (traditional animal breeds).

Maintenance of high nature value farmland and forestry: considerations similar to those indicated above for biodiversity apply. For Axis 2: measures related to payments for LFAs and Natura 2000 areas can be considered as a way to preserve high nature value areas, also the whole HNV Scheme of the agri-environmental measure is focused on preservation of HNV farmland. A direct contribution for the achievement of this goal also comes from Measure 126 of Axis 1 related to restoration of areas damaged by natural disasters.

Improvement of water quality: water quality can be positively influenced by environmentally friendly management systems (GAEC in LFAs, the more restrictive management plans of Natura 2000 areas, the regulation of organic farming), all of them limiting or eliminating nitrate pollution. The agri-environmental measure also has a specific Scheme on Soil and Water Protection, (sustainable crop rotations, utilization of appropriate nutrient management planning).

Cross cutting contributions

Other indirect positive effects of the Programme should come from the creation of an interest in the population of the rural areas in preserving the environment, as well as training activities for the introduction of modern and environmentally-friendly management systems.
4.2.3 Impacts on employment

It is estimated that the RDP will have positive impacts on employment rates both in terms of new job opportunities and for the retention of existing jobs that, without the support of the Programme, would be lost.

Two factors that bring down the quantitative estimation of employment creation have been considered: a) the general trend in Bulgaria (and in all EU countries) towards a constant decrease of both population of rural areas and of those employed in agriculture, and b) the improved mechanisation of the agriculture/forestry holdings leads also to a decrease of the n° of employees.

The employment targets in the Programme by Axis are summarized in Table 23 below:

**Table 23 Target for job creation / retention**

<table>
<thead>
<tr>
<th>Axis</th>
<th>Retained number</th>
<th>%</th>
<th>Created number</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>10 994</td>
<td>38%</td>
<td>3 129</td>
<td>18%</td>
</tr>
<tr>
<td>2</td>
<td>13 054</td>
<td>46%</td>
<td>300</td>
<td>2%</td>
</tr>
<tr>
<td>3</td>
<td>4 375</td>
<td>16%</td>
<td>13 800</td>
<td>77%</td>
</tr>
<tr>
<td>4</td>
<td>0</td>
<td>0%</td>
<td>520</td>
<td>3%</td>
</tr>
<tr>
<td>Total</td>
<td>28 423</td>
<td>100%</td>
<td>17 749</td>
<td>100%</td>
</tr>
</tbody>
</table>

Concerning female employment, it can be seen that most of the new jobs created are related to Axis 3 and more specifically to Measure 311 *Diversification into non-agricultural activities* and Measure 312 *Creation of micro-enterprises*. For both of them the involvement of women could be extremely important (for activities related to rural tourism for example). It is therefore important to provide adequate priority to enterprises managed by women.

Contribution of Axis 4 has been quantified considering job creation specifically for the administrative structures of LAGs, which will require adequate manpower. In order to avoid double counting, the calculations do not consider positive impacts on employment resulting from the implementation of the individual local projects, since this quota has already been attributed to the other Axes.

It should also be underlined that the targets above relate only to quantifiable job creation or retention over the period of the Programme: longer term benefits from the investments in physical and human capital will exceed these short term benefits.

4.2.4 Contribution of the RDP to combating climate change

This objective is pursued through two main activities:

- *augmentation of the carbon sequestration*: it is possible to increase carbon sequestration mainly through afforestation of land (Measure 223 *First afforestation of non agricultural land* and Measure 126 *Restoring agricultural production potential damaged by natural disasters*). The estimated quantity of total equivalent of CO₂ which will be fixed by new or re-afforested land supported under the RDP is 1.4 million tonnes⁶⁰;

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⁶⁰ This estimate is an expert assessment based on research on annual forest growth over the lifespan of forests and the assumed rate of carbon sequestration.
• **decrease in the production of CO₂**: Measure 121 will support provision of new machinery, that has better performance and lower fuel consumption. The same measure, as well as measures 123, 311, 312 and 321, supports also the utilisation of renewable natural resources and the improvement of the effectiveness of used resources (e.g. production of electricity and/or heat using bio-mass), leading to a reduction in fossil fuel consumption.
5. Information on the Axes and Measures Proposed for Each Axis and their Description

5.1 General Provisions

5.1.1 Overview of RDP Measures
The objectives of the RDP will be addressed by 30 Measures. The implementation of the programme will start with 23 Measures, which are listed in Table 24. These measures will be implemented in the entire programming period 2007-2013, with the exception of Measures 143, sub-measure 2 of 431 and 611, which will be implemented until the end of 2009.

Table 24 Measures Starting in 2007

<table>
<thead>
<tr>
<th>Axis /Measure</th>
<th>Programming period</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Axis 1 - Improving the competitiveness of the agricultural and forestry sector</strong></td>
<td></td>
</tr>
<tr>
<td>1. 111 Training, information and diffusion of knowledge</td>
<td>2007-2013</td>
</tr>
<tr>
<td>2. 112 Setting up of young farmers</td>
<td>2007-2013</td>
</tr>
<tr>
<td>3. 121 Modernisation of agricultural holdings</td>
<td>2007-2013</td>
</tr>
<tr>
<td>4. 122 Improving the economic value of the forests</td>
<td>2007-2013</td>
</tr>
<tr>
<td>5. 123 Adding value to agricultural and forestry products</td>
<td>2007-2013</td>
</tr>
<tr>
<td>6. 141 Supporting Semi-Subsistence Farms Undergoing Restructuring</td>
<td>2007-2013</td>
</tr>
<tr>
<td>7. 142 Setting up producer groups</td>
<td>2007-2013</td>
</tr>
<tr>
<td><strong>Axis 2 - Improving the environment and the countryside</strong></td>
<td></td>
</tr>
<tr>
<td>9. 211 Natural handicap payments to farmers in mountain areas</td>
<td>2007-2013</td>
</tr>
<tr>
<td>10. 212 Payments to farmers in areas with handicaps, other than mountain areas</td>
<td>2007-2013</td>
</tr>
<tr>
<td>11. 214 Agri-environmental payments</td>
<td>2007-2013</td>
</tr>
<tr>
<td>12. 223 First afforestation of non-agricultural land</td>
<td>2007-2013</td>
</tr>
<tr>
<td>13. 226 Restoring forestry potential and introducing prevention actions</td>
<td>2007-2013</td>
</tr>
<tr>
<td><strong>Axis 3 - Quality of life in rural areas and diversification of the rural economy</strong></td>
<td></td>
</tr>
<tr>
<td>14. 311 Diversification into non-agricultural activities</td>
<td>2007-2013</td>
</tr>
<tr>
<td>15. 312 Support for the creation and development of micro-enterprises</td>
<td>2007-2013</td>
</tr>
<tr>
<td>16. 313 Encouragement of tourism activities</td>
<td>2007-2013</td>
</tr>
<tr>
<td>17. 321 Basic services for the economy and rural population</td>
<td>2007-2013</td>
</tr>
<tr>
<td>18. 322 Village renewal and development</td>
<td>2007-2013</td>
</tr>
<tr>
<td><strong>Axis 4 - Leader</strong></td>
<td></td>
</tr>
<tr>
<td>19. 41 Implementation of the local development strategies</td>
<td>2009-2013</td>
</tr>
<tr>
<td>20. 421 Inter-territorial and trans-national cooperation</td>
<td>2010-2013</td>
</tr>
<tr>
<td>21. 431-1 Running costs, acquisition of skills and animation – selected LAGs</td>
<td>2009-2013</td>
</tr>
<tr>
<td>431-2 Running costs, acquisition of skills and animation – potential LAGs</td>
<td>2007-2009</td>
</tr>
<tr>
<td><strong>Other Measures</strong></td>
<td></td>
</tr>
<tr>
<td>22. 511 Technical assistance</td>
<td>2007-2013</td>
</tr>
<tr>
<td>23. 611 Complements to direct payments</td>
<td>2007-2009</td>
</tr>
</tbody>
</table>
Seven Measures will be introduced at a later stage, after a change to the RDP to introduce the relevant measure details in line with the procedure in Article 6 (c) of Commission Regulation (EC) No 1974/2006 (see Table 25).

Table 25 Measures to be implemented later

<table>
<thead>
<tr>
<th>Axis /Measure</th>
<th>Indicative implementation period</th>
<th>Indicative public expenditure (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Axis 1 - Improving the competitiveness of the agricultural and forestry sector</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. 114 Use by farmers and forestry holders of advisory services (years 2010-2013)</td>
<td>2010-2013</td>
<td>36 146 000</td>
</tr>
<tr>
<td>2. 124 Cooperation for development of new products, processes and technologies in the agricultural and food sector</td>
<td>2009-2013</td>
<td>24 097 000</td>
</tr>
<tr>
<td>3. 125 Improving and developing infrastructure related to the development and adaptation of agriculture and forestry</td>
<td>2009-2013</td>
<td>90 365 000</td>
</tr>
<tr>
<td>4. 126 Restoring agricultural production potential damaged by natural disasters and introducing appropriate prevention actions</td>
<td>2009-2013</td>
<td>12 048 000</td>
</tr>
<tr>
<td><strong>Axis 2 - Improving the environment and the countryside</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. 213 Natura 2000 payments and payments linked to Directive 2000/60/EC (WFD) – agricultural land</td>
<td>2009-2013</td>
<td>108 835 000</td>
</tr>
<tr>
<td>6. 224 Natura 2000 payments - forests</td>
<td>2009-2013</td>
<td>15 548 000</td>
</tr>
<tr>
<td><strong>Axis 3 - Quality of life in rural areas and diversification of the rural economy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. 341 Skills acquisition and animation with a view to preparing and implementing a local development strategy</td>
<td>2010-2013</td>
<td>61 437 000</td>
</tr>
</tbody>
</table>

The reasons to postpone the start of the implementation of the Measures listed in Table 25 are summarised below:

1. The implementation of Measure 114 *Use by farmers and forestry holders of advisory services* will start in 2010 and it will replace Measure 143 *Provision of farm advisory and extension services in Bulgaria and Romania*, which will be implemented in the first three years of the Programme in line with the provisions of Annex VIII to the Act of Accession of Bulgaria and Romania. In the meantime, the indicative financial allocation for Measure 114 is provisionally transferred to Measure 111 *Training, information and diffusion of knowledge*.

2. There is a need for additional preparation and capacity building for the start of implementation of Measures 124, 125 and 126. It is planned to start implementation of these measures in 2009. In the meantime, the budgets for these measures are provisionally allocated as follows:
   - Indicative budget for Measure 124 *Cooperation for development of new products, processes and technologies in the agricultural and food sector* budget is transferred to Measure 111 *Training, information and diffusion of knowledge*;
   - The indicative budget of Measures 125 *Improving and developing infrastructure related to the development and adaptation of agriculture and forestry* and 126 *Restoring agricultural production potential damaged by natural disasters and introducing appropriate prevention actions* are transferred to the budget of Measure 121 *Modernisation of agricultural holdings*. 
3. Natura 2000 Measures for agricultural lands and forests depend on the formal designation of Natura 2000 sites and on the preparation of their management plans. Therefore the Measures will be implemented after establishment and entry into force of clear restrictions on the agricultural and forestry activities either in the orders for designation of the sites or in their management plans. In the meantime, the budget of Measures 213 and 224 is provisionally allocated to Measure 214 Agri-environmental payments and the farmers in the potential Natura sites can apply for support under this Measure.

4. Measure 341 Skills acquisition and animation with a view to preparing and implementing a local development strategy will be introduced in 2010 as until that time the skills acquisition operations for potential local action groups will be supported under Measure 431 in line with the provisions of Annex VIII to the Act of Accession of Bulgaria and Romania. In the meantime, the budget for Measure 341 is provisionally allocated to Measure 321.

The input, output, result and impact indicators of Measures 111, 121, 214 and 321 whose budgets have been provisionally increased, do not take into account these additional financial amounts. The indicators for these measures were established on the basis of the actual budget they are expected to be allocated during the 2007-13 period. Indicators for the postponed measures will be added when the RDP is changed to insert the details of these measures.

5.1.2 Requirements Concerning All or Several Measures


For the purposes of the RDP Bulgaria will apply the Community definition of forest as specified in Art.30 of Commission Regulation (EC) No 1974/2006.

Ongoing Operations/Contracts from the Previous Period

The multi-annual financial commitments entered into force under the SAPARD Programme (Council Regulation (EC) No 1268/1999) for which the period for payments extends beyond the final permissible date for payments under SAPARD, will be honoured under the Rural Development Programme 2007 – 2013 in line with Article 29 of the Accession Treaty of Bulgaria and Romania and Commission Regulation № 248/2007 on Measures Concerning the Multi-annual Financing Agreements and the Annual Financing Agreements Concluded under the SAPARD Programme and the Transition from SAPARD to Rural Development. The procedures and rules established under SAPARD Regulation (EC) No 1268/1999 shall continue to apply to these contracts.

The details of the ongoing operations are given in Table 26.
Table 26 Ongoing Contracts from the Previous Period

<table>
<thead>
<tr>
<th>Title</th>
<th>SAPARD Measure</th>
<th>RDP Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of contracts</td>
<td>Total Commitments (EUR)</td>
</tr>
<tr>
<td>Setting up producer groups (Article 2, 7th indent of Council Regulation (EC) No 1268/1999)</td>
<td>10</td>
<td>832,545.27</td>
</tr>
<tr>
<td>Forestry (Article 2, 14th indent of Council Regulation (EC) No 1268/1999) (1)</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Note (1) There are no outstanding commitments for afforestation of agricultural land.

Respect of State Aid Rules

For the measures pursuant to Articles 52 of Regulation (EC) No 1698/2005 and for operations under the measures pursuant to Articles 28 and 29 of that Regulation which fall outside the scope of Article 36 of the Treaty, respect of the State aid procedures and material compatibility criteria, in particular aid ceilings of total public support under Articles 87 to 89 of the Treaty will be ensured. See also Section 9.

Support shall be granted in compliance with conditions and rules of Commission Regulation (EC) No 1998/2006 for de minimis aid for:

- all measures from Axis 3 (except for the public investments where the municipalities are beneficiaries, and for projects of non-profit legal entities, “chitalishte” community centres and local religious branches, for non-revenue generating projects in the public interest);
- measure 123 in case of processing and marketing of forestry products and/or processing of products covered by Annex I to products out of Annex I;
- Leader measures 41 (except for the public investments where the municipalities are beneficiaries, and for projects of non-profit legal entities, “chitalishte” community centres and local religious branches, for non-revenue generating projects in the public interest) and 421.

The maximum grant aid is EUR 200,000 and in case of investments in the road transport sector - EUR 100,000. In addition, the total public support granted to a single beneficiary over any period of three fiscal years from all sources of de minimis aid shall not exceed EUR 200,000.

Environmental Requirements

The mandatory requirements on Good Agricultural and Environmental Conditions established in accordance with article 5 and Annex IV to Regulation (EC) 1782/2003 are adopted with an Order № RD 09-293/04.05.2007 of the Minister of Agriculture and Food.
and are applied for cross-compliance purposes for direct payments under the 1st Pillar of the CAP. The identical requirements will be applied for all relevant area based payments under Axis 2.

For actions including support to investments, a positive environmental impact assessment (EIA) decision will be mandatory, with the exception of cases where EIA is not required by the Environment Protection Act.

All investment projects falling in Natura 2000 sites, will be checked before their approval for compliance with the provisions of the national Biodiversity Law and the respective secondary legislation for its implementation, as well as the envisaged restrictions in the decisions for the site designation and management plan.

**Eligibility Rules for Investment Support**

In the case of investments, eligible expenditure is limited to:

(a) the construction, acquisition, or improvement of immovable property;

(b) the purchase of new machinery and equipment, including computer software up to the market value of the asset.

(c) financing the lease purchase of new machinery and equipment (including computer software) up to the market value of the asset, subject to the condition that the beneficiary will become the owner of the asset no later than the date of submission of the final payment claim to the Paying Agency relating to the asset concerned

(d) general costs linked to expenditure referred to in points (a) (b) and (c), such as fees of architects and engineers and consultation fees, feasibility studies, the acquisition of patent rights and licences. The general costs may not exceed 12% of the total eligible expenditures of the investments. The general costs may be incurred up to 1 year before the application, but not early than 01.01.2007.

The following conditions will also apply:

(a) Simple replacement investments shall not be eligible for support. A detailed measure specific definition of replacement investments will be incorporated in the national Ordinances for implementation of measures;

(b) In the case of agricultural investments the purchase of agricultural production rights, animals, annual plants and their planting are not eligible for investment support. Only purchase of horses is eligible in case of non-agricultural investments under Measures 311 and 312 of Axis 3 and under Axis 4, and where the animals are for non-agricultural use only. The support should not cover activities related to animal breeding;

(c) Purchase of land is eligible only under Measures 121 and 123 of Axis 1 if necessary for the implementation of the project (only for construction of immovable property used for production purposes, and planting and replanting of perennial plants). The eligible cost for purchase of land may not exceed 10% of all the eligible expenditure on the operation concerned;

(d) Purchase of buildings and premises is eligible only under Measures 121 and 123 of Axis 1 and only if the location of the operation is in rural areas and the building is intended to be used for production purposes. The eligible cost for purchase of buildings and premises may not exceed 10% of all the eligible expenditure on the operation concerned.

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The eligible cost of land and buildings may not exceed their tax valuation at the time of application. The cost of land and buildings may be incurred up to 1 year before the application, but not early than 01.01.2007;

(e) In case of construction/reconstruction activities, applicants have to submit a technical design at the application stage with the exception of Measures 313, 321 and 322, where the technical design may be part of the investment project;

(f) All applicants pursuing business objectives under investment measures will have to submit a business plan - Measures 121, 122 (only for purchase of equipment), 123, 311 and 312.

Business plans are also required under Measures 112 and 141;

(g) The costs related to the preparation of business plans are supported as part of the general costs referred to under (c), except for beneficiaries under Measures 112 and 141 who have received support for business plan preparation under Measure 143. They will be reimbursed on the basis of actual costs incurred and may not exceed:
- 1% of the total eligible expenditures of investments under Measure 121 and 122 for projects concerning only machinery and equipment for soil cultivation and harvesting, including tractors and combine harvesters, and forestry equipment;
- 5% of the total eligible expenditures of investments under Measures 121, 123, 311 and 312 for other projects;

Additional limitations within the above ceilings are set in the National Ordinances for implementation of the individual measures concerned

(h) Investment projects under Measures 313, 321, 322, have to comply with the priorities of the Municipal Development Plan 2007-2013 for the municipality concerned;

(i) Semi-subsistence farms to the fourth instalment at the latest, agricultural holdings of young farmers by 36 months from the date of setting up\(^2\), agricultural holdings of beneficiaries under Measure 121 and processing enterprises and/or producers’ markets to the end of project implementation at the latest/or at the end of the grace period for implementation of the Community standard concerned (whichever period is earlier) must be in compliance with the standards related to the phyto-sanitary requirements, animal welfare, the veterinary requirements, food and fodder safety, environmental protection, hygiene and occupational health and safety (for standards concerning their activities).

**Payment of Advances for Investment Support**

Beneficiaries of investment support may request from the Paying Agency the payment of an advance not exceeding 20 % of the public aid related to the investment. In the case of public beneficiaries, an advance may be paid only to municipalities and to public law bodies. The payment of advances will be subject to a bank guarantee or an equivalent guarantee corresponding to 110 % of the amount of the advance. In the case of the public beneficiaries, the Paying Agency may accept a written guarantee from their authority, in accordance with provisions applied in Bulgaria, covering an amount equal to the percentage specified in the above paragraph, provided that the authority undertakes to pay the amount covered by that guarantee should entitlement to the advance paid not be established. The guarantee will be released when the Paying Agency establishes that the amount of actual expenditure corresponding to the public aid related to the investment exceeds the amount of the advance.

Advance payments are permitted for the following Measures:

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\(^2\) For existing Community standards
Modernisation of agricultural holdings;
Improving the economic value of the forests (only for Action 5);
Adding value to agricultural and forestry products;
First afforestation of non-agricultural land (only for investment component Action 1);
Restoring forestry potential and introducing prevention actions;
Diversification into non-agricultural activities;
Support for the creation and development of micro-enterprises;
Encouragement of tourism activities;
Basic services for the economy and rural population;
Village renewal and development.

Advance payments are also eligible for investment projects supported under Measures 41 and 421 of Axis 4 in compliance with the provisions of Article 56 of Commission Regulation (EC) №1974/2006

Ineligible costs

The following costs are not eligible for support:

(b) interest on debt;
(c) purchase of second hand machinery and equipment;
(d) lease purchase of immovable property; and in case of lease purchase of machinery and equipment including computer software, other costs connected with the leasing contract, such as lessor's margin, interest refinancing costs, overheads and insurance charges;
(e) in-kind contributions;
(f) costs incurred before 01.01.2007;
(g) routine maintenance of supported investments;
(h) construction / rehabilitation of infrastructure for hunting, climbing and golf.
(i) costs related to preparation of business plans under Measures 121, 122, 123 and 311 for beneficiaries under Measures 112 and 141 who have received assistance for business plan preparation under Measure 143;

Standard Costs and Assumptions of Income Foregone

Some of the Measures in Axis 2 provide support in the form of compensation for costs incurred or income foregone based on standard costs.

In the case of Measure 214 Agri-environment payments, these standard costs and the resulting rates of support to be applied under the Measure were calculated by the Institute of Agricultural Economics. The institute is an independent institution from the Ministry of Agriculture and Food.

In the case of Measure 223 First afforestation of non-agricultural land, the calculation of standard costs was prepared by a team of experts from MAF and State Agency for Forestry (former National Forestry Board) taking into account the experience in the state forests and valid regulations in forestry – national Ordinance No17 (for afforestation and inventory of
new established forests, SG No 67/15.08.2000). The calculations were then assessed by the University of Forestry as an independent evaluator. The calculation methodology is given in Annex 5.

**Eligible applicants**

The eligible applicants are detailed in the Measure Fiches. There are 14 groups of eligible applicants under the Programme:

1. **Agricultural producers/Farmers**
   
   In the Axis 1 and Axis 3 Measures targeting support to agricultural holdings, these will be agricultural producers as defined in the Law for Support of Agricultural Producers (LSAP): “natural persons or legal entities producing raw and/or processed plant and/or animal products for sale”. The applicants under Axis 1 Measures must be registered as agricultural producers under the LSAP. The applicants under Axis 3 Measures must be registered as agricultural producers under the LSAP and/or under the Law for Tobacco and Tobacco Products. Additional eligibility criteria apply for some of the measures (age, legal status, etc).

   For Axis 2 Measures targeting support for sustainable land management eligible applicants will be farmers registered under IACS.

2. **Forestry owners and their associations, forestry cooperatives, state forest holdings, state hunting holdings, micro-enterprises processing forestry products, National parks and Educational research forest holdings that manage state owned forests.**

3. **Recognized producer groups.**

4. **Food industry enterprises (processing and/or marketing of agricultural products) registered under Commercial Law or Co-operatives Law, including producer markets**.

5. **Non-agricultural businesses in rural areas registered under Commercial Law, Co-operatives Law or Crafts Law.**

6. **Municipalities in rural areas**

7. **Non-Profit Legal entities registered under the Law on Non-Profit Legal Entities.**

8. “Chitalishta” community centres in rural areas registered under the Chitalishta Law.

9. **Civil Partnerships of natural persons or legal entities, registered under the Obligations and Contracts Law;**

10. **Officially registered religions;**

11. **Local Action Groups;**

12. **The National Agricultural Advisory Service;**

13. **Organizations providing training courses and information actions;**

14. **Natural persons living in the LAGs territory for Axis 4 only.**

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*These are producer markets established under the Law for the Commodity Exchanges and Market Places. According to this Law a producers market is the place and the infrastructure for wholesale trade, where registered producers sell to traders their agricultural products.*
Targeting of Investment Support

In order to meet the requirement of Article 43 of Commission Regulation (EC) No 1974/2006 that investment support be targeted on clearly defined objectives reflecting identified structural and territorial needs and structural disadvantages, the following targeting is envisaged under the RDP:

Territorial Coverage and Targeting

The Axis 1 investment measures will be implemented on the whole territory of Bulgaria. In some of the measures less-favoured areas and/or Natura 2000 sites are targeted by higher aid intensity.

The development of rural areas is a priority of the Programme and therefore all interventions under Axis 3 and Axis 4 will target rural areas. The location of projects of all Measures under Axis 3 and Axis 4 will have to be in rural areas of Bulgaria according to the national definition, which was used under SAPARD and is continued for the 2007-13 RDP. The list of 231 municipalities which are classified as rural under this definition is given in Annex 6. To boost the economy of the rural areas some of the Measures under Axis 1 also give a priority to investments located in rural areas (Measures 121 and 123).

For measures 311 and 312 an aid intensity of 70% of the total eligible expenditure will be applied subject to the limits and conditions imposed by the de minimis rules (Commission Regulation (EC) No 1998/2006). This level of aid intensity was chosen in order to maintain parallelism with OP Competitiveness supporting micro-enterprises in urban areas. This support will seek to stimulate investments and creation of employment opportunities in non-agricultural activities in rural areas by both agricultural producers diversifying out of agriculture, and by other rural micro-enterprises. It will create a competitive environment for investments in rural areas compared to the urban agglomerations, and can be justified by the very low purchasing power and level of economic development within Bulgaria's rural areas.

Some Axis 3 measures target only those rural areas, which are located outside urban agglomerations – 178 municipalities (Annex 6). In Measures 321 and 322 investment support will be given only to these rural areas not included in urban agglomerations64. In addition these rural areas will have a priority under Measures 311 and 312.

In order to revitalise villages and small towns in rural areas Measures 313, 321 and 322 under Axis 3 give priority to investments in settlements with population from 500 to 5000 people.

To address the disadvantages that smaller municipalities face in the provision of basic services, a priority is given to rural municipalities with population up to 10 000 people in measures for development of basic services and village renewal (Measures 321 and 322). The tourism development under Measure 313 will be implemented only in this group of municipalities.

Thematic targeting

In line with the environment preservation objectives of the Programme the production and utilisation of renewable energy is targeted in several measures of the programme (Measures 121, 123, 311, 312, 321), alongside measures to improve energy efficiency.

64 Except for water supply and sewage, which will be implemented in all rural areas in settlements with population equivalent not exceeding 2000.
Compliance with EU standards is a priority in all investment measures under Axis 1 and 3. It will be targeted in Axis 1 with reserved budgets (Measure 121) and in project ranking criteria.

Investments directly focused at preservation of the environment preservation are given a priority under Axis 1 (Measures 121 and 123).

The support to young farmers will be a priority under Measures of Axis 1 (Measures 111, 112, 121 and 143) and it will be implemented through definition of the eligibility rules or higher aid intensities. In Measure 311 priority is also given to applications submitted by young farmers.

Sustainable tourism is targeted in Measures 311, 312 and 313.

Development of entrepreneurship and job creation is targeted in Measures 311 and 312 by definition of eligible types of activities and in project ranking criteria.

Projects promoted by women will be prioritised in Measures 311 and 312.

**Demarcations between the Measures in the RDP**

The RDP beneficiaries may apply to more than one Measure of the RDP, if compliant with the set eligibility rules and priorities of the Measure.

The following restrictions will apply:

1. Beneficiaries under Measure 112 *Setting up of Young Farmers* may not apply to Measure 141 *Supporting Semi-Subsistence Farms Undergoing Restructuring, and vice versa*. The beneficiaries under Measure 112 or Measure 141 may apply under other measures, including investment measures.

2. Beneficiaries already supported under Measures 121, 122, 123 may not apply for Measures 112 *Setting up of Young Farmers* and 141 *Supporting Semi-Subsistence Farms Undergoing Restructuring*.

3. Support for investments of agricultural producers for processing their own agricultural products is eligible under the Measure 121 *Modernisation of agricultural holdings* where the end products are covered by Annex I to the EC Treaty and if less than 50% of agricultural producers revenue is coming from processing of agricultural raw materials. Otherwise the investments concerning processing of products covered by Annex I to the EC Treaty are eligible for support under the Measure 123 *Adding value to agricultural and forestry products*.

4. Under Measure 143 *Provision of farm advisory and extension services* the advisory services to be provided by NAAS (sole beneficiary of the Measure) are limited to potential beneficiaries under Measures 112, 141, 142, 214.

5. The production and utilisation of renewable energy is targeted in several measures under Axis 1 and Axis 3. The demarcation is as follows:

In Measure 121 *Modernisation of agricultural holdings* the agricultural holdings will be supported for implementing investments for production of bio-energy to meet their own energy needs for their agricultural activities. The capacity of the installation should not exceed the energy needs of the agricultural holdings. In case of cogeneration (combined heat
and power generation) the capacity of the installation should be based on the useful heat demand of the agricultural holdings (Directive 2004/8/EC\(^65\)).

In Measure 123 *Adding value to agricultural and forestry products* enterprises will be supported for implementing investments for production of bio-energy:
- to meet their own energy needs;
- and/or
- for selling in case of processing of products (raw materials) covered by Annex I to the Treaty whether the end products are covered by Annex I or not;

In Measure 311 *Diversification into non-agricultural activities* agricultural producers will be supported in rural municipalities for implementing investments for production and sale:
- of renewable energy (solar, wind, water, geothermal energy etc) except bio-fuel production;
- bio-energy in case of processing of raw materials coming from the own agricultural holding.

In Measure 312 *Support for the creation and development of micro-enterprises* micro-enterprises in rural municipalities will be supported for implementing investments for:
- production of bio-energy to meet their own energy needs;
- and/or
- production of bio-energy for sale in case of processing products (raw materials) not covered by Annex I to the Treaty;
- and/or production of energy for sale from renewable energy sources (solar, wind, water, geothermal energy etc).

The capacity of the installations under measures 311 and 312 should not exceed 1 MW.

In Measure 321 *Basic services for the economy and rural population* beneficiaries will be 178 rural municipalities (as specified in Annex 6) which will be supported to introduce RES for municipality owned buildings and/or if buildings are used for provision of different services for the community. Support will be provided for installations for the production of heat and/or power; distribution networks for bio-fuels or heat/ power from biomass or other renewables. In case of cogeneration (combined heat and power generation) the capacity of the installation should be based on the useful heat demand of the municipality owned buildings (Directive 2004/8/EC).

6. Potential applicants / or beneficiaries under Measure 311 *Diversification into non-agricultural activities* may not apply to Measure 312 *Support for the creation and development of micro-enterprises* and vice versa.

7. Measures 311 and 312 will support investments in tourism accommodation and amenities of business-oriented private entities (agricultural producers and micro-enterprises). Measure 313 will support investment in municipal or state-owned tourist infrastructure and /or non-profit making visitors attractions of municipalities and non-profit organisations\(^66\).

8. To implement their local development strategies, LAGs selected under the Leader axis can apply all measures and activities under EU Regulation 1698/2005 under Axis 1, Axis 2 and Axis 3 with the following exceptions:
- Axis 1 Measures providing flat-rate aid in annual instalments and premium paid in two or more instalments - Measures 112, 141 and 142;


\(^66\) Action whose primary purpose is not revenue generating
– Axis 2 Measures which are related to the area payment schemes under IACS (Measures 211, 212, 214).

9. If Measures from Axis 1, 2 and 3 are selected in the local development strategies, the conditions for these measures defined in Council Regulation (EC) 1698/2005 and in this programme will be applied.

**Demarcation with relevant instruments of the Common Agricultural Policy**

Full complementarity and demarcation with measures financed by the CAP 1st pillar support schemes in the sectors listed in Annex I to Commission Regulation №1974/2006 is ensured. Criteria and administrative rules for ensuring that operations benefiting exceptionally from rural development support in the sectors listed in Annex I to this Regulation are not also supported by other relevant instruments of the Common Agricultural Policy are given in Section 10.1.
5.2 Measures in Axis 1

Title of the Measure  Training, Information and Diffusion of Knowledge

Code 111

Article which covers the measure

Articles 20 (a) (i) and 21 of Council Regulation (EC) No 1698/2005.

Rationale for intervention

Bulgaria has a well-developed system of professional high school and university education, which provides professional training to the young people who wish to deal with agriculture and forestry. At the same time there is a lack of tradition in expanding the qualification and vocational training of farmers and especially of young farmers.

The need for professional training results from the fact that only 3% of farmers possess professional qualifications in agriculture. The globalisation of markets and competitive business environment means that people involved in agriculture and forestry need to be knowledgeable in a number of spheres, which will enable them to manage their businesses in an efficient and competitive way. Bulgaria's accession to the EU also requires farmers to adapt to the introduction of a range of Community standards and requirements relevant to their business activities. Through professional training activities opportunities for earning additional income and acquiring new skills will be extended to people occupied in agriculture and forestry. In conditions of increasing specialisation in agriculture and forestry it is important that farmers and foresters have good economic and technical qualifications in the sphere of use of new technologies, renewable energy sources and organic agriculture.

Objectives of the measure

To improve human potential in the agricultural and forestry sectors through diffusion of knowledge and development of new skills.

The operational objective is to ensure adequate levels of technical and economic knowledge and skills in management and business, new technologies, product quality and safety, sustainable management of natural resources including requirements for cross compliance, renewable energy sources and organic production.

Scope and actions

The Measure provides assistance for training courses and information actions in agriculture and forestry to agricultural producers (registered under the Law on Support of Agricultural Producers) and forest owners as well as to those employed in their holdings.

Support is not eligible for courses of instruction or training:
– that form part of the normal programmes or systems of agricultural and forestry education at secondary or higher levels (according to Article 21 of Reg. 1698/2005);
– that are not related to agriculture and forestry.
Definition of beneficiaries

The organizations providing the training and information actions are the beneficiaries under the Measure.

The participation of adults occupied in agriculture and forestry in the training courses and information actions is free of charge.

Description of the operations (including types of training)

The organizations, which will carry out the training courses and the information actions will develop projects and will apply for financial support as beneficiaries under the Measure.

The training projects/information actions consist of: a curriculum of every training course or information action; planned number of trainees; planned regions in which the courses and information actions will be organized; budget of the planned expenditure; schedule of the planned courses and information actions.

A. Eligible training courses and information actions:

1. Training courses must be:
   1.1. Long-term with a duration of 150 hours;
   1.2. Short-term with a duration of 30 hours.

2. Information actions can be between 6 to 18 hours in length (they must be with duration of 18 hours for those approved beneficiaries under Measure 214 Agri-environmental Payments for whom training is required and in the following styles:
   2.1. Seminars, information sessions and working meetings;
   2.2. Information activities may be complemented with the preparation and dissemination of brochures.

B. Content of the training courses/information actions

For each training course/information action a subject must be identified and a detailed description of the training course curriculum/information action programme submitted. All training courses and information actions must relate to one or more of the following main topics:

- Technical (new techniques and technologies, introduction of innovative practices, etc.);
- Economic (legislation, accountancy, management, marketing, etc.);
- Results from research (dissemination of results from completed applied research projects in the agricultural and forestry field to all relevant stakeholders);
- Information technologies (i.e. computer skills, introduction to communication and information means, etc.);
- Basic training on general environmental problems in the agricultural/forestry sector (water pollution by nitrates, soil erosion, climate change, biodiversity, etc.);
- Sustainable management of natural resources in compliance with EU legislation (including cross-compliance and application of agricultural management in line with landscape maintenance and improvement, etc.);
- General awareness raising related to the agri-environment measure at national/regional level, and of the different support schemes and combinations available under it;
- Specific supplementary training programmes for the individual agri-environmental packages of Measure 214.
Information actions for those approved beneficiaries under Measure 214 *Agri-environmental payments* for whom participation in basic agri-environment information action is required are under the following main topics:

- Raising awareness on the general environmental issues (soil, water, climate change, biodiversity conservation, etc.);
- Supplementary information about the agri-environmental schemes which beneficiaries have selected aimed at improving farmer's skills and capacities for implementing specific packages, and their understanding of the relevant management requirements and other obligations under the scheme);
- Provide farmers with information for monitoring the results from the implementation of the agri-environment activities they have chosen.

*The information on the curriculum of the training courses and the information actions should have the following structure:*

1. Rationale for the training courses/information actions;
2. Curriculum;
3. Explanatory and methodological notes;
4. List and CVs of the trainers;
5. Description of the facilities for practical training.

The curriculum of the training courses should include the following compulsory sub-topics:

- For the long-term courses of 150 hours - Management of agricultural holdings – minimum 30 hours
- For all courses
  - Basic training on general environmental problems in agricultural/forestry sector – minimum 6 hours;
  - On training for livestock farming - GAEC – minimum 2 hours; Code of Good agricultural practice according to the requirements of Article 4 in Council Directive of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources (91/676/EEC) – minimum 2 hours; Animal health and animal welfare - minimum 2 hours.

**Description of the implementation procedure**

All training courses and information actions will be selected for support following a published call for project proposals - open to all training institutions able to supply training courses and information actions according to the common requirements under the Measure.

The first call for proposals will be open for projects concerning all eligible types and topics for training courses/information actions included in the measure. All subsequent calls for proposals will be open for projects concerning specific types of training courses/information actions, topics, trainees and regions based on training needs and priorities to be identified through a special study to be commissioned under Technical assistance.

The submitted projects will be evaluated and selected by an Evaluation Committee, in which participate members of the Managing Authority, Paying Agency and independent experts in the fields covered by the training courses/information actions. The selection will be done according to the following evaluation criteria:
Information about training courses and information actions offered by the approved projects will be publicised by different information channels (Internet sites of MAF and Paying Agency, announcement placed in the Regional offices of Paying Agency and district and municipality offices of MAF, press publications where relevant, etc.). The trainees will choose the training course or information activity according to their own interests and needs and they will send an application to participate directly to the organizations responsible for providing the training courses/information actions.

The organizations responsible for training courses will enrol trainees giving priority in the following order:

- Beneficiaries with approved projects under the Measure 112 Setting up of Young Farmers;
- Beneficiaries with approved projects under the Measure 141 Supporting Semi-Subsistence Farms Undergoing Restructuring.

Approved beneficiaries under the Measure 214 Agri-environment payments will be enrolled with priority for the specific information actions related to this measure.

**Details on coverage of support**

The types of eligible expenditure are as follows:

1. For the organizations providing training courses/information actions:
   - Expenditure for preparation and delivery of training courses/ information actions (including salaries/fees, travel expenditure and per diems for trainers and support staff);
   - Expenditures for preparation of curricula;
   - Expenditures for hiring training premises and preparation of training materials (including didactic materials and training equipment);

2. For the trainees
   - Travel, full board and lodging costs.

**Definition of bodies providing the training and information actions**

The organizations providing training courses and information actions can be public or private vocational education and training institutions, registered under the Law on Vocational Education and Training and universities, registered under the Law on Higher Education.

In addition, in the case of information actions, branch associations, NGOs, consultancy companies and research institutes with subject of activity: agriculture and forestry, land management and environment, will also be eligible.

**Rate of support:**

- 100% of the total eligible expenditure.
Differentiation with the other financial instruments of the EU

The support for vocational training under the Measure is related to agriculture and forestry and it is only for agricultural producers, forest owners as well as for those employed in their holdings. All other types of vocational training will be supported under OP Human Resources (ESF) including for those employed in the food processing sector, and training needed to promote economic diversification in rural areas in sectors other than agriculture/forestry, independent of whether the person trained is involved in the agricultural/forestry sector or not. Support for vocational training of those employed in the fisheries sector will be carried out under OP Fisheries (European Fisheries Fund).

Financing

The budget of the Measure is indicated in Section 7, Table: Indicative Budget per Measures of the RDP.

Transitional arrangements

None

Quantified targets for EU common indicators

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<thead>
<tr>
<th>Type of indicators</th>
<th>Indicators</th>
<th>Target 2007-13</th>
</tr>
</thead>
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<tr>
<td>Output</td>
<td>Number of participants in training</td>
<td>20 000</td>
</tr>
<tr>
<td></td>
<td>Number of training days received</td>
<td>170 000</td>
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<tr>
<td>Result</td>
<td>Number of participants that successfully ended a training activity related to agriculture and/or forestry</td>
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<td>Impact</td>
<td>Labour productivity (ΔGVA/FTE in EUR)</td>
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Additional programme specific indicators and quantified targets

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<th>Type of indicators</th>
<th>Indicators</th>
<th>Target 2007-13</th>
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</thead>
<tbody>
<tr>
<td>Output</td>
<td>Number of trained beneficiaries supported under Measure 112 <em>Setting up of Young Farmers</em></td>
<td>4 000</td>
</tr>
<tr>
<td></td>
<td>Number of trained beneficiaries supported under Measure 141 <em>Supporting Semi-Subsistence Farms Undergoing Restructuring</em></td>
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<tr>
<td></td>
<td>Number of participants trained on topics related to environment preservation</td>
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<td></td>
<td>Number of trained beneficiaries supported under Measure 214 <em>Agri-environmental Payments</em></td>
<td>10 000</td>
</tr>
<tr>
<td></td>
<td>Share of courses and information actions with their main topic: on Basic training on general environmental problems in the agricultural/forestry sector and/or on Sustainable management of natural resources in compliance with the EU legislation</td>
<td>10 %</td>
</tr>
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Title of the Measure: Setting up of Young Farmers

Code: 112

Article which covers the measure


Rationale for intervention

One of the major problems in the agricultural sector is the unfavourable age structure of the farmers. According to the 2003 agricultural census data, barely 5% of the managers of holdings are young people less than 35 years of age, while 66% are aged 55 and above.

The overall structure of the agricultural labour force has a similar pattern – in the year of 2003 156.8 thousand people were less than 35 years of age, and in 2005 their number was reduced by 55 thousand which means 35% reduction in the 2003-2005 period. The exodus of young people from agriculture is a serious problem that requires special measures for retaining the young labour force.

The overall low educational level of those employed in agriculture is another problem. The 2004 Labour Force Survey showed that 57% of those employed in agriculture were with ISCED levels 0 to 2 education (primary and lower secondary education). The share of the employed with tertiary education was only 4.4%, while the country average was 25%. The young people have a generally higher level of education and their exodus to other sectors leads to deterioration of the level of education for agricultural sector as a whole.

In addition, the majority of people engaged in agricultural activities lack specific agricultural training and/or managerial and business skills. Merely 2% of the farmers have secondary education in agriculture and only 1% have a tertiary degree in agriculture (college, university).

Young farmers are a guarantee for the future development of the agricultural sector. They are carriers of new skills and professional qualifications in the sector. The typically higher education level of young farmers will improve the adaptability of the sector to the foreseeable changes, as well as increase capacity to search for new business opportunities within agriculture, better quality production techniques and improved competitiveness.

Objectives of the measure

- to facilitate the process of setting up by young farmers;
- to support the process of modernization and compliance with the Community requirements for safety at work, environmental protection, hygiene and animal welfare in the agricultural holdings of young farmers.

Scope and actions

- **Scope**
  On the whole territory of the country.
• **Actions**

Support under this measure shall be granted to young farmers setting up on an agricultural holding for the first time as head of the holding.

The setting up of a holding for tobacco production is not eligible for support under this measure.

The application should be submitted not later than 14 months after the date of setting up. The decision to grant support shall be taken not later than 18 months after the date of setting up.

Financial support shall not be granted under this measure to beneficiaries whose holdings are jointly owned/rented with another person/other persons, with the exception of husband/wife joint ownership/rents. In this latter case only one member of the husband/wife couple can be supported even if both meet the conditions for support under the measure.

**Definition of beneficiaries**

Eligible beneficiaries under this measure are agricultural producers - natural persons or sole traders who fulfil the following additional eligibility criteria:

1. To be registered as agricultural producers under the Law for Support of Agricultural Producers;
2. To have an economic size\(^67\) of holding of at least 2.00 ESU. For the land size taken into consideration for calculating the minimum 2 ESU shall have documents of ownership and/or concluded renting/leasing contracts for a minimum period of 5 years
3. To be at least 18 years and less than 40 years of age at the date of submission of the application;
4. To have adequate occupational skills and competence, and namely:
   - completed secondary education in the field of agriculture and veterinary medicine and/or secondary economic education with agrarian direction and/or
   - completed high education in the field of agriculture and veterinary medicine and/or high economic education with agrarian direction and/or
   - certificate for completed training (minimum 150 training hours) or certificate for agricultural vocational qualification.
5. To fulfil the conditions for setting up (see below);
6. To submit a business plan for the development of their farming activities;

**Definition of setting up**

Applicants (as natural persons and/or sole traders) under this measure are considered to be setting up for the first time if they fulfil all the following conditions:

- they registered as agricultural producers under the Law on Support of Agricultural Producers within a maximum 14 month period before the date of application;
- they submitted a first application for SAPS and/or LFA payments\(^68\) within a maximum 14 month period before the date of application under this measure;

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\(^{67}\) Economic size is conventionally expressed in terms of the European Size Unit (ESU), corresponding to a standard gross margin (SGM) - the difference between gross agricultural output and the costs associated with that output - of EUR 1200. The methodology and special table for calculation of the economic size of agriculture holdings are being developed by Agrostatistics Directorate, MAF together with the Managing Authority. The farmers will be informed about the methodology and the manner for use of the table by Regional services of MAF and NAAS. The table will also be published on the internet page of the MAF.
- they started breeding animals in an owned/rented livestock farm and/or managed land aiming at producing agricultural products within a maximum 14 period month before the date of application under this measure;
- they started payment of social insurance contributions as agricultural producers within a maximum 14 period month before the date of application under this measure.

Summary of the requirements and details on frequency and treatment of reviews of the business plan

The business plan shall include at least:
- Summary of the plan;
- Description of applicant – including educational status and professional experience;
- Description of the initial situation of the agricultural holding including size of cultivated land, cultivated agricultural plants, breeding animals, economic size and situation; current level of natural assets (equipment, machinery, animal breeding premises, other production building, etc), current level of compliance with Community standards, workforce, etc;
- Short analysis of current and planned market outlets;
- Description of the concept for developing the farm business of the young farmer including:
  - specific milestones and targets for the development of the activities of the new holding;
  - actions required for restructuring and adaptation;
  - description of the planned results at the time of the review of the business plan and at the end of the 5th year;
- Details of investments and activities including:
  - description of the planned investments plus the indicative production plan and time schedule related to the investments;
  - specific investments and activities for achievement of compliance with existing Community standards to be achieved no later than 36 months from the date of setting up (if applicable);
- Selected time for review of compliance with the business plan (must be between third and fifth year of the business plan implementation);
- Indicative economic size of the holding at the time of the review of the business plan and at the end of the last year of implementation of the business plan;
- Information on how necessary skills will be acquired (if applicable), as well as information on other needed/planned training and advice. Basic training on general environmental problems in the agricultural sector must obligatorily be included.

The business plan shall cover a period of minimum 5 years.

The business plan should demonstrate that at least EUR 3 000 will be invested in one or more of the following activities:
- purchase of movable fixed assets (machinery, equipment, etc);
- purchase/construction/modernization of immovable fixed assets;
- purchase of animals;
- purchase of land for agricultural activities;

68 If they have submitted a SAPs/LFA application;
69 If they have started payment of social insurance contributions as agricultural producers;
- creation and/or re-planting of perennial plants (including wine grapes\textsuperscript{70}).

The business plan should also demonstrate that by the time of the scheduled review to check compliance with the business plan the economic size of the holding will be above 5.00 ESU and that there is at least a 3 ESU increase of the economic size of the holding compared to the initial situation.

The holding shall be reviewed for compliance with the business plan not earlier than 3 years and not later than 5 years after the approval of the grant support, and in line with the schedule included in the business plan by the young farmer.

**Selection procedure**

Beneficiaries who meet the eligibility criteria and whose business plan is considered satisfactory shall be approved in order of their application (1\textsuperscript{st} come, 1\textsuperscript{st} served principle).

**Grace period in order to reach the occupational skills and competence requirements**

When an applicant does not meet the requirements for occupational skills and competence, he could be approved for support under this measure providing that he takes a commitment to meet these requirements (for example to undertake and complete a training course consisting of 150 training hours under the measure 111 *Training, information and diffusion of knowledge*), within a 36 month period starting from the moment of the individual decision to grant aid. This opportunity may be afforded if the young farmer needs a period of adaptation in which to set up or to restructure the holding and where the business plan provides for such a need.

**Access of the young farmer to other measures**

Beneficiaries under this measure may apply for other measures with a separate application. Where the business plan makes reference to additional investments needed under Measure 121 or other investment measures\textsuperscript{71}, they shall use the same business plan prepared for accessing Measure 112 using advisory services under Measure 143. If necessary this business plan may be further developed under Measure 143 in order to fulfil the requirements for business plans for accessing support under the relevant measure.

**Amount of support**

The maximum total amount of support under the measure cannot exceed EUR 25 000 per beneficiary

**Choice of payment**

The support will be in the form of a single premium, with payment divided into two instalments:

First instalment - EUR 12 500 shall be paid after the approval of the application for support;

Second instalment - Will be paid after the review for compliance with the business plan. EUR 2 500 will be paid for every ESU increase of the holding's economic size (compared to the initial situation).

\textsuperscript{70} Subject to the acquisition of the relevant planting rights by the young farmer

\textsuperscript{71} Measures 122, 123 and 311
Conditions for recovery of support if the farmer fails to comply with the provisions of the business plan at the time of the assessment

The young farmer should return the whole amount of the first instalment and he/she is not entitled to the second instalment if:
- all investments, main activities and objectives identified in the business-plan to be realised by the time of the business plan review are not completed.
- he/she does not meet the requirements for occupational skills and competence in the framework of the 36 months period starting from the moment of the individual decision to grant aid;
- the economic size of the agricultural holding has not increased by at least 3 ESU to the period of the business-plan review;
- the economic size of his/her agricultural holding is below 5 ESU at the time of the business-plan review;
- less than EUR 3 000 are invested for the purchase of movable fixed assets (machinery, equipment, etc) and/or the purchase / construction / modernization of immovable fixed assets or and the purchase of animals and/or land for agricultural activities and/or creation and/or re-plantation of perennial plants (including wine grapes);
- the agricultural holding does not achieve compliance with existing Community standards by 36 months from the date of setting up.

Recovery of the first instalment will not be sought in case that the young farmer fails to comply with the above conditions by the time of the business plan review because of force majeure, but the second instalment will not be paid.

The eligible area for calculating the holding's economic size for the purpose of the second instalment will include only this size of land for which documents for ownership and/or renting/leasing contracts are provided. The period of the contracts must be for a minimum period of 3 years, from the date of submission of the claim for second instalment.

The young farmer shall repay the whole amount of both instalments if he/she stops agricultural activities earlier than 3 years after the date of submission of the claim for second instalment.

Financing

The budget of the measure is indicated in Section 7, Table: Indicative Budget per Measures of the RDP.

Transitional arrangements

None

Quantified targets for EU common indicators

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>Number of assisted young farmers</td>
<td>4 096</td>
</tr>
<tr>
<td></td>
<td>Total volume of investment (in MEUR)</td>
<td>208</td>
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<tr>
<td>Result</td>
<td>Increase in gross value added in supported farms/enterprises (in MEUR)</td>
<td>15</td>
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<tr>
<td>Impact</td>
<td>Economic growth (NAV in MPPS)</td>
<td>18</td>
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<tr>
<td></td>
<td>Labour productivity (EUR ΔGVA/FTE)</td>
<td>340</td>
</tr>
</tbody>
</table>
Title of the Measure  Modernisation of Agricultural Holdings

Code  121

Article which covers the measure

Rationale for intervention
Joining the European Union lead to an increase in the competitive pressures faced by Bulgarian agricultural producers on domestic and export markets. At the present time the agricultural sector in Bulgaria is characterized by polarised farm structures, very low levels of productivity, and outdated premises and equipment. Part of the equipment and buildings in the sector are unusable in practice and they do not meet the requirements of the new standards introduced following the harmonization of national legislation with that of the EU. Substantial investments in both fixed and intangible assets will be needed to improve the overall performance of holdings throughout the country if they are to meet Community standards.

Achieving compliance with these requirements, especially the ones related to veterinary, phyto-sanitary, animal welfare, environment protection, hygiene and occupational health and safety, requires huge investments that will be very difficult to implement without support for the Bulgarian agricultural producers. Modernisation of farms is also crucial to improve their economic performance through better use of production factors including: the introduction of new technologies and processes for improving product quality; on farm diversification, including into non-food sectors and production of energy crops; and the transition from conventional to organic farming.

Objectives of the measure
- To improve the overall performance and competitiveness of the agricultural holdings through modernization of the factors of production, and the introduction of new processes and technologies, targeting production of quality agricultural products;
- To improve the protection of the environment;
- To promote the respect of Community standards and improvement of conditions on the agricultural holdings, especially related to occupational health and safety, hygiene and animal welfare.

Scope and actions
1. Support will be provided for investments in tangible and intangible assets which:
   a) Respect the Community standards applicable to the investment concerned (or do so at the end of the grace period in case of investments to meet Community standards).
   b) Improve the overall performance of the agricultural holding.

2. Geographical scope of the measure - the whole country.
3. Specific conditions:

- Where a Common Market Organisation, including direct support schemes financed by the European Agricultural Guarantee Fund (EAGF) places restrictions on production or limitations on Community support at the level of individual agricultural producers or holdings, no investment shall be supported under the Measure which would increase production beyond those restrictions or limitations.

- The capacity of machinery and equipment for soil cultivation and harvesting supported under the Measure must be proportionate to the area of land cultivated by the beneficiary.

- Any project applications concerning investments which would increase the capacity or water consumption of the irrigation network on farm must be co-ordinated with the regional structures of the Ministry of Environment and Water, who is in charge of monitoring and managing the water balance at watershed level in line with the requirements of the Water Framework Directive (2000/60/EC), article 5 and Annex III, prior to their approval.

- All projects for bio-energy production and for investments for creation and/or re-plantation of perennial crops for bio energy purposes should include feasibility studies including environmental aspects of the investments.

- The measure is open to all sectors under Annex I except the “tobacco” sector.

- Costs related to intangible investments for achieving compliance with internationally recognized standards are only eligible when they form part of a wider investment project, not as a stand-alone project.

- Beneficiaries under Measure 112 Setting up of Young Farmers and M141 Supporting Semi-Subsistence Farms Undergoing Restructuring may apply under this measure with a separate application.

- Costs related to the preparation of business plans are not eligible under Measure 121 for Beneficiaries under Measures 112 and 141 if they have already had a business plan prepared using advisory services under Measure 143.

Description of the requirements and targets with regard to the improvement of the overall performance of the agricultural holdings

The Measure will support projects that lead to improvement of the overall performance of the agricultural holdings through:

- Introduction of new products, processes and technologies and improvement of existing tangible and/or intangible assets, and/or;

- Improving vertical cooperation with the processing and manufacturing sectors, and/or;

- Protection of the environment, including reducing of harmful emissions and waste, and/or

- Increasing implementation of renewable natural resources and improving the effectiveness of used resources, and/or

- Improving the occupational safety, and/or

- Improving the hygienic, veterinarian, phyto-sanitary, ecological and other production requirements;

- Improving the quality of the agricultural products produced, and/or

- Improving possibilities for production, processing and marketing of organic agricultural products.
The contribution of a project to the improvement of the overall performance of a holding will be assessed on the basis of the content of the business plan which is required for each investment project supported under the Measure. The business plan must demonstrate a significant increase in overall performance of the holding.

**Type of eligible investments (tangible-intangible)**

The support for investments shall be granted for tangible and/or intangible investments:

*Tangible investments (indicative list):*

1. Purchase/acquisition, construction or improvement of buildings and other immovable property used for agricultural production on the farm level, including that used for environmental protection (for example manure and septic pits, biomass storehouses, immovable property for sewage/slurry treatment, silage storehouses, etc).
2. Purchase and/or installing of new machinery and equipment/instruments for improvement of agricultural production process, including for:
   - the protection of the environment;
   - storage and preparation of agricultural goods produced on the farm for sale;
   - processing of electricity and/or heating using bio-mass to meet the needs of the holding for its agricultural activities (see Section 5.1);
   - improving energy efficiency
3. Creation and/or re-plantation of perennial plants, including table grapes, melliferous trees (for honey production) and short rotation coppice and other fast-growing tree species for bio energy purposes;
4. Investments in order to comply with newly introduced Community standards;
5. Investments in order to comply with existing Community standards – for young farmers receiving support under the Measure 112 Setting up of young farmers;
6. Investments in facilities (for example transport facilities, facilities for rationalisation of transhumance, storing and primary processing facilities, breeding stations, technological lines etc.) and equipment required for production of honey and other bee products, as well as queen bee breeding;
7. Rehabilitation of existing and construction of new draining facilities and related small-scale infrastructure, as well purchasing equipment for their exploitation;
8. Purchase of land needed for construction/modernization of buildings, premises and the other immovable assets needed for the agricultural production activities and/or creation/re-plantation of perennial plants (subject to the limit specified in Section 5.1).
9. Purchase of specialised agricultural transport vehicles, such as bulk milk tanker lorries, cooling vehicles for transporting production, vehicles for transporting live animals and poultry, etc;
10. Investments in on-farm irrigation facilities and equipment for rehabilitation/upgrading of existing network including new pipelines, drop-systems, sprinkling installations, small pump stations, water-saving techniques etc.;

*Intangible investments:*

1. Achieving compliance with internationally recognized standards\(^{72}\) such as:

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\(^{72}\) Investments for achieving compliance with internationally recognized standards, which are also obligatory under EU legislation, are eligible according to conditions under the measure for support for compliance with newly introduced Community standards
• Preparation for certification under the HACCP (Hazard Analysis and Critical Control Point)\(^73\);
• Implementing Good Manufacturing Practices (GMPs) in the agricultural holdings.

2. Acquisition of know-how, patent rights and licences necessary for fulfilling the project;
3. Buying software
4. General overheads expenditure referred to architects, engineers and fees for consultation/advisory services and feasibility studies (\textit{subject to the limits on general costs specified in Section 5.1.2})

\textbf{Definition of beneficiaries}

I. Agricultural producers.
II. Agricultural producer groups.

\textbf{Eligibility criteria}

\textit{I. Agricultural producers}

1. The applicants should be registered as agricultural producers under the LSAP.
2. The economic size of the holdings of applicants should be at least 1. ESU.
3. The applicants have to meet the criteria for the minimum area eligible for payments under SAPS, except for applicants who have been approved for support under the Measure 141 \textit{Supporting Semi-Subsistence Farms Undergoing Restructuring}.
4. The applicants who are legal entities should have received at least 50\% of their total income in the previous year from agricultural activities, processing of agricultural products and/or services connected directly with agricultural activities.
5. Applicants have to submit a business plan as part of the application process. The business plan should contain a detailed description of the planned investments and activities. The business plan should demonstrate in what way the implementation of the project will lead to the improvement of the overall performance of the agricultural holding.

\textit{II. Agricultural producer groups}

1. The applicant-producer group has to be recognised as producer group according to the national ordinances and/or EU Regulations for the recognition of producer groups.
2. The applicant-producer group has to submit a business plan as part of the application process. The business plan must contain a detailed description of planned investments and activities. The business plan has to demonstrate in what way the implementation of the project will lead to the improvement of the overall performance of the agricultural holdings of the members of the producer group;
3. The applicant-producer group has to demonstrate that the investments will benefit the entire group;
4. The investments should be related to main on farm activities of producer group members.

\textbf{Designation of the newly introduced Community standards (and of existing standards in the case of young farmers receiving setting up support) for which support may be granted, justification related to the specific problems involved in complying with these standards and duration and justification of the grace period per standard concerned.}

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\(^73\) The certification under the HACCP is not eligible for support under the measure.
1. Newly introduced Community standards

Support will be offered under this Measure for investments made by agricultural holdings in order to comply with newly introduced Community standards.

Support may be granted for investments whose purpose is to achieve compliance with these standards within a maximum 36 month period of grace from the date on which the standard becomes mandatory for the agricultural holding. The relevant standards must be met by the farmer by the end of the period of grace.

The list of the newly introduced Community standards for which support for meeting the standard will be provided, the justification related to the problems involved in complying with these standards and the duration of the grace period is given in Annex 4 (Attachment 1).

2. Existing standards

In case of investments undertaken by young farmers receiving support under the conditions indicated in Measure 112 Setting up of Young Farmers support shall also be granted for investments required in order to comply with existing Community standards, where these investments are identified in the approved business plan under Measure 112. In that case support may be granted within a maximum 36 month period of grace from the date of setting up of the young farmer. The relevant standards must be met by the farmer by the end of the period of grace.

Type of support

Grant aid to eligible investments.

Aid intensity

1. For projects approved on or before 31.12.2009:

According to Annex VIII Section II point 2 of the Act of Accession of Bulgaria and Romania, the total amount of grant aid shall represent:

- 65% of the total eligible expenditure for young farmers in less-favoured areas;
- 60% of the total eligible expenditure for other agricultural producers in less-favoured areas;
- 60% of the total eligible expenditure for young farmers in Natura 2000 sites outside the less-favoured areas;
- 55% of the total eligible expenditure for young farmers in other areas;
- 50% of the total eligible expenditure for other agricultural producers in other areas;

2. For projects approved after 01.01.2010:

The total amount of grant aid shall represent:

- 60% of the total eligible expenditure for young farmers in less-favoured areas and/or in Natura 2000 sites;
- 50% of the total eligible expenditure for young farmers in other areas;
- 50% of the total eligible expenditure for other agricultural producers in less-favoured areas and/or in Natura 2000 sites;
- 40% of the total eligible expenditure for other agricultural producers in other areas.
For both 1 and 2 above, the higher aid intensity for young farmers will be granted in case of applications submitted from farmers who are at least 18 years and are less than 40 years at the date when the application for support under Measure 121 is submitted.

3. For projects concerning implementation of the Nitrates Directive:

The total amount of grant aid shall represent 75% of the total eligible expenditure for projects concerning the implementation of Council Directive 91/676/EEC concerning the protection of waters against pollution caused by nitrates from agricultural sources and shall be granted:

- until 11.10.2009 for projects located within Nitrate Vulnerable Zones;
- until 31.12.2010:
  - for projects located outside Nitrate Vulnerable Zones;
  - for projects of young farmers receiving support under M112.

4. The maximum total eligible expenditure for the whole period of the implementation of the RDP is EUR 1 500 000 per beneficiary under this measure.

5. The minimum total eligible expenditure is EUR 3 500 per project.

Project selection procedure

Priority shall be given to projects connected with:

- Investments for implementing Council Directive 91/676/EEC concerning the protection of waters against pollution caused by nitrates from agricultural sources. A minimum of 15% of the total budget under this Measure will be reserved for this type of investment until 31.12.2010.
- Investments in existing agricultural holdings in the “milk” sector for compliance with Community standards. A minimum of 15% of the total budget under this Measure (including investments for implementing Council Directive 91/676/EEC74) will be reserved for this type of investment.
- Investments in existing agricultural holdings from other animal breeding sectors for compliance with Community standards. A minimum of 15% of the total measure budget under this Measure (including investments for implementing Council Directive 91/676/EEC75) will be reserved for this type of investment.
- Investments in specialised mechanization, buildings, other immovable property and corresponding equipment required for conversion to organic agricultural production. A minimum of 5% of the total budget under this Measure will be reserved for this type of investment.

The business plans of all applicants which fulfill the eligibility criteria will be assessed. For all projects with a satisfactory business plan, the selection of projects will be done following the sub-budgets under the Measure and through giving priority to applicants, who:

- are young farmers - agricultural producers who are at least 18 and less than 40 years of age at the date when the application for support is submitted or are beneficiaries under Measure 112 Setting up of Young Farmers;
- are from rural areas (231 municipalities according to the national definition of rural areas);
- have not received EU support before for a similar investment.

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74 Investments for implementing of Council Directive 91/676/EEC are also accounted for under the 1st bullet point.
75 Investments for implementing of Council Directive 91/676/EEC are also accounted for under the 1st bullet point.
Financing
The budget of the measure is indicated in Section 7, Table: Indicative Budget per Measures of the RDP.

Transitional arrangements
None

Coherence with first pillar
The scope of aid granted under this Measure will not overlap with the scope of aid granted under the 1st Pillar CAP support schemes referred to in Annex I to the Commission Regulation (EC) №1974/2006 and implemented in Bulgaria. The Paying Agency shall be responsible for the cross-checks aiming at avoiding double-financing between the RDP and these support schemes. The Paying Agency will put in place a special procedure for the cross-checks. Every investment project under the RDP, which may fall under the scope of these 1st Pillar support schemes, will be checked for possible double financing before its approval.

Full complementarity and demarcation between the current Measure and measures financed by the CAP I pillar support schemes in the sectors listed in Annex I to Commission Regulation №1974/2006 is assured:

– **Fruit and vegetables**, Article 14(2) and 15 of Reg. EC №2200/199676
Producer groups will not be supported under the RDP for activities included for support in their Operational Programmes under Regulation (EC) No 2200/96.

– **Wine** (title II, Chapter I, Section 3, Art. 11 and 15 of Regulation EC №479/2008)
The eligible operations for support under Title II, Chapter I, Section 3, Art. 11 of Regulation EC №479/2008 will not be supported under the RDP. Creation and/or re-plantation of wine variety grapes and on-farm irrigation facilities and equipment for wine grape production including drop-systems will not be supported under Measure 121 Modernisation of Agricultural Holdings. The eligible activities for support under Title II, Chapter I, Section 3, Art. 15 of Regulation (EC) No 479/2008 will be supported under the RDP, these activities will not be supported under the National Support Program in the wine sector of the Republic of Bulgaria. Demarcation between the both programmes is given in detail in Annex 4 (Attachment 1.A.). Setting up of wine grape producer groups will be supported under RDP.

– **Tobacco** (Article 13 –2-b of Reg. EEC №2075/199277)
The diversification of tobacco producers will be supported under the RDP. The specific measures to help tobacco growers according to Article 13(2)(b) of Regulation (EEC) No 2075/92 are not foreseen. Investment support in the tobacco sector under Measure 121 Modernisation of Agricultural Holdings and the setting up by young farmers as tobacco production holdings (under Measure 112 Setting up of Young Farmers) are excluded from support.

– **Olive Oil** (Article8- 1 of Reg. EC №865/200478)
Activities supported under Article 8 (1) of Regulation (EC) No 865/2004 will not be supported under the RDP..

77 OL L 215, 30.7.1992, p. 70.
Activities supported under Article 6 of Regulation (EC) No 1952/2005 will not be supported under the RDP.

There is no overlapping with the supported activities under the present RDP Measure.

There is no overlapping with the supported activities under the present RDP Measure.

In respect of investments in bee keeping, distinction will be made between investments supported under the RDP and those supported under the Beekeeping Programme referred to in Regulation (EC) 797/2004.

The Bulgarian National Beekeeping Programme under Regulation (EC) 797/2004 will support apiarist/beekeepers, if they possess up to 100 populated beehives, have registration as agricultural producers according to terms specified in the Programme and respect the other conditions of the Beekeeping Programme. Other beekeepers are eligible for support under M121 of the RDP to buy new empty beehives by the RDP. All other activities related to the creation, recuperation and expanding of bee-gardens without purchase of new beehives, shall also be eligible for support by the RDP under this Measure. The activities for rationalisation of transhumance (including planting/replanting of melliferous trees) will not be supported under the Beekeeping Programme. Exceptionally, in accordance with Article 5(6) of Council Regulation (EC) №1698/2005 and Article 2(2) of the Commission Regulation (EC) №1974/2006 these activities (including planting/replanting of melliferous trees) will be supported under the RDP following the provisions of Measure 121.

A full distinction will be made between supported activities under the RDP and those supported according to Council Regulation (EC) No 320/2006.

Quantified targets for EU common indicators

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>Number of farm holdings supported</td>
<td>5 300</td>
</tr>
<tr>
<td></td>
<td>Total volume of investment (in MEUR)</td>
<td>958</td>
</tr>
<tr>
<td>Result</td>
<td>Number of holdings introducing new products or techniques</td>
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<tr>
<td>Impact</td>
<td>Economic growth (NAVA in MPPS)</td>
<td>56</td>
</tr>
<tr>
<td></td>
<td>Labour productivity (EUR ΔGVA/FTE)</td>
<td>905</td>
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### Programme specific indicators and quantified targets

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<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Output</strong></td>
<td>Number of farm holdings supported for implementing of Council Directive 91/676/EEC concerning the protection of waters against pollution caused by nitrates from agricultural sources</td>
<td>2,000</td>
</tr>
<tr>
<td></td>
<td>Number of supported farm holdings from animal breeding sectors</td>
<td>2,500</td>
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<tr>
<td></td>
<td>Share of investment directly related to implementing of Council Directive 91/676/EEC concerning the protection of waters against pollution caused by nitrates from agricultural sources</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td>Share of investment directly related to agricultural holdings from sector “milk” for compliance with the standards following Bulgarian and European legislation</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td>Share of investment directly related to agricultural holdings from other animal breeding sectors for compliance with the standards following Bulgarian and European legislation</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td>Share of investment directly related to facilities and corresponding equipment for organic agricultural production</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Share of investment directly related to the production of energy from renewable energy sources and production of energy crops</td>
<td>5%</td>
</tr>
<tr>
<td>Title of the Measure</td>
<td>Improving the Economic Value of Forests</td>
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<tr>
<td>----------------------</td>
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<tr>
<td>Code</td>
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</table>

**Article which covers the measure**


**Rationale for intervention**

Non state forests play an important role in economic activity in rural areas and, therefore, Community aid is important for improving and broadening their economic value, for increasing diversification of production and enhancing market opportunities, while maintaining the sustainable management and the multifunctional role of forests.

The main part (at least 60%) of the private forests in Bulgaria are coppice and pine plantations. The coppice plantations were established at least 100 years ago. However, the tree species composition is dominated by oaks and rotation periods of 20 years are usual. During the last 40 years, the main forest policy and efforts were to transform these stands into high-stem-forests. This transformation is needed due to these stands low productivity and low timber quality, suitable only for fire wood. The main problems are the small diameters and low quality of the tree trunks. Also a decreasing of increment and a loss of biodiversity can be observed. Without transformation, a further degradation of such forest areas will be observed.

On the other hand, many coniferous plantations (about 1 million hectares) were established during the period 1960-1970. Some of these plantations (app. 30 %) were established on agricultural lands, and after the restitution process they have been transferred into private ownership. These young plantations need regular thinning to improve the timber quality and quantity. The density of stems per hectare is too high and these stands suffer from high instability. Their stability against natural disasters will be improved if thinning is carried out. Without any support, the economic value of these forests will tend to decrease further and there is the risk that they will be destroyed by the wind, snow or other natural disasters.

The costs of carrying out silvicultural management measures is higher or equal to short to medium term potential revenues. However, as mentioned above, there is an urgent need to support forest improvement. In addition non state forest owners (private forest owners as well as municipalities) tend not to have enough financial resources to finance the silvicultural measures which are prescribed in their forest management plans, also they do not have the necessary harvesting equipment. For these reasons, there is no economic interest to do these activities. Therefore there is a low willingness to improve the economic value of forests by the non state forest owners. The actions are in line with the National Strategy for Sustainable Development of the Forestry Sector 2006 -2015 and have to respect the Forest Act (1997) and related secondary legislation.

**Background on system of Forest Management Plans in Bulgaria**

All actions to be supported under this measure are based on Sustainable Forest Management Plans (SFMP). The purpose of the SFMP in Bulgaria is to ensure:
1. The ecological, economical and social functions of forests.
2. The implementation of multifunctional forest management.

The aims of forest surveying are to assess the current state and management of forests and to design the main silvicultural activities needed in order to reach: sustainable development of the forest sector; preservation of forest biodiversity; relatively permanent and stable use of forest resources on a long term perspective.

The basic elements of forest surveying in Bulgaria are:
1. To identify and mark the borders of the different forestry units.
2. To draw up an inventory of each forest's characteristics.
3. To map forests and produce forest maps.
4. To identify the types of forest and/or types of biotopes/habitats.
5. To investigate the biodiversity.
6. To evaluate the forest health.
7. To evaluate the ecological conditions in the forest.
8. To evaluate the state and the development of the forest roads network.
9. To define the silvicultural activities required for the next 10 years period.
10. To define the sustainable average timber use for the next 10 years period.
11. Forest fire fighting survey.

Detailed rules for the creation of SFMP are given in Ordinance No 6 about forest surveys in the Republic of Bulgaria (Published by the Minister of Agriculture and Food, SG No 27/01.04.2004).

The SFMP is prepared by specialized firms and licensed private practice foresters registered in a public register held by the SAF. The prepared and approved SFMP is drawn up in four copies – one to the SAF, one to the Regional Forest Office, one to the Local Forest Office and one to the owner. According to the National legislation in force, the SFMP is not obligatory for forests up to 2.0ha, but the tendency is that all forests regardless of area have a SFMP.

Objectives of the measure

- Improve fellings for seedling regeneration as well as continue lightenings for establishing high productive forests;
- Improve the timber quality as well as timber quantity by appropriate silvicultural treatments (thinnings and pruning);
- Support the modernisation of specific equipment needed for silvicultural activities as well as for producing and harvesting non timber products.

Scope and actions

Scope:

Non state forests on the whole territory of Bulgaria.

The following forest territory will be excluded from support:
- Forests and wooded land owned by the central or regional authorities (state owned), or firms owned by them
- Forests owned by legal bodies more than 25% of whose capital is owned by the above mentioned authorities

All investments in forest holdings above 0.5 ha have to be based on a SFMP.
**Actions:**
1. Creation of sustainable forest management plans and programmes for non-state owned forests,
2. Lightening and tending in coppice stands after fellings for natural seedling regeneration in stands which are between 1 and 10 years old – once during the period of the implementation of the programme.
3. Pruning of coniferous plantations which are younger than 40 years
4. Thinning in coniferous and deciduous forests which are younger than 40 years
5. Purchase of suitable harvest equipment including:
   - Harvesting equipment like harvesters, processors, motorsaws
   - Skidding equipment like forwarders, tractors, cable systems.

The following are not eligible for support:
- Activities related to regeneration after final felling.
- Regular forest management and maintenance activities.

**Definition of beneficiaries**
- Private forest owners (natural persons or legal entities) and their associations;
- Municipalities and their associations.

**Eligibility criteria**
- All investments have to be based on a SFMP which is valid for at least next 5 years;
- The creation of SFMP is eligible for support only if it is combined with at least one of the other actions under this measure;
- Purchase of harvest equipment is only eligible if it is proportionate to the forest area and the envisaged sustainable forest use;
- Private owners should own forests with a minimum area of 0.5 ha;
- Private owners associations should own forests with a minimum area of 5.0 ha;
- Private owners who are legal entities are eligible for support if they are registered according to the Bulgarian legislation and the share of the state does not exceed 25%;
- Municipalities and/or their associations should own forests with a minimum area of 10.0 ha;
- All actions supported under the measure have to be carried out in accordance with the requirements of the Forest Act and related secondary legislation.

**Selection procedure**
Beneficiaries who meet the eligibility criteria, shall be approved in order of their application (1st come, 1st served principle).

**Type of investments**
The support is limited to investments described in the Section *Actions* above.
- General costs related to the investments including creation of forest management plans/programmes, business plan, architects’ and consultants’ fees, feasibility studies, for preparing and implementing a project may not exceed 10% of the total eligible expenditure.

**Type of support**
- Grant aid to eligible investments;
Aid intensity
- 50% of total eligible costs.
- 60% of total eligible costs in less favoured areas or designated NATURA 2000 sites;
- The maximum total eligible expenditure for the whole period of the implementation of the RDP is EUR 600 000 per beneficiary under the measure.
- The minimum total eligible expenditure is EUR 1 000 per project.

Financing
The budget of the measure is indicated in Section 7, Table: Indicative Budget per Measures of the RDP.

Quantified targets for EU common indicators

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Output</strong></td>
<td>Number of forest holdings receiving investment support</td>
<td></td>
</tr>
<tr>
<td></td>
<td>of which private forest owners</td>
<td>10 000</td>
</tr>
<tr>
<td></td>
<td>of which municipalities</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Total volume of investment (in MEUR)</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>of which total volume for private forest owners (in MEUR)</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>of which total volume of for municipalities (in MEUR)</td>
<td>20</td>
</tr>
<tr>
<td><strong>Result</strong></td>
<td>Number of holdings introducing new products or techniques</td>
<td>1 000</td>
</tr>
<tr>
<td><strong>Impact</strong></td>
<td>Economic growth (NΔVA in MPPS)</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Labour productivity (EUR ΔGVA/FTE)</td>
<td>115</td>
</tr>
</tbody>
</table>

Additional programme specific indicators and targets

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Output</strong></td>
<td>Area pruned</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Area supported, (divided into coppice forests and plantations) (ha)</td>
<td>4 000 ha</td>
</tr>
<tr>
<td></td>
<td>Increase of high value assortments in the supported forest plantations</td>
<td>from 20% to 50% per ha</td>
</tr>
<tr>
<td></td>
<td>Decrease of lower value assortments (e.g. fire wood) in supported coppice forests</td>
<td>from 70% to 30% per ha</td>
</tr>
</tbody>
</table>
Title of the Measure  
Adding Value to Agricultural and Forestry Products

Code  
123

Article which covers the measure

Articles 20(b) (iii) and 28 of Council Regulation (EC) No 1698/2005.


Rationale for intervention

Investments aiming at overcoming the structural problems in the Bulgarian food processing industry and forest industry, by modernization and increasing production efficiency and productivity, will increase the value added and market opportunities for primary agricultural and forestry products. At the present time the food processing sector in Bulgaria is characterised by a low level of productivity, and by outdated equipment and premises.

Analyses of the food processing industry have shown that investment support should target sectors with export potential and those which are important for the domestic market, i.e. sectors for processing and adding value to the following agricultural products: milk, meat, fruits, vegetables, bee honey, cereals, oil crops, industrial plants, forage crops, medical plants and grapes.

The growth of micro, small and medium sized enterprises and the modernization of their assets will improve the competitiveness of the food-processing sector. Priority shall also be given to investments intended to create and promote new products and to diversify product range.

In the conditions of a saturated market for foodstuffs the competitiveness of the processing enterprises depends to a high degree on the improvement of production effectiveness and marketing, introduction of innovations, use of renewable energy sources, improving food quality and food safety, environmental protection, and improving the labour and hygiene conditions.

The accession of the Republic of Bulgaria to the EU also requires enterprises processing food and forestry products to achieve full compliance with EU standards related to animal welfare, phyto- and veterinary requirements, food and fodder safety, environmental protection, hygiene and occupational health and safety. Achieving this compliance will require substantial investments, which would be realized with difficulty without financial support especially in the milk and meat sectors, to which transitional periods for compliance with EU standards have been granted to certain enterprises.

Objective of the measure

- Improvement of the overall performance, economic productivity and competitiveness of enterprises in the food processing and forest industry through:
  - better use of production factors; introduction of new products, processes and technologies,
  - improving quality and safety of foods and their traceability,
• Achievement of compliance with Community standards.
• Improvement of environmental protection.

Scope and actions

1. Support will be provided for investments in tangible and intangible assets which:
   a. improve the overall performance of the enterprises
   b. concern:
      – processing and/or marketing of products covered by Annex I to the Treaty, except fishery products and of forestry products. and/or
      – development of new products, processes and technologies for products covered by Annex I to the Treaty, except fishery products, and for forestry products.
   c. respect the Community standards applicable to the investment concerned.

2. Geographical scope of the measure - the whole country.

3. Specific conditions/exclusions:
   • Support shall be granted for investments for compliance with newly introduced Community standards for micro-enterprises only. In that case a period of grace, not exceeding 36 months from the date on which the standard becomes mandatory for the enterprise, will be provided for investment support to meet the standard. The relevant standard must be met by the micro-enterprise by the end of the grace period.
   • In addition support shall also be granted for investments for compliance with Community standards for enterprises in the milk and meat sectors, which have been granted a transitional period subject to compliance with the relevant standard by the end of 2009. To be eligible for support at the time of submission of application the enterprises have to be included in the list of such enterprises of the National Veterinary Service approved by the European Commission.
   • Support for investments related to use of wood as a raw material shall be limited to all working operations prior to industrial processing.
   • The “tobacco” sector is excluded from support.
   • Support shall not be granted to enterprises in difficulty within the meaning of the Community guidelines on State aid for rescuing and restructuring firms in difficulty.
   • Support shall not be granted for construction and/or modernisation of state owned laboratories. Support is eligible only for construction/modernisation of private laboratories in the ownership of an enterprise, situated on the premises of the enterprise and used primarily for the enterprise’s own products.
   • Investments for production of energy from renewable energy sources are eligible if they concern the energy needs of the manufacturing enterprise, and/or the production of energy for sale through processing of plant and animal products from primary and secondary biomass, covered by Annex I to the Treaty (see Section 5.1).
   • All projects for bio-energy production for sale should include feasibility studies.

• Where a Common Market Organisation, including direct support schemes financed by the European Agricultural Guarantee Fund (EAGF) places restrictions on production or limitations on Community support at the level of individual processing plants, no investment shall be supported under the measure, which would increase production beyond those restrictions or limitations.

• Where a project will result in an increase of production capacity the applicant under the measure should demonstrate the market potential for the output and the raw material availability.

• Costs related to intangible investments for achieving compliance with internationally recognized standards are only eligible when they form part of a wider investment project, not as a stand-alone project.

• Support for retail trade shall not be eligible.

Type and size of beneficiary enterprise
Eligible beneficiaries under this measure shall be:

• Natural persons or legal entities registered under the Commercial Law or Law on Co-operations that are micro, small and medium sized enterprises within the meaning of Commission Recommendation 2003/361/EC, including producer markets.

• Enterprises, which are not micro, small and medium but whose number of staff is less than 750 employees or annual turnover is less than EUR 200 million.

Eligibility criteria

• Applicants have to submit a business plan as part of the application process. The business plan should contain a detailed description of the planned investment and related activities. The business plan should demonstrate in what way the implementation of the project will lead to the improvement of the overall performance of the enterprise.

• In the case the project concerns investments for meeting newly introduced Community standards, support shall be limited to micro-enterprises within the meaning of Commission Recommendation 2003/361/EC.

• In addition in the case the project concerns investments for meeting Community standards for enterprises in the milk and meat sectors (which have been granted a transitional period), support shall be limited to the enterprises included in the list of such enterprises of the National Veterinary Service approved by the European Commission at the time of submission of application.

• In the case of processing and/or marketing of forestry products, support shall be limited to micro-enterprises within the meaning of Commission Recommendation 2003/361/EC.

• In the case of producers markets only investments, related to renovation of existing capacity and meeting Community hygiene and quality standards are eligible.

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83 These are producer markets established under the Law for the Commodity Exchanges and Market Places. According to this Law a producers market is the place and the infrastructure for wholesale trade, where registered producers sell to traders their agricultural products.

Description of requirements and targets concerning improvement of the overall performance of the enterprises

The measure will support projects that lead to improvement of the overall performance of the beneficiary enterprise through:

– Introduction of new and/or modernization of the existing facilities and improvement of their use, and/or
– Introduction of new products, processes and technologies, and/or
– Reduction of production costs, and/or
– Reaching compliance with EU standards, and/or
– Improving cooperation with primary agricultural producers, and/or
– Environmental protection (including decreasing pollutant emissions and waste), and/or
– Increasing production and utilization of energy from renewable energy sources, and/or
– Improving occupational health and safety, and hygiene conditions, and/or
– Improving food quality, safety and traceability, and/or
– Improving possibilities for marketing and production of organic foods through processing of primary agricultural organic products, and/or
– Improving animal protection and welfare.

The assessment of the contribution of a project to the improvement of the overall performance of a enterprises will be described and assessed on the basis of the content of the business plan which is required for each investment project supported under the Measure. The business plan must demonstrate a significant increase in overall performance of the enterprises.

Primary production sectors

The following sectors related to processing and/or marketing of products, covered by Annex I to the Treaty, are eligible for support (agricultural products):

1. Milk and dairy products
2. Meat and meat products;
3. Fruits and vegetables including mushrooms;
4. Bee honey;
5. Cereal, miller's and starch products;
6. Vegetable and animal oils and fats;
7. Industrial and medicinal plants including rose oil and herbs;
8. Prefabricated food for livestock (fodders);
9. Grape must, wine and vinegar;
10. Production of energy through processing of plant and animal products from primary and secondary biomass, except biomass from fishery products.

The processing and/or marketing of forest products is also eligible for support prior to industrial processing and excluding furniture production.

Types of eligible investments (tangible-intangible)

Under the measure support shall be granted to enterprises (including producer markets) for investments as follows:
**Tangible investments (indicative list)**

- Construction, acquisition and modernization of buildings and other immovable assets, needed for the production, processing and marketing activities.
- Purchase and installation of new machines and equipment for improvement of the production, processing and marketing, including:
  - for processing, packaging, cooling, freezing, drying and storage;
  - for production of new products, introduction of new technologies and processes;
  - for environmental protection;
  - for production of energy from renewable energy sources, including processing of animal or plant primary and secondary biomass;
  - for improvement of energy efficiency;
  - for improvement and control of quality and safety of raw materials and foods;
- Purchase of specialised transport vehicles such as cooling vehicles for transporting raw materials and/or outputs, etc.
- Construction and/or modernization of laboratories needed for the enterprise;
- Tangible investments by micro-enterprises for compliance with newly introduced Community standards;
- Tangible investments for compliance of enterprises processing milk and milk products and meat and meat products with Community standards which have been granted transitional period;
- Purchase of land needed for the production activity (subject to the limit specified in section 5.1.2. of the RDP);

**Intangible investments (indicative list):**

- Achieving compliance with internationally recognized standards\(^85\) such as:
  - Preparation for certification under the HACCP (Hazard Analysis and Critical Control Point)\(^86\);
  - Implementing Good Manufacturing Practices (GMPs) in enterprises.
- Purchase of know-how, acquisition of patents and licenses for preparing and implementing a project, directly related to the measure.
- Purchase of software;
- General costs related to the investment project such as architects’ and consultants’ fees, and feasibility studies for preparing and implementing a project (subject to the limits on general costs specified in Section 5.1.2).

**Designation of the newly introduced Community requirements for which support will be granted**

Support will be offered under this measure for investments made by micro enterprises in order to comply with newly introduced Community standards. Support may be granted for investments whose purposes are to achieve compliance with these standards within a maximum 36 month period of grace from the date on which the standard becomes

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85 Investments for achieving compliance with internationally recognized standards, which are also obligatory under EU legislation, are eligible according to the conditions under the measure for support for compliance with newly introduced Community standards.

86 The certification under the HACCP is not eligible for support under the measure.
mandatory for the enterprise. The relevant standards must be met by the enterprise by the end of the period of grace.

The list of the newly introduced Community standards, for which support for meeting the standard will be provided, is given in Annex 4 (Attachment 2).

Support will be offered under this measure for compliance with Community standards for enterprises in the milk and meat sectors, which have been granted a transitional period, subject to compliance with the standard by the end of 2009. The list of standards, for which support will be provided, is given in Annex 4 (Attachment 3).

**Type of support**

Grant aid to eligible investments.

**Aid Intensity**

- 50% of the total eligible investment expenditure for micro, small and medium enterprises as defined in Commission Recommendation EC 2003/361/.
- 25% of the total eligible investment expenditure for enterprises, which are not micro, small and medium but that have less than 750 employees or their annual turnover is less than EUR 200 million.

The aid intensity of projects concerning processing and marketing of forestry products and for processing of products covered by Annex I to products out of Annex I is subject to the limits and conditions imposed by the *de minimis* rules (Commission Regulation (EC) No 1998/2006).

The minimum total eligible investment expenditure is EUR 10 000 per project.

The maximum total eligible investment expenditure for the whole period of the implementation of the RDP is EUR 4 000 000 per beneficiary under this measure.

**Project selection procedure**

The business plans of all applicants which fulfil the eligibility criteria will be assessed. For all projects with a satisfactory business plan, the selection of projects will be done through giving priority to projects which concern:
- investments directly targeting environmental protection;
- investments for compliance with Community standards till the end of 2009 for enterprises in the milk and meat sectors, which have been granted a transitional period and/or newly introduced Community standards for micro-enterprises,
- investments for promoting the integration between primary agricultural producers and enterprises in the food processing industry, and between forest holders and enterprises processing forestry products;
- investments for production of bio-energy and for improvement of energy efficiency;
- investments for support of micro and small enterprises and enterprises located in rural areas.

**Financing**

The budget of the measure is indicated in Section 7, Table: Indicative Budget per Measures of the RDP.
Transitional arrangements

None

Coherence with first pillar

The scope of aid granted under this measure will not overlap with the scope of aid granted under the 1st Pillar of the CAP support schemes referred to in Annex I of Commission Regulation (EC) № 1974/2006 and implemented in Bulgaria. The Paying Agency shall be responsible for cross-checks aiming at avoiding double-financing between the RDP and these support schemes. The Paying Agency will put in place a special procedure for the cross-checks. Every investment project under the RDP, which may fall under the scope of these 1st Pillar support schemes, will be checked for possible double financing before its approval.

Full complementarity and demarcation between the current measure and measures financed by the 1st Pillar support schemes in the sectors listed in Annex I to Regulation 1974/2006 is ensured:

– **Fruits and vegetables** (Art. 14(2) and 15 of Regulation (EC) No 2200/9687) Producer groups will not be supported under the RDP for activities included for support in their Operational Programmes under Regulation (EC) No 2200/96.

– **Wine** (Title II, Chapter I, Section 3, Art. 11 and 15 of Regulation (EC) No 479/2008) The eligible operations for support under Title II, Chapter I, Section 3, Art. 11 of Regulation (EC) No 479/2008 will not be supported under the RDP. The eligible activities for support under Title II, Chapter I, Section 3, Art. 15 of Regulation (EC) No 479/2008 will be supported under the RDP, these activities will not be supported under the National Support Program in the wine sector of the Republic of Bulgaria. Demarcation between the both programmes is given in detail in Annex 4 (Attachment 1.A.).

– **Tobacco** (Art. 13(2)(b) of Regulation (EEC) No 2075/9288) The diversification of tobacco producers will be supported under RDP. The specific measures to help tobacco growers according to Art. 13(2)(b) of Regulation (EEC) No 2075/92 are not foreseen. Investment in the tobacco processing sector is excluded from support.

– **Olive oil** (Art. 8 (1) of Regulation (EC) No 865/200489) A full distinction will be made between activities supported under the RDP and those supported according to Article 8 (1) of Regulation (EC) No 865/2004. The production, processing and marketing of olive oil shall not be supported under the RDP.

– **Hops** (Art. 6 of Regulation (EC) No 1952/200590) Activities supported under Art. 6 of Regulation (EC) No 1952/2005 will not be supported under the RDP.

– **Cattle** (Art. 132 of Regulation (EC) No 1782/2003) There is no overlapping with the supported activities under the present RDP measure.

– **Sheep and goats** (Art. 114(1) and 119 of Regulation (EC) No 1782/2003) There is no overlapping with the supported activities under the present RDP measure.

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88 OL L 215, 30.7.1992, p. 70.
– **Bee keeping** (Art. 2 of Council Regulation (EC) No 797/200491)

In respect of investments in honey processing, a full distinction will be made between investments supported under the RDP and those supported under the Beekeeping Programme referred to in Regulation (EC) 797/2004. Under the present measure the RDP will support investments intended to enhance the overall performance of micro enterprises and SMEs classified according to Recommendation (EC) 2003/361, including the setting-up of laboratories for controlling the quality, authenticity and safety of honey processed in individual enterprises. Such laboratories functioning outside a single processing establishment or intended to service a whole region will be set up, modernized and equipped under the Bulgarian National Beekeeping Programme referred to in Regulation (EC) 797/2004.

– **Sugar** (Council Regulation (EC) No 320/200692)

A full distinction will be made between supported activities under the RDP and those supported according to Council Regulation (EC) No 320/2006. The RDP will not support investments in processing inputs into sugar or confectionery.

### Quantified targets for EU common indicators

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Output</strong></td>
<td>Number of enterprises supported</td>
<td>610</td>
</tr>
<tr>
<td></td>
<td>Total volume of investment (in MEUR)</td>
<td>535</td>
</tr>
<tr>
<td><strong>Result</strong></td>
<td>Number of enterprises introduced new products, processes and technologies</td>
<td>400</td>
</tr>
<tr>
<td><strong>Impact</strong></td>
<td>Economic growth (N∆VA in MPPS)</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>Labour productivity (EUR ∆GVA/FTE)</td>
<td>360</td>
</tr>
</tbody>
</table>

### Programme specific indicators and quantified targets

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Output</strong></td>
<td>Share of investment directly related to environment protection</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>Share of investment directly related to meet existing and newly introduced EU standards</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>Share of investments directly linked to the production of energy from renewable energy sources and processing of plant and animal biomass.</td>
<td>10 %</td>
</tr>
</tbody>
</table>

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Title of the Measure  Supporting Semi-Subsistence Farms Undergoing Restructuring

Code  141

Article which covers the measure


Rationale for intervention

The support to semi-subistence farms is an instrument aimed at enhancing the possibility of such agricultural holdings to restructure. It supports the development of farm holdings which currently have low economic size, producing mainly for their own consumption and marketing a small share of their output, but which have the potential to develop into viable commercial farm businesses. Temporary support will be provided under this measure to the income of holdings which have the capacity and desire to restructure, in order to help them overcome the difficulties concerning the costs related to the restructuring of their activities and to stimulate their future development. The outputs from the measure implementation will be the better market orientation of these farms and an improvement of the rural economy as whole.

Bulgaria faces a highly polarised farming structure with a very large number of semi-subistence farms. In the 2003 Census the holdings between 1 and 4 ESU were about 139 000 or about 21% of the total. They accounted for 8.7% of the UAA, with an average size of 1.8 ha, and 27% of the livestock. Of these holdings, about 41 573 of them meet the minimum area eligible criteria for payments under SAPS and/or LFA, are not specialised in a single agricultural activity and are owned/leased by farmers below 60 years old. They account for 4% of the UAA of the surveyed agricultural holdings with the average size of 2.9 ha. In 2005 the number of these farms declined to 34 500. These are predominantly semi-subistence farms, Some of these farms have enough economic potential to become market oriented farms, and will be the target of this measure. After EU Accession Bulgarian farmers will have to deal with conditions of growing competition on the domestic market. To overcome the considerable challenges facing these semi-subistence farmers, specific short term support, alongside the standard range of rural development measures, is required to encourage this transformation process from semi-subistence farms to commercial viable enterprises.

The Republic of Bulgaria has chosen to target this measure on farmers below a certain age limit to ensure it contributes more effectively to the strategic objective of Axis 1 of improving the competitiveness of the agricultural sector, and to the related priority of improving the age structure within agriculture in Bulgaria. Given the high share of semi-subistence farms in the country managed by retired persons, the measure seeks to target those farmers who have both the motivation and sufficient working years remaining to develop viable market-based businesses, and to avoid any duplication between income support for restructuring and income support provided by state pensions.
Objectives

- To restructure semi-subsistence farms into viable commercial holdings.

Scope and actions

The aim of the measure is to target semi-subsistence farms who market a small share of their output to supplement household income and use the rest for domestic consumption, but at the same time possess economic potential for future development. This is a temporary support to the income of such farms, that shall help them to overcome the difficulties concerning the covering of costs related to the restructuring of their business activities.

Geographical scope of the measure - the whole country.

Support shall be granted in respect of applications approved by latest 31 December 2013.

Support will not be paid to farmers once they are eligible to receive a state pension.

Type of aid

An annual flat rate grant payment.

Definition of beneficiaries

Beneficiaries under the measure are semi-subsistence farmers, which produce primarily for their own consumption and market a small share of their output.

Definition of the semi-subsistence farm

The semi-subsistence farms eligible under the measure are holdings, which fulfil the following requirements:

- their economic size\(^{93}\) is between 1.00 to 4.00 ESU (inclusive),
- meet the criteria for the minimum area eligible for payments under SAPS and/or LFA\(^{94}\),
- cultivate at least two types of agricultural crops or at least one type of agricultural crop and breed one animal species,
- they are owned/leased by an individual at age up to 60 years (including);
- not one of the cultivated agricultural crops accounts for above 85% of the total economic size of the holding.

Additional eligibility criteria for beneficiaries

1. To be registered as an agricultural producer under the Law for Support of Agricultural Producers minimum 1 month before the date of application;

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\(^{93}\) Economic size is conventionally expressed in terms of the European Size Unit (ESU), corresponding to a standard gross margin (SGM) - the difference between gross agricultural output and the costs associated with that output - of EUR 1200. The methodology and special table for calculation of the economic size of agriculture holdings are being developed by Agrostatistics Directorate, MAF together with the Managing Authority. The farmers will be informed about the methodology and the manner for use of the table by Regional services of MAF and NAAS. The table will also be published on the internet page of the MAF.

\(^{94}\) This requirement is fulfilled if applicant cultivates at least 0.5 ha agricultural land in Mountain LFA and/or 0.5 ha permanent crops including vineyards and/or 1 ha in other areas.
2. To submit a business plan containing details of required investments and activities and/or desirable targets to be reached in the next 5 years of the development of the farm business;

3. To submit documents of ownership and/or renting/leasing contracts for the minimum required eligible cultivated area size. The period of the concluded renting/leasing contracts must be for a minimum period of 5 years, from the date of submission of the application.

4. To submit documents of ownership and/or renting/leasing contracts for the animal breeding buildings and premises used in agricultural production activities. The period of the concluded renting contracts must be for a minimum term covering the period of the use of these breeding buildings and premises for agricultural production purposes according to the business plan or the period must be for a minimum 5 years, depending on which is the shorter period. The requirements for this period are from the date of submission of the application.

**Definition of the future economic viability**

At the end of the 5-year support the agricultural holding should prove it is economically viable.

An economically viable farm holding is an agricultural holding, which at the end of the period of support has reached and/or exceeded an economic size of 4.00 ESU and has also increased its size by at least 3 ESU in comparison with its size at time of application for support.

**Requirements of the business plan**

The applicants for financial support shall submit a business plan.

The business plan must include at least:

1. The initial situation of the agricultural holding including owner, location, physical and economic size and structure (arable land, pastures, forest, others), type and number of animals, premises, machinery and labour force, current level of compliance with Community standards;

2. A strategy demonstrating how economic viability will be achieved/maintained over 5 years;

3. Description of planned investments, including training, advice or any other action required for the development of the activities of the agricultural holding.

4. Specific milestones, including: time schedule and targets for the next 5 years; mid-term targets for the development of the holding by and during the 3rd year of support, including foreseen activities and investments.

   **The obligatory mid-term targets are:**

   a. Compliance with Community standards related to veterinary and phyto-sanitary requirements, animal welfare, environmental protection, hygiene and occupational health and safety.

   b. Increase of the economic size of the agricultural holding of minimum 1.50 ESU;

   **At least one of the following mid-term targets should also be included in the business plan:**

   a. Continuing of the current agricultural activities and starting of new agricultural activities;

   b. Replacement of all or part of the agricultural activities by new agricultural activities;
c. Conversion from conventional to organic farming;
d. Increase of the cultivated area of the agricultural holding;
e. Increase of the livestock numbers of the agricultural holding by the purchase of animals;
f. Increase of the livestock numbers of the agricultural holding by own animal breeding activity;

5. A commitment to undertake and complete the relevant training courses/information actions offered under M111 Training, information and diffusion of knowledge on general environmental problems in the agricultural sector by the end of the third year of the period of support (if the applicant hasn’t completed secondary and/or higher education in the field of the ecology and/or he/she hasn’t received advice on addressing environmental protection problems under measure 143).

**Selection procedure**

Applicants which meet the eligibility criteria shall be approved in order of their application (1st come, 1st served).

**Access of the semi-subsistence farmers to other measures**

Beneficiaries under this measure may apply for other measures with a separate application. Where the business plan makes reference to additional investments needed under Measure 121 or other investment measures 95, they shall use the same business plan prepared for accessing Measure 141 using advisory services under Measure 143. If necessary this business plan may be further developed under Measure 143 in order to fulfil the requirements for business plans for accessing support under the relevant measure.

**Amount of support**

Amount of support for semi-subsistence farms is a flat-rate aid of EUR 1 500 per agricultural holding per year.

**Duration of support**

Support is payable for a maximum of 5 years. After the 3rd year the Paying Agency will check if the beneficiary complies with the mid-term objectives set out in the business plan and will approve the last two payments only if the mid-term objectives are fully accomplished at the end of the 3rd year.

**Transitional arrangements**

None.

**Quantified targets for the common indicators**

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>Number of semi-subsistence farms supported</td>
<td>21 000</td>
</tr>
<tr>
<td>Result</td>
<td>Number of farms entering the market</td>
<td>16 800</td>
</tr>
<tr>
<td>Impact</td>
<td>Labour productivity (EUR ΔGVA/FTE)</td>
<td>230</td>
</tr>
</tbody>
</table>

95 Measures 122, 123 and 311
Title of the Measure  Setting up of Producer Groups

Code  142

Article which covers the measure

Articles 20 (d) (ii) and 35 of Council Regulation (EC) No 1698/2005

Rationale for intervention

The structure of agricultural holdings in Bulgaria has a significant share of small holdings. The majority of the holdings (approximately 75%), cultivate up to 1ha. The unfavourable structure of agricultural holdings and the insufficient cooperation of farmers hamper the provision of agricultural products on the market in the required quantities and qualities. On the other hand, agricultural processors lack sufficient quantities and quality of raw materials and products, or cannot source input supplies efficiently from a large number of very small suppliers An adjustment of farm structures and improvement of cooperation among farmers is needed to increase the competitiveness of both the agricultural and food processing industry. It is expected that the setting up of producer groups in the agricultural sector will contribute to an increase in the production and supply of high quality products which meet EU standards and are better adapted to market requirements. Joint marketing of output should facilitate the access of small and medium-sized holdings to the market.

In the particular case of the tobacco sector, small tobacco producers will also benefit from the collective marketing opportunities provided from entering in producer groups. Their grouping will increase their efficiency for marketing the produced tobacco through decreasing the administrative burden connected with the tobacco sector requirements, and it will build a tradition among producers for cooperation for the purposes of increasing product quality and market potential. In the same time within the created tobacco producer groups there should be joint efforts to identify other business opportunities and specific measures to help tobacco growers to switch to other crops or economic activities that create employment, in order to diversify their income and to make them less dependent on tobacco growing.

The farmers’ interest in cooperation tends to increase. Under the SAPARD Programme 26 producer groups were recognized, and since 2005 the number of registered producer groups has been increasing. The sectors in which producer groups were recognized to date are meat, milk, tobacco, fruits and vegetables. The number of members in the producer groups varies between 10 and 270, depending on the sector.

Objectives of the measure

• To encourage the setting up of producer groups in the agricultural sector in order to increase the production and supply of high quality products meeting EU standards and adapted to market requirements, and to support the access of small and medium holdings to the market.

Scope and actions

The measure supports the setting up of producer groups in the agricultural sector.
Support will be granted to facilitate the setting up and administrative operation of producer groups for the purposes of:

- Adapting the production and output of members of producer groups according to market requirements;
- Jointly placing goods on the market, including preparation for sale, centralization of sales and supply to bulk buyers;
- Increasing the added value of jointly marketed production and its better valuation;
- Establishing common rules on production information, with particular regard to harvesting and availability.

The measure will be implemented on the territory of the whole country.

**Definition of beneficiaries**

Agricultural producer groups; officially recognized not later than the end of 2013

**Type of aid**

The support shall take the form of an annual payment, granted for the first five years, following the date on which the producer group was recognized.

The amount of support shall be calculated every year on the basis of the value of the producer group’s annual marketed production. The support will be calculated as a percentage of the annual marketed production of the group and:

a) shall amount for the first, second, third, fourth and fifth years, to 5%, 5%, 4%, 3%, 2% respectively of the value of marketed production up to EUR 1 000 000, and

b) shall amount for the first, second, third, fourth and fifth years, to 2.5%, 2.5%, 2.0%, 1.5% and 1.5% respectively of the value of marketed production exceeding EUR 1 000 000,

c) shall not exceed for each producer group:
   - EUR 100 000 for the first year
   - EUR 100 000 for the second year
   - EUR 80 000 for the third year
   - EUR 60 000 for the fourth year
   - EUR 50 000 for the fifth year.

d) For the calculation of the producer group's value of marketed production, the following will not be taken into account:
   - the value of the marketed production of agricultural producers, who are not members of the group. (The producer group may market such kind of production if the statute and common rules of the group allow such a possibility);
   - the part of the value of the production of any individual member which exceeds 75% of the total production marketed by the group.

**Description of the official procedure for recognizing producer groups including eligibility criteria and selection procedures**

_A. Description of the official procedure for recognition_

Producer groups shall be recognized by the Paying Agency.

Applicant producer groups shall submit documents for recognition to the Regional Offices of the Paying Agency.
The Regional Offices of the Paying Agency are responsible for:
- acceptance and registration of the documents for recognition and support;
- check of the documents for legality and completeness;
- preparing of a recommendation for approval or rejection of the application for recognition to the Paying Agency Headquarters;
- submitting the documents to the Paying Agency Headquarters.

The Executive Director of the Paying Agency, on the basis of the executed checks, takes the final decision for recognition or non-recognition of the producer group.

After recognition the Paying Agency signs a Contract for financial support with the Producer Group.

B. Eligibility criteria

To be eligible for recognition and support producer groups must fulfil the following conditions:

1. Be a producer group established for the purpose of jointly placing goods on the market, including preparation for sale, centralization of sales and supply to bulk buyers, and, of establishing common rules on production information, with particular regard to harvesting and availability.

2. Be registered in the Bulgarian Commercial register or in the Register for the co-operations according to the Law of the Co-operations or the Commercial Law of the Republic of Bulgaria.

3. In producer groups registered according to the Commercial Law, each member should have not more than 20% of the voting rights.

4. Have minimum seven members.

5. Contracts between members and the producer group itself have to be concluded.

6. All members of the producer group shall be natural persons or sole traders, who are registered as agricultural producers of the agricultural products for which the relevant group is applying for recognition.

7. The producer group shall have a development plan for a period of 5 years;

8. The producer group has to elaborate a statute and common rules for:
   - production and quality of products;
   - placing products on the market or selling them to processing enterprises;
   - providing information notably on production systems, harvesting and quality of products, the used varieties, animal breeds, and availability of sanitary and hygienic requirements.

Additional criteria will be set in the National Ordinance on the implementation of this Measure.

C. Selection procedure

Producer groups which meet the eligibility criteria, shall be recognized in order of their application (1st come, 1st served principle). This procedure will be reviewed after two years of the measure implementation.

The producer groups will be approved for financial support at the same time as the act of their recognition (one step procedure).
Sectors concerned
Support shall be granted to recognized producer groups, whose members produce the following animal or vegetable commodities:

- Cereal crops;
- Essential oils and medicinal crops;
- Leguminous crops;
- Technical crops\(^{96}\);
- Potatoes;
- Milk;
- Meat;
- Honey;
- Organic products;
- Wine grapes.

Producer groups for fruits and vegetables and for hops will not be eligible for support under this Measure.

Coherence with first pillar

Described in Section 10.1 Financing

The budget of the measure is indicated in Section 7, Table: Indicative Budget per Measures of the RDP.

Transitional arrangements

Information on the outstanding multi-annual financial commitments entered under the SAPARD Programme is given in Section 5.1.2.

Quantified targets for EU common indicators

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>Number of supported producer groups</td>
<td>150</td>
</tr>
<tr>
<td></td>
<td>Turnover of supported producer groups (MEUR)</td>
<td>307</td>
</tr>
<tr>
<td>Result</td>
<td>Number of farms entering the market</td>
<td>200</td>
</tr>
<tr>
<td>Impact</td>
<td>Labour productivity (EUR ΔGVA/FTE)</td>
<td>680</td>
</tr>
</tbody>
</table>

\(^{96}\) Technical crops include root crops (beetroot, etc.), oleaginous crops (sunflower, rape seed, etc.), fibrous crops (cotton, flax, etc.), tobacco and other industrial crops.
Title of the Measure  Provision of Farm Advisory and Extension Services in Bulgaria and Romania (2007-2009)

Code  143

Article which covers the measure
Annex VIII Section I D of the Act of Accession of Bulgaria and Romania (as amended by Council Decision 2006/664/EC)
Article 25 (a) and point 5.3.1.4.3 of Annex II of Commission Regulation (EC) No 1974/2006 (as amended by Commission Regulation (EC) No 434/2007)

Rationale for intervention
Bulgaria has established a well structured public extension service. The National Agricultural Advisory Service (NAAS) has 28 regional advisory offices providing a broad scope of advisory services in the agricultural sector. On the other hand there is an overall low educational attainment of those employed in agriculture. The majority of people engaged with agricultural activities have no specific agricultural education or training, and lack managerial and business skills.

To increase competitiveness and innovation in the agricultural sector there is a clear need to improve the agricultural knowledge and management skills of farmers. The introduction of Community requirements and standards (veterinary and phyto-sanitary requirements, animal welfare requirements, environmental protection, quality and hygiene of production) will be a challenge for farmers, and they will also need assistance to access the support possibilities under the CAP. The number and range of advisory services offered to farmers needs to be increased to meet these needs.

It is expected that the provision of improved and high quality farm extension services will contribute to an increase in human potential and help ensure an appropriate level of technical and economic knowledge and skills in the agricultural sector.

Objectives of the measure
To assist farmers to access the support possibilities under the 2nd Pillar of CAP to facilitate the effective utilisation of financial aid directed to their farms; and to help them to adhere to GAEC, agricultural production hygiene and quality standards, veterinary and phyto-sanitary requirements, environmental protection and animal welfare standards.

Scope and actions
The Measure supports the provision of farm advisory and extension services to agricultural producers intending to apply under Measures 141 Supporting Semi-Subsistence Farms Undergoing Restructuring or 112 Setting up Young Farmers, groups of farmers intending to apply under Measure 142 Setting up Producer Groups and farmers intending to apply under Measure 214 Agri-environmental payments.

All advisory services have to be delivered under the Measure by end of 2009.

The Measure will be implemented on the territory of the whole country.
Type of advisory and extension services to be provided

Support will be granted for delivering the following services:

- drawing up business plans and applications for agricultural producers intending to apply under Measure 141 Supporting Semi-Subsistence Farms Undergoing Restructuring.
  
The preparation of the business plan may consist of two stages:
  - a first stage where a business plan is prepared to support an application to Measure 141;
  - a second stage in cases where the business plan includes references to additional investments needed under Measure 121 or other investment measures, where the business plan is further developed to fulfil the requirements for business plans for applications under these measures.
- drawing up business plans and applications for agricultural producers intending to apply under Measure 112 Setting up Young Farmers.
  
The preparation of the business plan may consist of two stages:
  - a first stage where a business plan is prepared to support an application to Measure 112;
  - a second stage in cases where the business plan includes references to additional investments needed under Measure 121 or other investment measures, where the business plan is further developed to fulfil the requirements for business plans for applications under these measures;
- drawing up development plans and applications for groups of farmers intending to apply under Measure 142 Setting up Producer Groups;
- preparation of the full set of applications and required attachments for agri-environment activities, for farmers intending to apply under Measure 214 Agri-environmental payments;
- advice on implementation of the Bulgarian Good Agricultural and Environmental Conditions (GAEC), drawn up in accordance with Article 5 and Annex IV of Regulation 1782/2003, for agricultural producers willing to apply under Measure 141 Supporting Semi-Subsistence Farms Undergoing Restructuring or Measure 112 Setting up Young Farmers and groups of farmers intending to apply under Measure 142 Setting up Producer Groups;
- advice on implementation of relevant statutory management requirements and GAEC, according to Articles 4 and 5 and in Annex III and IV of Regulation 1782/2003 for farmers intending to apply under Measure 214 Agri-environmental payments;
- advice on addressing environmental protection problems (water pollution, soil erosion, bio-diversity, climate change) for agricultural producers intending to apply under Measure 141 Supporting Semi-Subsistence Farms Undergoing Restructuring.

Services will be only provided to agricultural producers and producer groups eligible to apply for the measures listed above, who have registered a declaration with NAAS on their intention to apply for the respective measure(s).

Minimum requirements for bodies responsible for the provision of the these services

The bodies responsible for providing the services under this Measure should meet the following minimum requirements:

1. to be an institution or organization providing advisory services in the field of agriculture;
2. to have experience in the provision of services to agricultural producers;
3. to have administrative and technical equipment for performing of advisory activities, and offices in the country;
4. to have qualified staff available.

Procedure for the selection of these bodies

The Bulgarian authorities have decided to designate the implementation of this measure to the National Agricultural Advisory Service (NAAS). NAAS will be the sole beneficiary and will provide all the types of advisory and extension services indicated above free of charge to the recipients of these services. NAAS is considered to meet all the requirements for bodies responsible for service provision and has itself the necessary qualified staff and/or mechanisms in place to supplement these with any additional expertise required to implement the activities envisaged in the Measure. (Detailed information on the capacity of NAAS is given in Annex 4 (Attachment 3)).

The Ministry of Agriculture and Food will publish a National Ordinance on the implementation of this Measure, setting out the type and number of advisory services, which NAAS should deliver and the method of payment from Paying Agency to NAAS. According to this ordinance, NAAS must present an annual work programme based on guidelines issued by Managing Authority for approval.

Amount and rate of support

The amount of the financial support which will be paid to NAAS for each set of advisory services delivered shall not exceed:

1. EUR 120 for delivering the full set of advisory services to an agricultural producer applying under Measure 141 Supporting Semi-Subsistence Farms Undergoing Restructuring - for the preparation of a first stage business plan to permit access to Measure 141, aid application, provision of advice on implementation of GAEC and on addressing environmental protection problems (water pollution, soil erosion, biodiversity, climate change). Additional EUR 380 for the preparation of the second stage of business plan for application under Measure 121 or other investment measures, where the business plan makes reference to additional investments needed under other measures.

2. EUR 500 for delivering the full set of advisory services to an agricultural producer applying under Measure 112 Setting up Young Farmers - for the preparation of a basic simplified model business plan to permit access to Measure 112, aid application and provision of advice on implementation of GAEC. Additional EUR 500 for the preparation of the second stage of business plan for application under Measure 121 or other investment measures, where the business plan makes reference to additional investments needed under other measures;

3. EUR 500 for delivering the full set of advisory services to a group of farmers applying under Measure 142 Setting up Producer Groups - for the preparation of a development plan, aid application and provision of advice on implementation of GAEC;

4. EUR 500 for delivering the full set of advisory services to a farmer applying under Measure 214 Agri-environmental payments - for drawing up full set of applications and required attachments for agri-environment activities and provision of advice on implementation of GAEC and relevant statutory management requirements.

The above figures are maxima. The exact figures will be set in the national ordinance for this Measure.
Support shall be given only for delivery of additional advisory services linked to the implementation of the RDP. Support will not be granted for advisory services undertaken as part of NAAS's current statutory functions, or for its offices or overheads.

The rate of support is 100% of the total eligible expenditure.

**Financing**

The budget of the Measure is indicated in Section 7, Table: Indicative Budget per Measures of the RDP.

**Transitional arrangements**

None

**Quantified targets for EU common indicators**

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>Number of assisted farmers</td>
<td>27 150</td>
</tr>
<tr>
<td>Result</td>
<td>Increase in gross value added in supported farms/enterprises (in MEUR)</td>
<td>1</td>
</tr>
<tr>
<td>Impact</td>
<td>Labour productivity (EUR ΔGVA/FTE)</td>
<td>225</td>
</tr>
</tbody>
</table>

**Additional programme-specific indicators and quantified targets**

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>Number of assisted young farmers</td>
<td>4 000</td>
</tr>
<tr>
<td></td>
<td>Number of assisted semi-subsistence farmers</td>
<td>20 000</td>
</tr>
<tr>
<td></td>
<td>Number of assisted producer groups</td>
<td>150</td>
</tr>
<tr>
<td></td>
<td>Number of assisted farmers applying for Measure 214 Agri-environmental payments</td>
<td>3 000</td>
</tr>
</tbody>
</table>
5.3 Measures in Axis 2

Title of the Measure
Natural Handicap Payments to Farmers in Mountain Areas

Code
211

Article which covers the measure
Article 36 (a) (i) of Council Regulation (EC) No 1698/2005 and Article 18 of Council Regulation 1257/1999

Rationale for intervention
The support for the activities related to agricultural land use in the mountainous less favoured areas and observance of good farming and environmental conditions in these areas is needed to prevent abandonment of farming land, to increase the attractiveness of the countryside, and to help prevent the depopulation of mountainous areas.

The factors, which have unfavourable impacts on the income of farmers in the less favoured areas, may be classified as technical, technological, natural, organizational, and economic. The impact of natural factors only is taken into account in determining the criteria for the designation of the mountainous less favoured areas. These natural factors include: the altitude above sea level, the slope and a combination of these two factors.

A high altitude above sea level has a very unfavourable impact on the output of farming activities. This is due to poorer climatic conditions for growing of farming crops, namely; lower temperatures and less sunshine, reduction in the duration of the vegetation period, the increased probability of more frequent frosts, etc. These in turn result in:

- major restriction of the potential range of agricultural crops to be grown in the mountainous areas due to the poorer agro-climatic conditions.
- impossibility for full utilisation of the agricultural land.

There are several aspects, which are substantially influenced by steep slopes, namely:

- reduced productivity of the mechanized tractors and increased fuel consumption;
- higher losses of grains in the combine-harvester operations;
- limited possibility for using all-purpose farming machines;
- increased farming production costs due to the fact that the design, structure and prices of the specialized equipment differ considerably from those of the all-purpose machinery;
- increased farming production costs due to the specificities in cultivating sloping terrains with all-purpose machinery;
- increased soil losses due to the high extent of erosion.

The combination of high altitude and steep slope, even at lower values, also has negative impact on the farming activities due to the increased production costs, reduced productivity of the specialized machinery and shorter vegetation period.
The areas neighbouring or almost surrounded by mountainous areas are characterised by significantly rough (broken) terrain and high slopes. If they are almost totally surrounded by mountain areas they could be easily considered as valleys. The valleys in Bulgaria are considered as “lakes of cold” since even if the altitude is not very high, the temperatures there are the lowest ones and the vegetation period is significantly shorter.

**Objectives of the measure**

- To maintain the agricultural activities in the mountain areas and to prevent land abandonment and soil erosion;
- To conserve and improve the existing biodiversity within mountainous areas;
- To contribute to the rational use, conservation and sustainable development of land and other natural resources in mountainous areas;
- To reduce the depopulation of these areas.

**Description of the designation procedure (for Measure 211 and Measure 212)**

The designation of LFAs in Bulgaria has been undertaken at the level of settlements (LAU2). Designation is based on the territory belonging to a settlement (TBS). The reason the TBS is used to delineate LFAs is because not all settlements in Bulgaria possess agricultural land. According to Article 3 of the Law of the Administrative Territorial Structure of the Republic of Bulgaria (SG 64 of 14.07.1995 last amended in SG 46 of 03.06.2005) all the settlements indicate the areas of land that can be used for construction. However not all settlements have agricultural land within their boundaries so consequently will not show a TBS, instead they may show railway stations, small neighbourhoods, mining hamlets or industrial hamlets, etc. The designation has been made on the basis of the existing official data for the TBS boundaries at 15 October 2007.

Eligibility has been established at level of whole LAU2 units, based on average values for the various designation criteria (altitude, slope, weighted category for agricultural land under M212) at settlement level. The average weighted altitude and slope of the TBS has been defined using a Digital Elevation Model with cells 30 x 30 m².

In cases where the administrative boundary of a TBS does not coincide with the boundaries of physical blocks in the Land Parcel Identification System (LPIS), those physical blocks where 50% or more of the land is located within the designated TBS are considered as LFA and eligible for compensatory payments on UAA for the whole physical block (subject to the respect of all other eligibility criteria). Physical blocks where less than 50% of the land is located in the LFA designated TBS are considered as non-LFA and not eligible for support.

**Scope and actions**

**Designation criteria and geographic coverage**

Mountainous areas are defined as:

Settlements (TBS), which have:
- min 700 m average altitude above sea level;
- min 20% average terrain slope;
- min 500 m average altitude above sea level combined with min. 15% average terrain slope;
- Homogenization is made of TBS or groups of TBS, which are neighbouring the mountainous settlements and for which 90% of their border is surrounded by mountainous settlements. The territory of the group of TBS that are homogenized is less than the average territory of a single TBS in the country.

The table below indicates the number of TBS and area which is designated as mountainous LFA under these criteria:

<table>
<thead>
<tr>
<th>Types of areas</th>
<th>TBS</th>
<th>Total area (km²)</th>
<th>Total area (%)</th>
<th>UAA* (ha)</th>
<th>% of UAA*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mountainous</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>min. 700 m</td>
<td>945</td>
<td>28 153.87</td>
<td>25.42</td>
<td>553893</td>
<td>10.31</td>
</tr>
<tr>
<td>min. 20%</td>
<td>654</td>
<td>12 161.36</td>
<td>10.98</td>
<td>263595</td>
<td>4.91</td>
</tr>
<tr>
<td>min. 500 m + min. 15%</td>
<td>85</td>
<td>1 633.67</td>
<td>1.48</td>
<td>52291</td>
<td>0.97</td>
</tr>
<tr>
<td>Homogenization:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Homogenization above 90% of the borders (individual TBS)</td>
<td>24</td>
<td>296.77</td>
<td>0.27</td>
<td>14023</td>
<td>0.26</td>
</tr>
<tr>
<td>Homogenization (groups of TBS)</td>
<td>6</td>
<td>57.25</td>
<td>0.05</td>
<td>2180</td>
<td>0.04</td>
</tr>
<tr>
<td>Mountainous total:</td>
<td>1 714</td>
<td>42 245.67</td>
<td>38.20</td>
<td>885982</td>
<td>16.5</td>
</tr>
<tr>
<td>Total in Bulgaria</td>
<td>4 616</td>
<td>11 073 6.72</td>
<td>100.00</td>
<td>5370343</td>
<td>100.00</td>
</tr>
</tbody>
</table>

* Indicative data

The list and the map of the mountainous TBS are presented in Annex 5 (Attachment 1 to measures 211 and 212)

Definition of beneficiaries
Farmers – natural persons or legal entities

Eligibility conditions
- To be registered in the Integrated Administration and Control System (IACS);
- To utilize a minimum of 0.5 ha of own and/or rented and/or leased for temporary use land, whereby the minimum area of a plot monitored by IACS is 0.1 ha.

Conditions for support
- To respect the GAEC adopted with Order № RD 09-293/04.05.2007 of the Ministry of Agriculture and Food and any subsequent amendments of this Order;
- To undertake to continue farming activities in the mountainous areas for at least 5 years from the first support payment.

Conversion mechanism for common pastures
Where common pastures are used by farmers for grazing, LFA support may be granted to each of the farmers using the common pastures in accordance to his right (permission) for use of a certain acreage of the pasture. The General Rules for the common pasture use are laid down in Article 48a of the Law of Referendum (SG 100/22.11.1999 last amended by SG 13/ 9.2.2007), and Article 24 paragraph 11 of the Law for Land Ownership and Land
Use (SG 17/1.3.1991, last amended SG 59/20.07.2007). The beneficiaries have to comply with the standards for GAEC.

**Amount of support**

The payments aim to compensate the additional expenditures or lower economic performance associated with the natural handicaps faced for agricultural production in the mountainous less favoured regions.

The table below indicates the differentiated levels of compensatory payment depending on the area supported per farm

<table>
<thead>
<tr>
<th>Hectares</th>
<th>EUR/ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 50.0</td>
<td>110</td>
</tr>
<tr>
<td>For the part above 50.0 – 100.0</td>
<td>50</td>
</tr>
<tr>
<td>For the part above 100.0</td>
<td>0</td>
</tr>
</tbody>
</table>

The amount of the compensation payment has been determined according to the methodology described in Annex 5 (*Attachment 2 to Measure 211 and Measure 212*) based on a method for establishing the difference in the income of holdings in the mountainous areas and in the favoured farming areas, due to the natural handicap faced by mountain farmers. This calculation was undertaken by external experts on basis of the data sources currently available. The aid level has been set at a level which avoids overcompensation of the natural handicap. Bulgaria will start using FADN data to determine compensatory allowances from end 2009 onwards when a representative sample of farms will be available in the system.

**Quantified targets for EU common indicators**

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>Number of supported farms in mountain areas</td>
<td>60 000</td>
</tr>
<tr>
<td></td>
<td>Supported agricultural land in the mountain regions (ha)</td>
<td>328 000</td>
</tr>
<tr>
<td>Result</td>
<td>Avoidance of marginalization and land abandonment</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td>Improvement of soil quality</td>
<td>5%</td>
</tr>
<tr>
<td>Impact</td>
<td>Reversal in biodiversity decline</td>
<td>No decrease</td>
</tr>
<tr>
<td></td>
<td>(Existing biodiversity will be preserved by utilisation of GAEC for agricultural land management)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Maintenance of high nature value farming and forestry areas</td>
<td>No decrease</td>
</tr>
<tr>
<td></td>
<td>(Natural value of agricultural land will be preserved and improved by the utilisation of GAEC for agricultural land management)</td>
<td></td>
</tr>
</tbody>
</table>
Title of the Measure
Payments to Farmers in Areas with Handicaps, Other Than Mountain Areas

Code 212

Article which covers the measure


Rationale for intervention

Bulgaria has a relatively small territory but due to its geographical location, landscape diversity and soil structure has a big diversity of natural conditions. As a result many micro-regions are defined with a combination of different natural factors influencing the agricultural production. However, one of the factors that has the direct impact on the agricultural activities is the soil fertility. In Bulgaria, productivity of the land is measured by its category. Land category varies between 1 to 10, where as category 1 refers to agricultural lands with the highest productivity. Areas with low productivity have limited potential for cultivation of different crops, additional production costs and as a whole lower economic performance in agriculture. They are predominantly used for extensive livestock farming.

In order to prevent abandonment of such types of land payments are required to compensate the farmers working under less favourable conditions due to the natural handicaps they face, as compared to farmers in more favoured areas.

The support for the activities related to the use of farming land in less favoured areas other than mountainous areas and the observance of good agricultural and environmental conditions will result in less abandonment of the farming land in these areas, reduced soil erosion and will contribute to the prevention of depopulation in rural areas.

Objectives of the measure

• To promote the rational use, conservation of biodiversity and sustainable development of the land and other natural resources in other less favoured areas;

• To maintain agricultural activities and to prevent land abandonment and soil erosion;

• To help maintain the attractiveness of the countryside

• To reduce the depopulation of these areas;

Description of the designation procedure (see section in Measure 211)

Designation criteria and geographic coverage

The other less favoured areas have been designated on the basis of poor land productivity. The productivity of the land is measured by its category, determined by a bonus score. The bonus score assessment of farm land takes into account the environmental conditions, which limit the level of the soil fertility. The environmental conditions are a set of natural conditions (soil and climatic conditions), which characterize the vegetation in a particular
The bonus score assessment of land is a comparative assessment based on the features of the land and illustrating the land’s suitability for growing a certain type of crop or group of crops using a given level of farming techniques, i.e. an assessment of the actual and potential fertility, presented by comparative values – bonus scores between 0-100. The bonus scores are then grouped into 10 categories of farming land from 1(high) to 10 (low) (See details in attachment 3 to M212).

Each TBS (LAU2) is scored according to the average weighted category of its agricultural land. TBS with an average weighted category of the farming land 80% or lower than the average for the country, and which are not designated as mountainous LFA, are designated as 'other LFA'. According to the Bonus Score Assessment System this is farming land from 6th to 10th Category97; the average land category in Bulgaria is 5.3.

The table below indicates the number of TBS and area which is designated as other LFA under this criterion:

<table>
<thead>
<tr>
<th>Types of areas</th>
<th>TBS</th>
<th>Total area (km²)</th>
<th>Total area (%)</th>
<th>UAA (ha)*</th>
<th>% of UAA *</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other less favoured areas other than the mountainous areas - land category between 6-10</td>
<td>568</td>
<td>10 763.35</td>
<td>9.72</td>
<td>449 002</td>
<td>8.36</td>
</tr>
<tr>
<td>Total in Bulgaria</td>
<td>4 616</td>
<td>110 736.72</td>
<td>100</td>
<td>5 370 343</td>
<td>100</td>
</tr>
</tbody>
</table>

* Indicative data

The settlements designated under Art. 19 of Council Regulation 1257/99 (1st and 2nd indents) based on physical productivity are, like all rural areas in Bulgaria, characterised by a declining population and very high dependence on agricultural employment. Detailed data on these indices is not currently available at the settlement (LAU2) level used for LFA designation in Bulgaria. The administrative cost and effort to obtain data at this level would be disproportionate in view of the forthcoming review of the 'other LFA' category already announced within Reg. 1698/2005, where the Commission proposed a move away from socio-economic indices for LFA designation purposes. Bulgaria also wishes to minimise the risk of potential revisions to its designation at the review stage (2010), given that this measure will have only been introduced for the first time in Bulgaria from 2007.

The Republic of Bulgaria/MAF undertakes to review the criteria and supporting data used to designate the other LFA areas in light of the outcome of the review of the 'other LFA' legal provisions to be undertaken by the Council at EU level (Art. 94 of Reg. 1698/2005).

**Definition of beneficiaries**

Farmers – natural persons or legal entities.

**Eligibility conditions**

- To be registered in the Integrated Administration and Control System (IACS);
- To utilize a minimum of 1 ha of own and/or rented and/or leased for temporary use land, whereby the minimum area of a plot monitored by IACS is 0.1 ha.

---

97 Using whole numbers
Conditions for support
- To respect the GAEC adopted with Order № RD 09-293/04.05.2007 of the Minister of Agriculture and Food and any subsequent amendments of this Order;
- To undertake to continue farming activities in the other LFA areas for at least 5 years from the first support payment.

Conversion mechanism for common pastures
Where common pastures are used by farmers for grazing, LFA support may be granted to each of the farmers using the common pastures in accordance to his right (permission) for use of a certain acreage of the pasture. The General Rules for the common pasture use are laid down in Article 48a of the Law of Referendum (SG 100/22.11.1999 last amended by SG 13/ 9.2.2007. and Article 24 paragraph 11 of the Law for Land Ownership and Land Use (SG 17/1.3.1991, last amended SG 59/20.07.2007). The beneficiaries have to comply with the standards for GAEC.

Amount of support
The support will be provided in the form of a compensatory payment per hectare of used agricultural land to partially compensate farmers for the natural handicaps, resulting from the poor soil quality and lower productivity of their land.

The table below indicates the differentiated levels of compensatory payment depending on the area supported per farm:

<table>
<thead>
<tr>
<th>Hectares</th>
<th>EUR/ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 50.0</td>
<td>50</td>
</tr>
<tr>
<td>For the part above 50.0 – 100.0</td>
<td>20</td>
</tr>
<tr>
<td>For the part above 100.0</td>
<td>0</td>
</tr>
</tbody>
</table>

The amount of the compensation payment has been determined according to the method described in Annex 5 (Attachment 2 to Measure 211 and Measure 212), based on a method for establishing the difference in the income of holdings in other less favoured areas and in the favoured farming areas, due to the natural handicaps faced by the farmers in the other less favoured areas. This calculation was undertaken by external experts on the basis of the data sources currently available. The aid level has been set at a level which avoids overcompensation of the natural handicap. Bulgaria will start using FADN data to determine compensatory allowances from end 2009 onwards when a representative sample of farms will be available in the system.

Quantified targets for EU common indicators

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Output</strong></td>
<td>Number of supported holdings in areas with handicaps, other than mountain areas</td>
<td>10 000</td>
</tr>
<tr>
<td></td>
<td>Agricultural land area supported (ha)</td>
<td>110 000</td>
</tr>
<tr>
<td><strong>Results</strong></td>
<td>Improvement of soil quality</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Avoidance of marginalization and land abandonment</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Impact</strong></td>
<td>Reversing in biodiversity decline</td>
<td>No decrease. (Existing biodiversity will be preserved by utilisation of GAEC for agricultural land management)</td>
</tr>
<tr>
<td></td>
<td>Maintenance of high nature value farming and forestry areas</td>
<td>No decrease. (Natural value of agricultural land will be preserved and improved by the utilisation of GAEC for agricultural land management)</td>
</tr>
</tbody>
</table>
**Title of the Measure**  
Agri-environmental Payments

**Code**  
214

**Article which covers the measure:**

Articles 36 (a) (iv) and 39 of Council Regulation (EC) No 1698/2005.


**Rationale for intervention**

Natural resources, traditional landscapes and biodiversity are parts of the national heritage. The main aim of sustainable rural development in Bulgaria is to preserve, restore and maintain these valuable assets. As in many other European regions, one of the biggest challenges for the process of restructuring and redeveloping the rural economy in Bulgaria is to achieve the best possible balance between the guarantee of food supply, the necessity to preserve the rural environment and the need to stimulate economic growth, including creating new job opportunities. The National Agri-environmental Programme (NAEP) is one of the most promising instruments for achieving the necessary integration of these policy aims. The NAEP will be implemented as part of the RDP, through the Measure *Agri-environmental Payments*, in accordance to part one (measures aimed at sustainable use of agriculture lands) of the priority Axis 2 of the (EC) Regulation 1698/2005 on support for rural development by the EAFRD. The NAEP aims to promote the introduction and use of more environmentally friendly agricultural production methods. NAEP will provide agri-environmental payments for farmers that voluntarily manage their land in a manner that is beneficial for the environment and therefore provide public good for the whole society.

**Objectives of the measure**

The specific objectives of giving support to farmers participating in the NAEP are to:

a) Increase the awareness and knowledge of farmers about the impact (positive and negative) of agricultural practices upon the environment, especially in relation to the management of soil and water and the conservation of biodiversity;

b) Promote the use of environmental planning in farm management practices such as multi-annual nutrient management planning and crop rotation;

c) Support the development of organic farming as an environmentally-friendly method of agricultural production with economic potential;

d) Preserve genetic variety by supporting the conservation of local breeds at risk of being lost to farming and traditional crop varieties, particularly where their use provides additional environmental benefits;

e) Maintain biodiversity by encouraging the conservation of high nature value farmland (semi-natural habitats) which is under threat from changing land use, agricultural intensification and/or abandonment, including support for traditional mountain pastoralism in designated areas;

f) Maintain and restore traditional agricultural landscapes and landscape features which have cultural, scenic or environmental value, especially for biodiversity;
g) Conserve soil and water resources, including in those areas affected by severe erosion and at risk of high nutrient losses (e.g. Nitrate Vulnerable Zones) or other forms of agricultural pollution;

h) Encourage farmers on a voluntary basis to manage agricultural lands in Natura 2000 sites in line with the aims and requirements of the Birds and Habitat Directive, prior to the introduction of mandatory land management obligations in these areas.

Scope and actions

The measure will consist of five schemes, each made up of a series of packages, clearly linked to the specific objectives above.

The overall structure of the measure will be as outlined in Figure 10.

Figure 10

The implementation of the schemes and packages specified in the measure will be phased-in according to environmental priorities, implementation capacity and supporting expertise etc. Those marked in grey in Figure 10 are the priority packages that will be implemented directly after Programme approval. The widespread implementation of all other packages (all schemes start from outset) will start in 2010, after a change to the RDP to introduce the relevant details and conditions of these agri-environment activities. The implementation will start with the following packages:

- Organic farming:
  - Organic farming;
  - Organic apiculture;
Restoration and maintenance of high nature value (HNV) farmlands:
  o Restoration and maintenance of undergrazed HNV grasslands;
  o Restoration and maintenance of overgrazed HNV grasslands;
  o Maintenance of habitats of protected species in arable lands of Important Bird Areas (IBAs);

Landscape features:
  o Maintenance of traditional orchards;

Traditional livestock breeding:
  o Preservation of local breeds in danger of being lost for farming;
  o Mountain pastoralism;

Soil and water protection:
  o Crop rotation for soil and water protection;
  o Soil erosion control.

Implementation of the Mountain pastoralism package will start on a pilot basis only, in 2 National parks – Pirin and Central Balkan

**Combination of agri-environment commitments**

A beneficiary may choose to implement different agri-environment activities on his/her farm. However, on one and the same parcel it is only permitted to combine a single area based agri-environmental activity with preservation of local breeds, endangered of being lost for farming or organic apiculture.

The farmer may choose to implement one or several activities under the packages: Maintenance of habitats of protected species in arable lands of Important Bird Areas (IBAs) (HNV4) or Soil erosion control (SW2) depending on the situation in his farm. Whenever a farmer chooses to implement a combination of activities this is subject to respect of the maximum permitted aid ceilings per ha under the measure.

**Definition of beneficiaries.**

Farmers – natural persons or legal entities

**General requirements for beneficiaries**

- To sign a commitment to apply the selected agri-environmental activity or combination of activities for 5 years on the same area.
- To be registered in IACS.

All the farmers, participating in the measure and receiving agri-environmental payments shall apply on their whole farm the following:

- the requirements for Good Agricultural and Environmental Conditions (GAEC) adopted with an Order № RD 09-293/04.05.2007 of the Minister of Agriculture and Food and subsequent amendments of this Order, pursuant to Articles 5 and Annex IV of EC Regulation №1782/2003
- the minimum requirements for fertilizer and plant protection materials and other relevant mandatory requirements established by national legislation identified in the RDP (Annex 5 (Attachment 2 to Measure 214));
and, for the area under agri-environment commitment, the relevant mandatory standards (SMRs) established pursuant to Article 4 and Annex III of EC Regulation 1782/2003. Farmers shall receive agri-environmental payments only for activities going beyond the above baseline requirements. The baseline requirements for each type of agri-environment commitment are described in annex (Attachment 1 to Measure 214).

In case of amendments or changes of the relevant mandatory standards established according to Article 39 (3) of Regulation (EC) No 1698/2005 (as specified above), the conditions and requirements to receive agri-environmental payments shall be adjusted accordingly.

If the beneficiary does not accept such adjustment, the commitment shall expire and reimbursement shall not be required in accordance with Article 46 of Commission Regulation (EC) No 1974/2006.

The minimum area for participation in the agri-environmental measure is 0.5 ha. The following exceptions are accepted:
- For Maintenance of traditional orchards – 0.3 ha;
- For Organic farming – organic mushrooms production, organic greenhouse production or production of seed and propagation material – 0.1 ha;
- For Organic apiculture, minimum area is not required. For organic apiculture the applicant should have minimum 20 bee families.
- For Traditional livestock breeding (Preservation of Traditional Local breeds and Mountain pastoralism) – the minimum area should be defined in accordance maximum livestock density of 2 LSU/ha of all of the animals in the farm (not only the rare breeds) or according to the management plans of the National parks.
- For maintenance of habitats for Protected Species in arable lands in IBAs – 0.3 ha or according to the management requirements if larger.

All of the beneficiaries have to: keep a farm book as an evidence of all farming activities carried out on the parcels subject to an agri-environment commitment and undertake basic agri-environmental training or participate in basic agri-environment information actions within the first 2 years of the implementation of the activity chosen, or to prove experience in the agri-environmental activities that they have chosen to implement. Relevant information activities will be provided under Measure 111 Training, information and diffusion of knowledge. The beneficiaries under the Agri-environmental measure will be considered as priority target group.

The objective of the farmer’s participation in a required basic agri-environment information actions under Measure 111 is to:

- provide them with understanding on the general environmental issues (soil, water, climate change, biodiversity conservation, etc.)
- provide them with supplementary information about the agri-environmental schemes which they have selected aimed at improving their skills and capacities for implementing specific packages, and their understanding of the relevant management requirements and other obligations under the scheme;
- provide them with the information for monitoring the results from the implementation of the agri-environmental activities they have chosen.

Under Measure 111 supplementary training and information activities may be offered to farmers on voluntary basis to improve their capacity and skill for the implementations of the individual agri-environmental packages.
During the period 2007-2009 farmers have the opportunity to be supported under the Measure 143 *Provision of farm advisory and extension services in Bulgaria and Romania* to:

- assist them in the selection of the most appropriate agri-environment packages or their combination for their farm, and;
- support the successful preparation of their application to join the measure.

**Description and justification of the different types of commitments, based on their expected environmental impact in relation to environmental needs and priorities**

The specific requirements; expected environmental impacts and the payment rates of the different schemes are set out in the tables below.

The description of the baseline requirements relevant for the design of each particular type of commitment and for calculating the level of support are described in Annex 5 (attachment 1 to Measure 214)

The description of the methodology and of the agronomic assumptions used as a reference point for the calculations justifying (a) additional costs and (b) income foregone resulting from the commitments made are set out in Annex 5 (Attachment 3 to Measure 214) (see also Section 5.1.2. of the RDP.)

### Scheme 1: Organic Farming Scheme (OF)

<table>
<thead>
<tr>
<th>Environmental Objectives:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• To increase the area of agricultural land and the number of farms managed according to accredited organic farming standards;</td>
</tr>
<tr>
<td>• To encourage the establishment and development of a variety of organic production systems;</td>
</tr>
<tr>
<td>• To encourage more “balanced” organic farming systems based upon crop rotations and the integration of crop and livestock production;</td>
</tr>
<tr>
<td>• To maintain local and regional balances and protect soil and water using the natural resources and energy;</td>
</tr>
<tr>
<td>• To improve rural landscapes by maintaining biodiversity and protecting natural habitats, which also helps to attract and retain population;</td>
</tr>
<tr>
<td>• To increase the availability of seed and propagation materials that are produced according to accredited organic farming standards;</td>
</tr>
</tbody>
</table>

Due to prohibition on utilization of fertilizers and synthetic plant protection products organic farming plays a positive role in biodiversity conservation, improves the soil and water quality and contributes to the achievement of a balance in the soil – plants – livestock system. The organic plant growing encourages the use and therefore the conservation of traditional local varieties and breeds; selected because they are more resistant to pests and diseases due to their adaptability to local conditions. This also explains why organic farming has a positive impact on genetic biodiversity in agriculture.

Organic apiculture will improve the pollination of wild plants and contribute to the protection of the biodiversity. It will also improve the pollination of fruit-growing crops and their production without using additional quantities of nitrogen containing fertilizers which will lead to preservation of soils.
### Geographical Scope

Whole territory of Bulgaria

### Management Requirements

**In order to participate in Sub-measure Organic Farming** the beneficiary shall undertake the following commitments:

- To follow the requirements of Council Regulation (EC) No 834/2007 of 28 June 2007 on organic production and labelling of organic products and repealing Regulation (EEC) No. 2092/91 on the whole farmers block (all agricultural parcels in the farmers block should be managed in organic way and/or in conversion or should be set aside and certified. For the set aside areas the farmers will not receive payments.)
- Sign a contract with a Control body approved by the Bulgarian Ministry of Agriculture and Food for conversion and/or on-going management.
- To receive a certificate for successful conversion to organic production during the 5 year period for implementation of the measure

**In order to participate in Sub-measure Organic Apiculture** the beneficiary shall undertake the following commitments:

- Sign a contract with a Control body approved by Bulgarian Minister of Agriculture and Food for conversion and/or on-going management.
- To receive a certificate for successful conversion to organic production during the 5 year period for implementation of the measure
- To keep all the bee families in the farm in compliance with organic farming methods.

### Expected Environmental Impact

Two implemented targets of the *National Strategy and Action Plan for Development of Organic Farming in Bulgaria* during the period 2007 -2013

- 3% of all Bulgarian food products sold in Bulgaria to be organic by 2013;
- 8% of the whole utilized agriculture land to be under organic management by 2013;

### Payment Rates

The methodology for payment calculations is presented in Annex 5 (*Attachment 3 to Measure 214*).

<table>
<thead>
<tr>
<th>Category</th>
<th>Annual Payment Rates (EUR/ha/annum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arable crops, including fodder crops:</td>
<td></td>
</tr>
<tr>
<td>- organic</td>
<td>155 EUR/ha</td>
</tr>
<tr>
<td>- in conversion period</td>
<td>181 EUR/ha</td>
</tr>
<tr>
<td>Pasture and meadows:</td>
<td></td>
</tr>
<tr>
<td>- organic</td>
<td>82 EUR/ha</td>
</tr>
<tr>
<td>- in conversion period</td>
<td>82 EUR/ha</td>
</tr>
<tr>
<td>Vegetable crops (including cultivated mushrooms and potatoes):</td>
<td></td>
</tr>
<tr>
<td>- organic</td>
<td>357 EUR/ha</td>
</tr>
<tr>
<td>- in conversion period</td>
<td>483 EUR/ha</td>
</tr>
<tr>
<td>Perennials, orchards and vineyards including essential-oil roses</td>
<td></td>
</tr>
<tr>
<td>- organic</td>
<td>418 EUR/ha</td>
</tr>
<tr>
<td>- in conversion period</td>
<td>505 EUR/ha</td>
</tr>
<tr>
<td>Essential oil and medicinal crops:</td>
<td></td>
</tr>
<tr>
<td>- organic</td>
<td>267 EUR/ha</td>
</tr>
<tr>
<td>- in conversion period</td>
<td>340 EUR/ha</td>
</tr>
<tr>
<td>Payment for one bee family:</td>
<td></td>
</tr>
<tr>
<td>- organic</td>
<td>11.5 EUR/family</td>
</tr>
<tr>
<td>- in conversion period</td>
<td>11.5 EUR/family</td>
</tr>
</tbody>
</table>

*Payment rates for conversion may be received by the farmers not longer than the standard conversion period for the crop grown according to Council Regulation (EC) 834/2007 of 28 June 2007 on organic production and labelling of organic products and repealing Regulation (EEC) No. 2092/91*
**Scheme 2: Management of High Nature Value Farmland Scheme (HNV)**

| **Environmental objectives:** | To avoid the further loss of high nature value grasslands and associated species through abandonment, conversion to arable land and other crops, or over-grazing;  
|                              | To conserve and maintain high nature value grasslands and associated species through the continuation or re-introduction of traditional management practices on semi-natural grasslands;  
|                              | For grasslands in protected areas - to contribute to the implementation of protected area management plans and the achievement of protected area conservation goals, including the achievement of favourable conservation status for Natura 2000 sites, before statutory requirements in their management plans enter into force  
|                              | To contribute to the achievement of favourable conservation status for Natura 2000 sites outside of protected areas before the statutory requirements in their management plans enter into force  
|                              | To protect biodiversity and to ensure protection, maintenance and/or recovery of favourable condition of habitat and bird populations  
|                              | Promotion of traditional mowing methods without heavy machinery  
| **Geographical Scope:**      | Permanent grasslands category in HNV areas as defined in Annex 5 (Attachment 4 to Measure 214)  
Where part of a physical block is classed as permanent grassland HNV, a commitment can be made under HNV1 or HNV2 on the whole physical block (the whole area of the physical blocks classed as HNV permanent grassland is around 1,138,981 ha)  
| **Management Requirements:** | There are two packages:  
**HNV1 – Restoration and maintenance of undergrazed HNV grasslands**  
**HNV2 – Restoration and maintenance of overgrazed grasslands**  

**HNV1 – Restoration and maintenance of undergrazed HNV grasslands**  
*Each year farmers have to specify whether the grassland will be mowed or grazed. For both practices*  
- Use of fertilizers and application of pesticides is prohibited except those defined in Regulation (EEC) 2092/91 (R 834/2007)  
- No new drainage and ploughing is permitted

For grasslands that will be mowed the following requirements should be observed:  
- Free grazing on meadows after the last mowing (except for meadows in the forests, because they are a habitat for plant species of European conservation importance where the grazing might not be of benefit, moreover the forest meadows are used for grazing by wild fauna and human presence might disturb them).  
- Mowing should be between 15th of June and 15th of July for lowlands and between 30th of June and 15th of August for mountainous LFA as defined in Measure 211 (Annex5).  
- The mowing may be done manually or if it is with a slow grass cutting machine to be performed in a way that will not disturb the nesting birds or other animals (e.g. from the centre towards the periphery of the meadow and with low speed or from one end to the other). (This will allow the ground nesting birds and other animals to escape).  

For grasslands that will be grazed:  
- Maintenance of minimal and maximum density of livestock depending on natural climatic and soil conditions in order to assure a good ecological state of the meadows and pastures and keep permanent grass cover. The minimum and maximum levels should be as follows:  
  0.3-1.5 LSU/ha  
- Farmer should keep the minimum and maximum stocking density in the whole grazing area within the farmers block. Respect of stocking density will take into account all grazing livestock kept in the farm

**HNV2 – Restoration and maintenance of overgrazed HNV meadows and pastures**  
*Each year farmers have to specify whether the grassland will be mowed or grazed. For both practices* Re-seeding with approved native species – preferably with seed of local provenance.
• Use of fertilizers and application of pesticides is prohibited except those defined in Regulation (EEC) 2092/91 (R 834/2007)
• No new drainage, ploughing is permitted

For grasslands that will be mowed the following requirements should be observed:

• Free grazing on meadows after the last mowing (except for meadows in the forests, because they are a habitat for plant species of European conservation importance where the grazing might not be of benefit, moreover the forest meadows are used for grazing by wild fauna and human presence might disturb them).
• Mowing should be between 15th of June and 15th of July for lowlands and between 30th of June and 15th of August for mountainous LFA as defined in Measure 211 (Annex 5).
• The mowing may be done manually or if it is with a slow grass cutting machine to be performed in a way that will not disturb the nesting birds or other animals (e.g. from the centre towards the periphery of the meadow and with low speed or from one end to the other). (This will allow the ground nesting birds and other animals to escape).

For grasslands that will be grazed:

• Maintenance of minimal and maximum density of livestock depending on natural climatic and soil conditions in order to assure a good ecological state of the meadows and pastures and keep permanent grass cover. The minimum and maximum levels should be as follows: 0.3-1.5 LSU/ha
• Farmer should keep the minimum and maximum stocking density in the whole grazing area within the farmers block. Respect of stocking density will take into account all grazing livestock kept in the farm.

<table>
<thead>
<tr>
<th>Expected Environmental Impact:</th>
<th>Improved conservation status of HNV grassland habitats</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Anticipated improvement in the conservation status of over 200 000 ha of high nature value semi-natural grasslands</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Payment Rates:</th>
<th>The methodology for payment calculations is presented in Annex 5 (Attachment 3 to Measure 214)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Payments per year per ha:</td>
</tr>
<tr>
<td></td>
<td>• HNV 1 – 97 EUR/ha</td>
</tr>
<tr>
<td></td>
<td>• HNV 2 – 155 EUR/ha</td>
</tr>
</tbody>
</table>

| HNV 4 – Maintenance of habitats of protected species in arable lands of Important Bird Areas (IBAs) |

| Environmental objectives: | To protect biodiversity and to ensure the protection, maintenance and/or recovery of the favourable condition of habitats and bird populations during the breeding season, on migration or during winter. Arable lands included in IBA's in Bulgaria account for around 4.6% of the territory of Bulgaria. They concern important migratory routes like Via Pontica and are very important for feeding of the birds. However the farmers in these areas may suffer significant losses caused by the birds. |

| Geographical Scope: | All arable UAA classed as HNV (see annex 5 (Attachment 4 to Measure 214)) ((around 360,000 ha)⑨)
If more than 50% of the arable land within the a physical block is classed as HNV, the whole block is eligible for support as HNV arable land. If less than 50% of the physical block is classed as HNV arable land the physical block is not eligible for support. |

<table>
<thead>
<tr>
<th>Management Requirements:</th>
<th>The farmer may choose one or a combination of the following activities</th>
</tr>
</thead>
</table>
|                          | • Leave small (16-25 square meters) pieces of land unploughed and not sowed, amongst the autumn cropped areas (4 such pieces per hectare)
|                          | • Retain winter stubbles on fields selected for spring-grown crops;
|                          | • Leave uncultivated and un-ploughed areas (“wildlife-friendly set-a-side”) for a period for 2 years on a 5 year rotational basis in intensive agricultural land with monocultures (10 to 20% of the farmers block, but not less than 1 ha, as a single, non-fragmented block of land; with a 1m sterile strip around the perimeter that should be ploughed 2-3 times a year [but not between March and July] to prevent spread of weeds into adjacent crops); |

⑨ Actual eligible area is still under calculation, the final figure will be lower because physical blocks where HNV area is less than 50% of the area of the physical block the blocks will not be eligible for support.
• No cereal harvesting before 31st July in areas with nests of Montagu’s Harrier (Circus pygargus);
• No use of pesticides (including second generation rodenticides) and mineral fertilizers - other than ‘localised-treatment’ of invasive weeds, i.e. selective use of some herbicides such as fluazifop-P-butyl or similar in March is permitted to suppress rank grass swards on grass margins or wildlife set-aside areas.

**Expected Environmental Impact:**

• Stabilization or increase of farmland bird populations in SPAs and IBAs;
• Maintenance of the ecological conditions (food base, shelter, breeding substrate, etc.) for breeding or foraging Imperial Eagle, Pallid and Montagu’s Harrier, Saker Falcon, Red-footed Falcon, Roller, Red-backed Shrike, and staging during migration and wintering of Red-breasted and Lesser White-fronted Geese;
• Maintenance or recovery of the breeding populations of Imperial Eagle, Montagu’s Harrier, White Stork, Saker, Red-footed Falcon, Roller, Masked Shrike, Red-backed Shrike;
• Maintenance or recovery of migrating and wintering populations of wildfowl, especially Red-breasted Goose and Lesser White-fronted Goose;
• Protection of habitats and biodiversity.
• The actions will be implemented until equivalent statutory management requirements enter into force in designated SPA under Birds Directive in Bulgaria

**Payment Rates:**
Payments per year per ha:
• Unploughed and not sown areas: 20 EUR/ha;
• Retain winter stubbles on fields selected for spring-grown crops: 61 EUR/ha;
• Leave uncultivated and un-ploughed areas ("wildlife-friendly set-a-side") for a period for 2 years: 102 EUR/ha;
• No cereal harvesting before 31 July in areas with nests of Montagu’s Harrier (Circus pygargus): 31 EUR/ha;
• No use of pesticides. 58 EUR/ha.

The methodology is presented in Annex 5 ([Attachment 3 to Measure 214](#)).

**Scheme 3: Landscape Features**

<table>
<thead>
<tr>
<th>LF 3: Traditional Orchards (LF 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environmental Objectives:</strong></td>
</tr>
<tr>
<td>To maintain traditional fruit varieties which are nationally and internationally important for the preservation of genetic variety, cultural heritage and traditional landscapes or biodiversity;</td>
</tr>
<tr>
<td>To maintain and support the traditional extensive systems of fruit production in those orchards which are not currently managed on a commercial basis and are important for the conservation of valuable plant varieties and wildlife habitats in mountainous and semi-mountainous areas;</td>
</tr>
<tr>
<td>To safeguard orchards with traditional varieties of native fruit trees</td>
</tr>
</tbody>
</table>
| **Geographical Scope:**
Tradional orchards on the whole territory of Bulgaria that correspond to the following criteria: |
| Traditional orchards are characterised by: |
| Extensive management; |
| mature fruit trees (older than 25 years); |
| mixtures of old local varieties; |
| widely-spaced trees (but with less than 10 m). Boundaries of the traditional orchard are considered to be 10 m away from the last trees. (Single orchard trees on the farm, but not within the orchard are not eligible for compensation); Exceptions are permitted only for walnuts and cherries for which 15 m between the trees is permitted; |
| the orchard floor has continuous or near continuous grass cover that is commonly used for grazing animals. This grass cover may also be very old and species-rich. |
| fruit is not marketed commercially |
| **Management Requirements:**
Retain all living fruit trees; |
| Ensure regular pruning at least once per year |
| Maintain grass growing on the floor of the orchard through grazing and/or mowing; |
**LF 3: Traditional Orchards (LF 3)**

- Do not burn grass or wood in the orchard;
- Do not allow standing fruit trees to be damaged by grazing livestock or mowing equipment;
- Plant protection treatment is allowed only in extreme circumstances - only in case of direct threat of destruction of the trees and after consultation with a plant protection expert;
- Do not apply any fertilisers or herbicides to the grass on the floor of the orchard.
- According to the specific situation of their orchards certain farmers will be required to plant up to 10 young trees per ha for the whole 5 year period. Farmers will be informed of the specific requirement applicable to their orchards.

**Expected Environmental Impact:**
Maintenance of the traditional landscape, reduction of the intensive management of orchards and of the replacement of old traditional varieties by new intensive varieties.

*At least 11 000 ha of traditional orchards or nut plantations are maintained leading to the preservation of at least 50% of varieties on the Official variety list of fruits;*

**Payment rates:**
The methodology is presented in Annex 5 (*Attachment 2 to Measure 214*).
Payments per year per ha: 131 EUR/ha.

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**Scheme 4: Soil and Water Protection Scheme (SW)**

**SW 1: Crop rotations for soil and water protection**

**Environmental objectives:**
- Support the introduction of sustainable crop rotations incorporating wintertime green cover and legumes (beans, soy, lucerne, clover);
- Support the nutrient management planning (including the storage and application of livestock manure);
- Support the increased use of crop rotations which are designed according to specific criteria for a) the control of soil erosion (slight to moderate) and b) the reduction of nutrient losses (especially nitrate leaching);

This measure has a double environmental effect – on one hand it contributes to a decrease in soil erosion and, on the other for an improvement of water quality. In the case where no winter cover is left, the soil is exposed to the rainfall impact and to water erosion.

**Geographical Scope:**
All regions of Bulgaria where arable crops are grown and crop rotations can be implemented – priority will be given to applicants from within the designated Nitrate Vulnerable Zones.

**Management Requirements:**
Farmers will be required to:
- Take soil samples for analysis of N, P, K (with support of an advisor)
- Prepare and implement a 5 year Nutrient Management Plan (NMP) with support of an advisor or qualified agronomist
- Maintain at least 50% of the total crop rotation area of the farmers block covered with winter crops.
- Apply a 4-stage crop rotation
- Not to cultivate the soil before 1st of April

**Expected Environmental Impact:**
This package will make a significant contribution to reducing the slight to moderate risk of soil erosion and nitrate leaching from arable land.

**Payment Rates:**
Methodology is presented in Annex 5 (*Attachment 3 to Measure 214*)
Payments per year per ha: 76 EUR/ha

---

**SW 2: Soil erosion control**

**Environmental Objectives:**
- To support farmers to plan and implement an appropriate programme of activities for significantly reducing the risk of soil erosion by water and wind on “compact” blocks of land (i.e. priority will be given to adjoining parcels in one and the same river catchment area);
- To decrease soil pollution;
- Prevention of degradation processes in agricultural land threatened or affected by erosion;
- To contribute to preservation, restoration and improvement of soil fertility and ecosystem functions of the soil cover.
### SW 2: Soil erosion control

#### Geographical Scope:
This package will be implemented on the whole territory of the Bulgaria. However, priority will be given to applications concerning land within municipalities with moderate to severe erosion problems on agricultural land (arable land, pastures, orchards and/or vineyards).

#### Management Requirements:
The farmer is required to have a 5 years anti-erosion plan. The farmer may choose to apply one or several activities from the list below:

- Creating grassy buffer strips 4-8m wide and arranged perpendicularly to the slope with distances of about 20-80 m between each other, depending on the slope, soil type and other factors. The strips should cover between 10-30% of the arable area;
- Planting of forecrops for erosion control;
- Creating run-off holding furrows - arranged perpendicularly (and with a little inclination) to the slope with a distance between each other of about 20-40 m;
- Planting crop strips - strips 30 to 100m wide, with alternating earthed-up crops planted on the contour, perpendicular to the slope;
- Converting of arable land into pasture and manage it in extensive way (not more than 2 LU/ha);
- Applying practices for improvement of pastures - to clear the pastures from stones and other detrimental vegetation, and also partial sowing and nutrition of the pastures;
- Applying anti-erosion practices in vineyards and orchards - for better sunlight for the plants, very often the vineyards’ and some orchards’ rows are oriented parallel to the slope direction, which is in contradiction with the erosion control regulations. In such cases farmers will be supported to create and maintain run-off furrows perpendicular to the slope.

Expected Environmental Impact:
This package will make a significant contribution to reducing the risk of moderate to severe soil erosion from agricultural land (arable land, pastures, orchards and/or vineyards).

#### Payment Rates:
The payment calculations are presented in Annex 5 (Attachment 3 to Measure 214):

- Forecrops for erosion control – 74 EUR/ha
- Crop strips - 32 EUR/ha
- Grassy buffer strips - 27 EUR/ha
- Run-off holding furrows - 26 EUR/ha
- Antierosion practices in vineyards and orchards - 103 EUR/ha
- Conversion of arable land to pasture – 192 EUR/ha
- Practices for improvement of pastures – 51 EUR/ha

### Scheme 5: Traditional Livestock Breeding Scheme (LB)

#### LB 1 Preservation of Local Breeds in danger of being lost for farming

#### Environmental Objectives:
- To maintain genetic resources by increasing the numbers of breeding animals of specified local traditional breeds which are in danger of further decline in numbers and, in some cases could be lost for farming;
- To support those local traditional breeds which are well-adapted to the poor conditions of mountain agriculture and have the potential to play an important role in the maintenance of traditional grazing systems in mountainous and semi-mountainous areas;
- To preserve genetic resources naturally adapted to the local and regional conditions;

#### Geographical Scope:
Whole territory of Bulgaria

#### Management Requirements:
The following livestock breeds are in danger of being lost for farming:
- Cattle
- Buffalo
- Sheep
- Goat
- Horse
- Swine

The list of endangered breeds is presented in Annex 5 (Attachment 5 to Measure 214).

Support will only be given to animals that have a “certificate of origin” issued in accordance to the Animal husbandry act. The following management requirements will apply:
• avoid any cross-breeding of female animals supported by payments from this package – only certified pure-breds will be supported;
• crossbreeding is allowed for the culled females with permission of the corresponding breeding association or Executive Agency for Selection and Reproduction;
• application of breeding programme for the relevant breed;
• keep a record of the sales and purchases of all livestock on the farm;
• notify and obtain written permission from the Breeding associations and the Executive Agency for Selection and Reproduction before slaughtering or selling any livestock supported by payments from this sub-measure;
• restriction of free grazing of pigs outside the specially appointed sites for that purpose;
• closely follow all guidelines and technical advice of the regional offices and responsible authorities concerning the health and welfare of the animals supported by payments from this package.
• Ensure livestock density of not more than 2 LU/ha of all of the animals in the agricultural holding

Expected Environmental Impact:
Increase of the number of the endangered breeds and preservation of their breed pureness.

Payment Rates:
Methodology is presented in Annex 5 (Attachment 3 to Measure 214)
Payments per year per LU:
• Cattle and buffalo – 200 EUR/LU
• Sheep and goats – 165 EUR/LU
• Swine – 122 EUR/LU
• Horse – 200 EUR/LU

<table>
<thead>
<tr>
<th>Environmental objectives:</th>
<th>LB 2: Traditional Shepherd Systems (Mountain Pastoralism)</th>
</tr>
</thead>
<tbody>
<tr>
<td>To support traditional patterns of seasonal grazing of high nature value natural and semi-natural pastures in specified mountain regions using national breeds and methods;</td>
<td>This is proposed as a pilot scheme and support payments will only be available in specified areas suitable for the implementation of mountain pastoralism where there:</td>
</tr>
<tr>
<td>To apply the grazing as a tool for conservation and maintenance of habitats and species in the high mountain;</td>
<td>• are significant areas of high mountain pasture under threat from abandonment;</td>
</tr>
<tr>
<td>To promote the use of traditional breeds that are capable of grazing in the harsh mountain conditions;</td>
<td>• are predator populations that conflict with grazing animals;</td>
</tr>
<tr>
<td>To promote the use of Karakachan Dogs as an efficient and environmentally-friendly method of protecting domestic livestock from attack by big predators (wolves, bears, jackals and lynxes);</td>
<td>• is the possibility for making the necessary grazing agreements between local farmers/shepherds and the owner of the high mountain pastures – notably the National Park Directorate.</td>
</tr>
<tr>
<td>To enhance biodiversity in the pastures in specified mountain regions.</td>
<td>Pirin and Central Balkan National Parks will be the first pilot areas. The most important characteristics of these two Parks are:</td>
</tr>
</tbody>
</table>

Beneficiaries: Farmers, natural persons or legal entities that own grazing livestock (sheep, cattle and horses) and have annual grazing licence with the owner of the high altitude pastures (e.g. National Park Directorates). Grazing contracts of at least 5 years are recommended, but shorter periods can be accepted at the risk of the beneficiary)
There are several different patterns of ownership and shepherding that are eligible for support:

- there is one owner of the flock/ herd and the shepherding is done by this owner plus shepherds employed by the owner;
- there is a group of owners who co-operate to take their animals to the high altitude pastures; summer grazing and share the responsibility of shepherding;
- there is a group of co-operating owners that employ a shepherd or shepherd(s);

In each case, the direct beneficiary under M214 will be the one that has received the licence for grazing in the National park from the National Park Directorate.

Management requirements:

- The shepherd (farmer) shall have at least 50 sheep or 10 cattle or 10 horses or combination of them but not less than 10 LSU (mixed cattle, horses and/or sheep):
  1 LSU can contribute for grazing of 1 ha, e.g. payments will be granted following the ratio 1LSU=1 ha;
- The farmer/shepherd shall keep records of animal losses;
- The farmer/shepherd must graze their livestock on the designated mountain pastures for at least 3 months of the year (e.g. May – October). Shorter periods will be permitted according to seasonal conditions (e.g. a late spring or early autumn);
- The shepherd (farmer) could own at least two Karakachan Dogs for protection of livestock against predator attack. The actual number of dogs must be proportional to the total number of sheep or cattle requiring protection. A pair of Karakachan Dogs will guard up to 100 sheep or 30 cattle, with an additional dog required per 100 additional sheep or 30 additional cows;
- The Karakachan Dogs will be “working dogs” that are fully socialised with the herd/flock of cattle/sheep and following them constantly;
- In order to receive the additional payment for Karakachan dogs, the dogs will have to have pedigree by the recognized association;
- The shepherd must avoid any cross-breeding of the Karakachan dogs supported by payments from this package (only certified pure-breds will be supported).

Minimum Area:

For the alpine pastures the grazing permission must be issued for an area proportional to the LU density by the Management Plan of the National Park.

Expected Environmental Impact:

- Increased utilisation of high mountain pastures leading to maintenance of a) the high nature value of the mountainous grassland communities and b) the traditional ‘open’ mountain landscapes;
- Increased numbers of local traditional breeds including Karakachan Dogs;

Payment Rates:

Methodology is presented in Annex 5 (Attachment 3 to Measure 214) Payments per year per ha:
100 EUR/ha (following the ratio 1LSU=1ha)
110 EUR/ha with dogs (following the ratio 1LSU=1ha)

Amounts of support

Payment rates are indicated in the tables for each commitment.

Support shall in all cases be limited to the maximum amount laid down in the Annex of Regulation 1698/2005:

- Annual crops: 600 EUR/ha
- Specialized perennial crops: 900 EUR/ha
- Other land uses: 450 EUR/ha
- Local breeds in danger of being lost to farming: 200 EUR/LU

The Paying agency will make cross-checks to ensure the respect of aid ceilings in the case of combinations of agri-environment commitments and activities on the same land.
Selection procedure
Applicants which meet the eligibility criteria shall be approved in order of their application (1st come, 1st served). This procedure will be reviewed after two years of the measure implementation.

List of local breeds in danger of being lost to farming
The list of local breeds in danger of being lost to farming and the number of breeding females concerned is in Annex 5 (Attachment 5 to Measure 214).

Quantified targets for EU common indicators

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>Number of farm holdings and receiving support</td>
<td>40 000</td>
</tr>
<tr>
<td></td>
<td>Total area under agri-environmental support (ha)</td>
<td>160000</td>
</tr>
<tr>
<td></td>
<td>Total number of contracts</td>
<td>50 000</td>
</tr>
<tr>
<td></td>
<td>Physical area under agri-environmental support (under this measure) (ha)</td>
<td>160 000</td>
</tr>
<tr>
<td></td>
<td>Number of actions related to genetic resources:</td>
<td>1 000</td>
</tr>
<tr>
<td>Result</td>
<td>Areas under successful land management contributing to:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) improvement of biodiversity (ha)</td>
<td>110 000</td>
</tr>
<tr>
<td></td>
<td>b) improvement of water quality</td>
<td>1 000</td>
</tr>
<tr>
<td></td>
<td>c) improvement of soil quality</td>
<td>160 000 ha, of which organic farming will be applied on 70 000 ha</td>
</tr>
<tr>
<td>Impact</td>
<td>Reversing biodiversity decline</td>
<td>To be monitored</td>
</tr>
<tr>
<td></td>
<td>(Specific actions for the conservation of endangered local breeds)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Maintenance of high nature value farming and forestry areas</td>
<td>To be monitored</td>
</tr>
<tr>
<td></td>
<td>(Significant improvement due to implementation of HNV Scheme, LF Scheme and SW scheme)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Improvement in water quality</td>
<td>To be monitored</td>
</tr>
<tr>
<td></td>
<td>(Improvement of the situation due to application of SW scheme and HNV Scheme)</td>
<td></td>
</tr>
</tbody>
</table>

Monitoring data will be provided in the RDP Annual reports on the numbers of commitments, area under support and committed and paid support amounts for each agri-environment package.
Title of the Measure: First afforestation of non-agricultural land

Code: 223

Article which covers the measure:

- Article 36 (b) (iii) and Article 45 of Council Regulation (EC) No 1698/2005

Rationale for intervention

In Bulgaria 34% of the total territory is covered by forests, primarily located in mountainous areas. The main agricultural regions of Bulgaria are lowlands in the north – the Danube Plain and in the south – around the river Maritsa. The forest cover there is lower than 10%. A lot of former agricultural land which is situated in mountains and semi-mountains regions is unused, which results in environmental and socio-economic problems.

In lowlands, due to the low forest cover a high fragmentation of forests and other wooded land can be observed. For preserving biodiversity so called natural “bridges” need to be established between forest areas.

On the other hand, the extension of forest resources will contribute to climate change mitigation and enhances carbon sequestration. The abandoned agricultural areas have a high potential for this purpose, due to the relatively suitable sites for rapid growth of young forest trees.

In the mountain areas a high level of soil degradation and regressive succession can be observed, particularly on abandoned land. So these areas lose soil by wind and water erosion. Also their possibilities to fight natural hazards such as flooding, to protect soil and to improve water quality are much lower.

Increasing the forest cover using native tree species will also improve the water balance in the surrounding territories, which is an important problem in South European countries.

Objectives of the measure:

- Enhance the forest cover in order to contribute to climate change mitigation and to support natural biodiversity.
- Diminish soil erosion and avoid land marginalization.
- Improve the water balance in the supported afforested and neighbouring areas.

Scope and actions:

Scope:

Non-agricultural land on the whole territory of Bulgaria in:

1. areas belonging to municipalities with average forest cover less than 60%;
2. areas with high and medium risk of soil erosion according to national classification done by the Soil Resources Agency.

For the purpose of this measure non-agricultural lands include:

1. Abandoned agricultural land – agricultural land which was not in agricultural use for at least three years preceding the application for support for afforestation.

2. Not afforested forest fund lands – lands located within forest areas that have never been afforested in the previous 15 years before the application for afforestation, but excluding environmentally valuable areas.

**Actions:**

1. Establishment actions include:
   a. Definition of a technological plan for afforestation;
   b. Site preparation for afforestation;
   c. Seeding and planting;
   d. Actions for guided natural succession;
   e. Fencing.

2. Maintenance costs for:
   a. Repair seeding or repair planting;
   b. Tending in young afforested land up to 5 years after afforestation.

**Definition of beneficiaries**

a. private owners (natural persons and legal entities) of non-agricultural land and their associations;

b. municipalities and/or their associations - owners of non-agricultural land;

c. state forest holdings, state hunting holdings, National parks and Educational research forest holdings that manage state owned forests.

**Eligibility criteria and conditions**

- All applicants have to demonstrate proof of the ownership of the land to be afforested.

- Minimum area to be afforested as follows:
  a. private owners – 0.5 ha;
  b. private owners associations – 1.0 ha;
  c. municipalities and/or their associations – 1.0 ha;
  d. state forest/hunting holdings - 1.0 ha with anti-erosion purposes only

- The afforestation should be performed according to the requirements of the national Forest Act (1997) and the relevant secondary legislation;

- The afforestation should correspond to the objectives of the measure;

- Maintenance costs are eligible for support only for afforestation of abandoned agricultural land;

- Planting of Christmas trees is excluded from support.

---

99 about 80.6% of the whole territory of the country
Selection criteria

All applications will be checked against the eligibility criteria. Eligible projects will then be ranked according to the priority selection criteria listed below:
- location in municipality with low forest cover (from less than 30 to less than 60% with lower percentages prioritised);
- location in a municipality classified with high or medium risk of soil erosion.

 Provision and criteria for the designation of areas to be afforested

All kinds of afforestation to be supported under this measure should be for environmental purposes only. Eligible area is non-agricultural land in Bulgaria. Existing forests, urbanised territories, High Nature Value abandoned agricultural land, meadows and pastures are not eligible for support for afforestation. In designated Natura 2000 sites afforestation can be supported only if such activity is explicitly written in the Management Plan/Order for designated protected zone of the specific site.

Provisions ensuring that the planned measures are suited to local conditions and compatible with the environmental requirements, particularly biodiversity

According to Ordinance No17 (for afforestation and inventory of newly established forests, SG No67/15.08.2000) a technological plan for afforestation has to be prepared for each new afforestation in Bulgaria. This technological plan is based on the Classification Scheme of the Types of Habitats in the Republic of Bulgaria. The scheme is developed according to: relief, direction faced, slope, altitude, soil, climatic and ecological characteristics of the terrain. There are 135 types of habitats in Bulgaria. For each type of habitat there is a list of tree species for afforestation with. From that list priority will be given to the local tree species, which have proved their compatibility with the environment and have suitable provenience for restoring biodiversity.

Description of the methodology for the calculation of establishment and maintenance costs

The level of establishment and maintenance costs to be supported under this measure have been determined using standard costs.

Eligible establishment costs include:
- preparing technological plans for afforestation,
- site or land preparation,
- transport and temporary keeping of the seeds and/or seedlings,
- seedling costs,
- labour costs for planting
- temporary fencing costs, if required.

Where relevant, these costs have been differentiated according to degree of slope of the land to be afforested.

Costs for preparation of technological plans for afforestation project are eligible as part of a wider afforestation project, and not as a stand-alone item. These expenditures could be reimbursed after the approval of the whole afforestation project.

Eligible maintenance costs include replanting costs as well as lightening and tending costs.
The methodology used for calculation of the above standard costs is described in Annex 5 (Attachment 1 to Measure 223).

**Aid intensity and amount of support**

1. Establishment costs

The aid intensity for establishment support will be:

- 100% for the total eligible expenditure for afforestation projects of municipalities in rural areas (231 municipalities).
- for all other beneficiaries:
  - 80% of the total eligible expenditure for projects in less favoured areas (LFA) or Natura 2000 sites;
  - 70% of the total eligible expenditure in all other areas.

The resulting aid rates for establishment costs are as follows:

<table>
<thead>
<tr>
<th>Rate of support</th>
<th>coniferous</th>
<th>deciduous</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>slope &lt; 10°</td>
<td>slope &gt; 10°</td>
</tr>
<tr>
<td>70%</td>
<td>1.270</td>
<td>1.323</td>
</tr>
<tr>
<td>80%</td>
<td>1.452</td>
<td>1.512</td>
</tr>
<tr>
<td>100%</td>
<td>1.815</td>
<td>1.890</td>
</tr>
</tbody>
</table>

For mixed stands the aid rate will be fixed according to the percentage of mixture, following the figures above.

2. Maintenance costs

Maintenance costs will be payable up to maximum 5 years after establishment of the new forest. They will comprise:

- a. Repair seedling or repair planting for the seedlings lost after the afforestation, once for the first, the second and the third year after the establishment. The eligible costs for each year will be up to 10% of the establishment costs mentioned above.
- b. Lightening up to 3 times per year within 5 years after establishment as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>EUR/ha</td>
<td>90</td>
<td>90</td>
<td>90</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>Support per year</td>
<td>270</td>
<td>270</td>
<td>180</td>
<td>90</td>
<td>90</td>
</tr>
</tbody>
</table>

The methodology used for calculation of the above standard costs is described in Annex 5 (Attachment 1 to Measure 223).

**Linkage of proposed measures with national/sub-national forest programmes or equivalent instruments and with the Community Forestry Strategy**

The proposed measure is linked to the National Strategy for Sustainable Development of Forests 2006 -2015 as a strategic aim under point 3; to the actions envisaged in the Strategic Plan for Development of the Forest Sector 2007-2011 as well as to the Community Forestry Strategy (paragraphs D1a and C 2).
References to the Forest Protection Plans for areas classified as high or medium risk for forest fires and the elements ensuring conformity of proposed measures with these protection plans.

The area of Bulgaria has not yet been classified according to Council Regulation (EEC) No 2158/92 for the risk of forest fires. In line with Article 2 (1) of this regulation, Bulgaria has classified itself its territory according to fire risk as follows: high risk – 30%, medium risk – 45% and low risk – 25%. Furthermore, there is a National strategy against forest fires for the whole territory, the preparation of which was supported by FAO in 2005. It includes a national forest-fire protection plan. According to this strategy each forest owner is obligated to prepare his/her own forest plan against forest fires. For the state forests, a management plan against forest fire has been developed.

All actions within this measure which take place in areas with high or medium fire risk are connected to actions against fire prevention in accordance with Measure 226. Furthermore, afforestation in these areas includes fire breaks as well a sufficient road infrastructure (related to Measure 226).

Transitional arrangements
See Section 5.1.2.

Quantified targets for EU common indicators

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>Number of beneficiaries receiving afforestation aid</td>
<td>2 000</td>
</tr>
<tr>
<td></td>
<td>Number of hectares of afforested land</td>
<td>10 000</td>
</tr>
<tr>
<td>Result</td>
<td>Area (ha) under successful land management contributing to:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) biodiversity and high nature value farming/forestry</td>
<td>(a) 6 000</td>
</tr>
<tr>
<td></td>
<td>b) water quality</td>
<td>(b) 3 000</td>
</tr>
<tr>
<td></td>
<td>c) mitigating climate change</td>
<td>(c) 8 000</td>
</tr>
<tr>
<td></td>
<td>d) soil quality</td>
<td>(d) 3 000</td>
</tr>
<tr>
<td></td>
<td>e) avoidance of marginalisation and land abandonment</td>
<td>(e) 10 000</td>
</tr>
<tr>
<td>Impact</td>
<td>Maintenance of High nature value farmland and forestry</td>
<td>to be monitored</td>
</tr>
<tr>
<td></td>
<td>Contribution to combating climate change (ktJons)</td>
<td>72</td>
</tr>
</tbody>
</table>
Title of the Measure  
Restoring forestry potential and introducing prevention actions

Code  
226

Article which covers the measure:

Article 36 (b) (vi) and Article 48 of Council Regulation (EC) No 1698/2005

Rationale for intervention

The main natural hazards faced by Bulgaria’s forests are forest fires, floods, wind draw as well as insect infestations. In recent years, Bulgaria has experienced some important natural disasters, some of them causing serious damage to forests.

During the last 5 years more than 500 000 hectares of forests were destroyed by fires. Most of them up to now have not been restored (about 80%). These areas are a high potential for further disaster by insects (e.g. bark beetles) and they have encouraged floods as well as soil erosion. Unfortunately private forest owners and municipalities do not have enough money to restore these areas. As a result of the low economic productivity of these forests and low income levels in rural areas there is a lack of willingness to invest in restoring the damaged forests. Without support for these areas, they will become abandoned lands in the future.

Another important disaster in Bulgarian forests is wind draw. It has been estimated that in the last two years more than 120 000 m³ (250 000 ha of forest) have been damaged. Only 50% of these areas have been restored, mainly in state forests. As a result, large areas of damaged forest have not been re-established, similar to the fire damaged areas, especially in small-scale and municipal forests.

These serious and current threats to Bulgaria forests result in the loss of potential for carbon sequestration and forest production.

Without public support the forest areas concerned risk to be damaged further, and the damaged areas will not be re-established.

Objectives of the measure

- Restoring forests damaged by forest fires, and other natural disasters;
- Improvement of prevention actions against forest fires.

Scope and actions

Scope:

State, municipal, and private owned forest as follows:

1) Restoring actions are eligible on the whole territory of Bulgaria

2) Prevention actions are restricted to areas classified as high and medium forest fire risk.
Actions:

1. Restoring actions:
   a. Clearing of forests damaged by fires, wind draw and other natural disasters;
   b. Reforestation of damaged forests using indigenous tree species;
   c. Establishment and improvement of timber depots in case of disasters.

2. Prevention actions:
   a. Establishing and improving of fire protection facilities – silvicultural breaks, fire precaution cuttings, mineralised strips etc.;
   b. Purchasing of equipment for anti-fire depots;
   c. Establishing and improving of landing places for helicopters;
   d. Construction and improving of water points for fire fighting;
   e. Construction and improving of fixed fire monitoring points, purchasing of monitoring facilities and communication equipment;
   f. Construction and improving of forest roads in areas with high fire risk;
   g. Diversification of vegetation structure by transforming coniferous plantations into broadleaves or mixed stands.

Maintenance costs will not be supported under this measure.

The forest roads network and its development is a part of the Sustainable Forest Management Plan (SFMP) and the SFMP itself has Environmental Impact Assessment (EIA) and consultation process. For that reason construction and improving of forest roads foreseen in the SFMP will not need EIA. Any other construction of forest road should have EIA.

Definition of beneficiaries

The eligible beneficiaries are:

− private forest owners and their associations;
− municipalities and/or their associations - forest owners;
− state forest/hunting holdings, National parks and Educational research forest holdings.

Selection procedures

The beneficiaries which meet the eligibility criteria and conditions will be approved for support in order of their applications (1st come, 1st served).

Aid intensity

- 100% of the total eligible expenditure.

Prevention plans

The area of Bulgaria has not yet been classified according to Council Regulation (EEC) No 2158/92 for the risk of forest fires. In line with Article 2 (1) of this regulation, Bulgaria has classified itself its territory according to fire risk as follows: high risk – 30%, medium risk – 45% and low risk – 25%. Furthermore, there is a National Strategy against forest fires for the whole territory, the preparation of which was supported by FAO in 2005. It includes a national forest-fire protection plan. According to this strategy each forest owner is obligated to prepare his/her own forest plan against forest fires. For the state forests, a management
plan against forest fire has been developed. Non state forests were included in these plans before the restitution. Where the plans have expired, the non state forest owners are obligated to prepare and implement new forest fire protection plans as a part of their Sustainable Forest Management Plans (referred to in M122)

**Linkage of proposed actions with national/sub-national forest programmes or equivalent instruments and with the Community Forestry Strategy**

Bulgaria adopted a *National Strategy for Sustainable Development of Forests 2006 -2015*, and *Strategic Plan for Development of the Forest Sector* effective from January 2007. The protection of forests against fire is addressed in item 3.3. of the Strategy and in item 8.1. of the Strategic Plan.

The linkage with the *Community Forestry Strategy* is given by paragraphs B3 (forest fires) and C2.

**Reference to the forest protection plans for areas classified as high or medium risk for forest fires and the elements ensuring conformity of proposed measures with these protection plans.**

Most of the proposed actions will be implemented in areas with high or medium risk of forest fires (see Annex 5 *Attachment 1 to Measure 226*). The conformity of the proposed measures with protection plans will be ensured by the management plans mentioned above.

**Transitional arrangements**

None

**Quantified targets for EU common indicators**

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-13</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Output</strong></td>
<td>Restoration actions:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number of actions supported</td>
<td>2 000</td>
</tr>
<tr>
<td></td>
<td>Supported area of damaged forests (ha)</td>
<td>170 000</td>
</tr>
<tr>
<td></td>
<td>Prevention actions:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number of equipped anti-fire depots</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Number of established/improved landing places for helicopters</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Number of fire monitoring points constructed/improved</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Total volume of investment (in MEUR)</td>
<td>29</td>
</tr>
<tr>
<td><strong>Result</strong></td>
<td>(1) Area under successful land management contributing to:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) biodiversity and high nature value farming/forestry</td>
<td>(a) 170 000 ha</td>
</tr>
<tr>
<td></td>
<td>(b) water quality</td>
<td>(b) 170 000 ha</td>
</tr>
<tr>
<td></td>
<td>(c) mitigating climate change</td>
<td>(c) 170 000 ha</td>
</tr>
<tr>
<td></td>
<td>(d) soil quality</td>
<td>(d) 170 000 ha</td>
</tr>
<tr>
<td></td>
<td>(e) avoidance of marginalisation and land abandonment</td>
<td>(e) 170 000 ha</td>
</tr>
<tr>
<td><strong>Impact</strong></td>
<td>Maintenance of high nature value farming and forestry areas</td>
<td>to be monitored (Preservation or improvement of natural value of lands on more than 20% of private forest areas)</td>
</tr>
<tr>
<td></td>
<td>Improvement in water quality</td>
<td>to be monitored</td>
</tr>
<tr>
<td></td>
<td>Contribution to combating climate change (Ktons)</td>
<td>180</td>
</tr>
</tbody>
</table>
5.4 Measures in Axis 3

**Title of the Measure**  
Diversification into Non-Agricultural Activities

**Measure code**  
311

**Article which covers the measure**

- Articles 52 (a) (i) and 53 of Council Regulation (EC) No 1698/2005

**Rationale for intervention**

The process of restructuring of the Bulgarian farming sector, which is characterised by a large number of low-productive small farms, may be facilitated by creating incentives to farmers to diversify into non-agricultural activities. Currently, a relatively small share of farmers have developed gainful business activities outside agriculture due to the lack of capital for initial investments, management skills and knowledge of running non-agricultural businesses.

The support for investments of agricultural producers into non-agricultural activities will facilitate their entrance, or expansion in sectors having potential for market growth. This will bring additional income to farmers and will redirect labour from agriculture to more productive jobs, easing the underemployment problem.

The support for development of non-agricultural activities of agricultural producers will also create employment opportunities for the non-farming population and may contribute to slowing the outward migration from rural areas. The rural areas will also benefit from additional and better quality services for the rural population.

**Objectives of the measure**

- To promote diversification into non-agricultural activities by the farming sector;
- To promote job and income creation in rural areas;
- To promote integrated rural tourism development.

**Scope and actions**

The measure will provide grant aid to agricultural producers for investments in development of non-agricultural activities.

The measure will be implemented in 231 rural municipalities.

Investments in tourism development in settlements and resorts of developed mass tourism will not be supported (see list in Annex 6).

**Definition of Beneficiaries**

Agricultural producers located in rural municipalities.
Domains of diversification covered

The indicative list of areas of diversification is as follows:

- **Rural tourism development:**
  - Tourist accommodation and catering (including family hotels, camping sites and facilities, etc.);

  In case of projects for tourist accommodation (new or improvements), support will be given to investments in accommodation with no more than 20 rooms for guests (in accordance with Annex I of the Ordinance under the Law for Tourism, *State Gazette № 2, 07.01.2005*) on the award of a category of collective tourist accommodation establishments, supplementary tourist accommodations, mass-catering and entertainment establishments).

  - Development of tourism services that enables customers to participate in sports or recreational activities or pursue hobbies and leisure-time interests (riding, cycling, photo tourism, and specialised nature watching (birds, animals, butterflies, plants, etc.).

  - Development of tourism services related to preservation and exhibition of sites of historical, cultural, natural or educational interest (old cellars, mills, farmhouses, indoor and outdoor exhibitions), etc.

- **Local crafts**
  - Development of crafts (including services that enable customers to participate in craft activities);

- **Development of social services for the rural population**
  - Child care, care for the elderly, etc.;

- **Processing and marketing of agricultural products**, which are not supported under measure 123 and where the final product is not in Annex I;

- **Establishment /renovation and development of workshops for maintenance and repair of machinery**

- **Production and sale of renewable energy:**
  - solar, wind, water, geothermal energy, etc. except bio-fuel production;
  - bio-energy in case of processing of raw materials coming from the own agricultural holding.

The capacity of the installations under this measure should not exceed 1 MW.

Investments in other sectors will also be eligible with the exception of primary production of agricultural, fishery and aquaculture products, sectors eligible for processing and marketing support under measure 123, coal industry, steel industry, production of synthetic fibres, gambling, financial services and real estate brokerage and sectors and activities, as referred to in Article 1 of Commission Regulation (EC) №1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid.

**Type of support**

(a) Grant aid for eligible investments, including general costs related to the investment;

(b) Grant aid for external consultancy for development of marketing strategy, product development; introduction of quality systems, etc., linked to the supported non-agricultural activity;
(c) Grant aid for expenditures for advertising and publishing promotional materials linked to the supported non-agricultural activity.

The expenditure under (b) and (c) and the general cost related to the investments may not exceed 12% of total project eligible expenditure

Aid intensity

- 70% of the total eligible expenditure, subject to the limits and conditions imposed by the de minimis rules (Commission Regulation (EC) No 1998/2006);
- The **minimum total eligible expenditure per project** will be EUR 5 000;
- The **maximum total eligible expenditure per project** will be EUR 400 000 and in case of investments in renewable energy production - EUR 1 000 000;
- The **maximum grant aid per project** will be EUR 200 000, and for road transport sector investments - EUR 100 000.

Eligibility and Selection Criteria

All applications will be checked against the eligibility criteria. Eligible projects will then be ranked according to the priority selection criteria listed below.

The applications for support will have to comply with all the conditions for eligibility of applicants, operations and expenditure specified in this Section and in Section 5.1.2. Applicants have to comply with the following eligibility conditions:

- Agricultural producers – natural persons or legal entities 100 - registered according to the requirements of the Law on Support of Agricultural Producers or the Law for Tobacco and Tobacco Products;
- The investment is to be undertaken on the territory of the rural municipality to which the project application relates;
- The share of revenues from agricultural activities has to be at least 50% of the total revenues of the company, in case of applicants, which are registered as legal entities.

In the selection process the projects will be ranked and priority will be given to:

- Projects for development of integrated rural tourism and renewable energy;
- Projects of agricultural producers registered under the Law for Tobacco and Tobacco Products for **diversification activities**;
- Projects proposed by women and young farmers;
- Projects implemented on the territory of the 178 rural municipalities that are not included in the agglomeration areas;
- Projects proposed by applicants who have never previously received EU support for implementation of a similar project;
- Projects proposed by applicants that have their permanent address (for natural persons) or have headquarters or registered branches (for sole traders and legal entities) on the territory of the municipality where the project is to be undertaken.

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100 Legal entities should be under the definition for micro-, small- or medium-size enterprise according to the Law for the Small- and Medium- Size Enterprises
Demarcation line and criteria with other EU financial instruments

Investments of agricultural producers for diversification into non-agricultural activities will be supported only through the RDP in all 231 rural municipalities. Human Resource Development OP (ESF) will support training needed to promote economic diversification in non-agricultural activities. OP Regional Development (ERDF) will support municipalities (and their associations); the Ministry of Culture, tourism associations and public bodies managing cultural monuments of national importance for tourism development actions (Operation 3.1), whereas beneficiaries for tourism projects under this measure can only be registered agricultural producers from rural municipalities. *(see also Section 10.2)*

Financing

The budget of the measure is indicated in Section 7, Table: Indicative Budget per Measures of the RDP.

Transitional arrangements

None.

Quantified targets for EU common indicators

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Output</strong></td>
<td>Number of beneficiaries</td>
<td>4 500</td>
</tr>
<tr>
<td></td>
<td>Total volume of investments (in MEUR)</td>
<td>216</td>
</tr>
<tr>
<td><strong>Result</strong></td>
<td>Increase in non-agricultural gross value added in supported businesses (MEUR)</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Gross number of jobs created</td>
<td>5 500</td>
</tr>
<tr>
<td><strong>Impact</strong></td>
<td>Economic growth (NAVA in MPPS)</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Employment creation (Net additional FTE jobs created)</td>
<td>5 000</td>
</tr>
</tbody>
</table>

Additional programme specific indicators and quantified target

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Output</strong></td>
<td>Number of new tourism actions supported</td>
<td>1 500</td>
</tr>
<tr>
<td></td>
<td>Total volume of investments in tourism (in MEUR)</td>
<td>126</td>
</tr>
</tbody>
</table>
Support for the Creation and Development of Micro-Enterprises

Measure code 312

Article which covers the measure

- Point 5.3.3.1.2 of Annex II of Commission Regulation (EC) 1974/2006

Rationale for intervention

The rural economy in Bulgaria is dominated by micro-enterprises that have limited resources to finance growth and modernisation. Many of these businesses were created by unemployed persons or those threatened by unemployment, entering business with small start-up capital and little managerial experience. Lack of finance for initial investments resulted also in over-concentration of small businesses in a few sectors requiring small start-up capital (retail and repair services), but with limited potential for job creation. The micro-business sector has a low investment rate, which in turn limits its contribution to employment creation in rural areas.

Entrepreneurship in rural areas is also hindered by the high level of risk related to operation on small markets, lack of capital and insufficient access to business development and advice services. Micro companies in rural areas face additional territorial disadvantages related to the lower purchasing power of the local population and stagnating local rural economies.

The support for investments in new business start-ups and for development of established micro-companies is an important tool for improving the competitiveness and job creation potential of rural micro-businesses. It will benefit rural areas by creating more and better quality jobs, and will help diversify the rural economy of Bulgaria which is currently highly dependent on agriculture.

Objectives of the measure

- To promote growth and job creation in non-agricultural micro-companies in rural areas;
- To promote entrepreneurship in rural areas;
- To promote integrated rural tourism development.

Scope and actions

The measure will provide grant aid for investments and marketing and management advice for new and existing micro-enterprises.

It will support non-agricultural micro-enterprises for investing in establishment or development of non-agricultural activities.

The measure will be implemented in 231 rural municipalities.

Investments in tourism development in settlements and resorts of developed mass tourism will not be supported (see list in Annex 6).
Types of beneficiary enterprises

Newly established or existing micro-enterprises operating in non-agricultural sectors in rural municipalities.

Micro enterprises are defined as enterprises which employ fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million and complying with all requirements of the Commission Recommendation 2003/361/EC on the definition of SME's.

Description of the type of operations

Support will be given to investments and related external marketing and management services to develop business activity in non-agricultural sectors such as:

- **Processing industry** - furniture production, light engineering, etc.;
- **Renewable energy production**:
  - production of bio-energy to meet the micro-enterprises own energy needs;
  and/or
  - production of bio-energy for sale in case of processing products (raw materials) not covered by Annex I to the Treaty;
  and/or
  - production of energy for sale from renewable energy sources (solar, wind, water, geothermal energy, etc.).

The capacity of the installations under this measure should not exceed 1 MW.

- **Services** – rural tourism initiatives by private enterprises, recreation and sports, setting-up or development of consultancy and business services, social and health care, transport services, etc.

In case of projects for tourist accommodation (new or improvements), support will be given to investment in accommodation with no more than 20 rooms for guests in accordance with Annex I of the Ordinance under the Law for Tourism, (State Gazette № 2, 07.01.2005) on the award of a category of a collective tourist accommodation establishments, supplementary tourist accommodations, mass-catering and entertainment establishments).

Investments in other sectors will also be eligible with the exception of primary production of agricultural, fishery and aquaculture products, sectors eligible for processing and marketing support under measure 123, coal industry, steel industry, production of synthetic fibres, gambling, financial services and real estate brokerage and sectors and activities, as referred to in Article 1 of Commission Regulation (EC) №1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid.

Type of support

(a) Grant aid for eligible investments, including general costs related to the investment;

(b) Grant aid for external consultancy for development of marketing strategy, product development; introduction of quality systems, etc., linked to the supported non-agricultural activity;

(c) Grant aid for expenditure for advertising and publishing promotional materials linked to the supported non-agricultural activity.
The expenditure under (b) and (c) and the general cost related to the investments may not exceed 12% of total project eligible expenditure.

**Aid intensity**

- 70% of the total eligible expenditure, subject to the limits and conditions imposed by the *de minimis* rules (Commission Regulation (EC) No 1998/2006).
- The **minimum total eligible expenditure per project** will be EUR 5 000;
- The **maximum total eligible expenditure per project** will be EUR 400 000 and in case of investments in renewable energy production - EUR 1 000 000.
- The **maximum grant aid per project** will be EUR 200 000, and in case of investments in road transport sector - EUR 100 000.

**Eligibility and Selection Criteria**

All applications will be checked against the eligibility criteria. Eligible projects will then be ranked according to the priority selection criteria listed below.

The applications for support will have to comply with all the conditions for eligibility of applicants, operations and expenditure specified in this Section and in Section 5.1.2. Applicants have to comply with the following eligibility conditions:

- to be registered according to the Commercial Law, Co-operatives Law or Crafts Law and comply with the definition of a micro-enterprise according to Commission Recommendation 2003/361/EC;
- the investment is to be undertaken on the territory of the rural municipality to which the project application relates;

Agricultural producers registered according to the Law on Support of Agricultural Producers or the Law for Tobacco and Tobacco Products, and farmers registered in the IACS system are not eligible to apply under this Measure.

In the selection process the projects will be ranked and priority will be given to:

- Projects for development of integrated rural tourism services, renewable energy and ICT-based services;
- Newly established enterprises (autonomous enterprises registered up to 1 year prior to the application);
- Projects proposed by women and young people (adults below 40 years old);
- Projects implemented on the territory of the 178 rural municipalities that are not included in agglomeration areas;
- Projects proposed by applicants who have never previously received EU support for implementation of a similar project;
- Projects proposed by applicants that have their headquarters or registered branches (for sole traders and legal entities) on the territory of the municipality, where the project is to be undertaken.

**Demarcation line and criteria with other EU financial instruments**

In order to avoid overlapping of support with the OP Development of the Competitiveness of the Bulgarian Economy (ERDF), aid for investments to micro-enterprises in rural areas will be granted only within the framework of the RDP. OP Regional Development Priority Axis 3 will support municipalities (and their associations); the Ministry of Culture, tourism associations and public bodies managing cultural monuments of national importance for
tourism development actions (Operation 3.1), whereas beneficiaries under this measure can only be rural micro-enterprises for private tourism actions.

Micro-enterprises from rural areas will be eligible for support for training measures offered under OP Human Resources Development (ESF). *(see also Section 10.2)*

**Financing**

The budget of the measure is indicated in Section 7, Table: Indicative Budget per Measures of the RDP.

**Transitional arrangements**

None.

**Quantified targets for EU common indicators**

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Output</strong></td>
<td>Number of micro-enterprises supported/created</td>
<td>4 200</td>
</tr>
<tr>
<td></td>
<td>- newly created micro-enterprises</td>
<td>1 600</td>
</tr>
<tr>
<td></td>
<td>- other micro-enterprises</td>
<td>2 600</td>
</tr>
<tr>
<td></td>
<td>Total volume of investments (in MEUR)</td>
<td>182</td>
</tr>
<tr>
<td><strong>Result</strong></td>
<td>Increase in non-agricultural gross value added in supported businesses (in MEUR)</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Gross number of jobs created</td>
<td>6 000</td>
</tr>
<tr>
<td><strong>Impact</strong></td>
<td>Economic growth (NAVA in MPPS)</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Employment creation (Net additional FTE jobs created)</td>
<td>5 500</td>
</tr>
</tbody>
</table>

**Additional programme specific indicators and quantified target**

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Output</strong></td>
<td>Number of new tourism actions supported</td>
<td>750</td>
</tr>
<tr>
<td></td>
<td>Total volume of investments in tourism (in MEUR)</td>
<td>40</td>
</tr>
</tbody>
</table>
Title of the Measure  
Encouragement of Tourism Activities

Measure code  313

Article which covers the measure
Articles 52 (a)(iii) and 55 of Council Regulation (EC) No 1698/2005
Point 5.3.3.1.3 of Annex II of Commission Regulation (EC) 1974/2006

Rationale for intervention
The development of integrated rural tourism based on social, cultural, natural and human resources of the rural areas is an important instrument both to create additional income and jobs in rural areas and to preserve the rural heritage. Bulgarian rural areas have significant resources for integrated rural tourism development, which are currently underutilised due to lack of traditions and underdeveloped rural tourism products. The rural tourism growth is constrained by the fragmentation of the offered tourism services and insufficient investments in product development and marketing.

To facilitate direct and indirect income and employment creation in rural tourism, support is needed for creating and marketing of competitive rural tourism products and for the development of the attractiveness of rural areas for tourism.

Facilities developed in order to promote tourism in rural areas will also improve the access to sport and leisure activities available for the wider rural population, enhancing the economic well being and quality of life in rural areas.

Objectives of the measure
• To promote income growth and job creation in rural areas through support of integrated rural tourism development;
• To diversify and improve tourism infrastructure and visitors attractions and facilities in rural areas;

Scope and actions
The measure will support investments in development of municipal or state-owned tourist infrastructure and /or non-profit organizations making, as well as development and marketing of local tourism products.

While Measures 311 and 312 target tourism projects of private beneficiaries, Measure 313 will support only non-profit making activities, including development/ improvement of facilities and/or attractions.

The measure will be implemented in 103 rural municipalities in Bulgaria with population not exceeding 10 000 inhabitants. (see list in Annex 6).

Investments in tourism development in settlements and resorts of developed mass tourism will not be supported (see list in Annex 6).

101 Action whose primary purpose is not revenue generating
Definition of beneficiaries
Rural municipalities and non-profit legal entities in rural areas.

Description of the type of operations covered
The Measure will support investments in construction or rehabilitation of tourist infrastructure and visitors attractions:

- Visitors attractions and leisure amenities:
  - Visitors centres for presentation and interpretation of local natural and cultural heritage;
  - Development of small-scale indoor and outdoor attractions, small-scale art and crafts centres and centres for non-permanent exhibitions for tourism purposes;

- Sports and recreational facilities and amenities:
  - Walking routes and cycling trails;
  - Infrastructure and facilities for rafting, hiking, trekking and other sports;

- Public infrastructure facilities – info-points, sign posting of tourist sites and rural itineraries; shelters and safety facilities, etc.

The Measure will also support tourism product development and marketing if related to the investments described:

- Development of local tourism marketing strategies and information materials;
- Development of local electronic booking systems for rural areas.

Applications for product development / marketing support only are not eligible.

The following type of operations will not be eligible for support:
- Rehabilitation of cultural monuments of national or world importance, included in the list of National Institute of Cultural Monuments);
- Actions aimed at privately owned attractions and facilities.

Type of support
(a) Grant aid for eligible investments, including general costs related to the investments;
(b) Grant aid for external consultancy for tourism product marketing;
(c) Grant aid for expenditures for publishing promotional materials.

The expenditure under (b) and (c) and the general cost related to the investments may not exceed 12% of total project eligible expenditure.

Aid intensity
- 100% of the total eligible expenditure of projects of municipalities.
- 100% of the total eligible expenditure of projects of non-profit legal entities, for non-revenue generating projects in the public interest.
- 70% of the total eligible expenditure for other projects of non-profit legal entities, subject to the limits and conditions imposed by the de minimis rules (Commission Regulation (EC) No 1998/2006).

The minimum total eligible expenditure per project will be EUR 10 000;
The maximum total eligible expenditure per project will be EUR 200 000.
Eligibility and Selection Criteria

All applications will be checked against the eligibility criteria. Eligible projects will then be ranked according to the priority selection criteria listed below.

The applications for support will have to comply with all the conditions for eligibility of applicants, operations and expenditure specified in this Section and in Section 5.1.2. Applicants have to comply with the following eligibility conditions:

- To meet the priorities of the relevant Municipal Development Plan 2007-2013;
- Applicants which are non-profit-making legal entities, have to be registered in any rural municipality;

In the selection process the projects will be ranked and priority will be given to:

- Projects to be implemented on the territory of settlements with population above 500 and not exceeding 5 000 inhabitants (as of end 2005);
- Projects that meet the priorities of the Municipal Tourism Development Programme adopted by the Municipal Council;
- Projects proposed by applicants who are non-profit-making legal entities, which are registered in the eligible municipalities, where the activities will be implemented (see list in Annex 6);
- Projects proposed by applicants who have never previously received EU support for implementation of a similar project. Projects for development of integrated rural tourism.

Demarcation line and criteria with other EU financial instruments

Territorial criteria will be used for the demarcation of actions supported by the Regional Development OP (ERDF) and the RDP. The operations supported by EAFRD under this measure will have to be located on the territory of 103 municipalities not exceeding 10 000 inhabitants, while the Regional Development OP will support similar actions in municipalities above 10 000 inhabitants. This measure envisages marketing activities of local (municipal) scope and importance while the Regional Development OP (operation 3.2) envisages interventions at regional level. In addition, the RDP will not support actions related to cultural monuments of national and world importance, which will be supported only by the Regional Development OP on the entire territory of the country. The Environment OP (ERDF) will support only investments that are directly related to implementation of Natura 2000 management plans. *(see also Section 10.2)*

Financing

The budget of the measure is indicated in Section 7, Table: Indicative Budget per Measures of the RDP.

Transitional arrangements

None.
### Quantified targets for EU common indicators

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Output</strong></td>
<td>Number of new tourism actions supported</td>
<td>250</td>
</tr>
<tr>
<td></td>
<td>Total volume of investments (in MEUR)</td>
<td>38</td>
</tr>
<tr>
<td><strong>Result</strong></td>
<td>Number of day visitors</td>
<td>4 000</td>
</tr>
<tr>
<td></td>
<td>Number of overnight stays</td>
<td>4 000</td>
</tr>
<tr>
<td></td>
<td>Gross number of jobs created</td>
<td>300</td>
</tr>
<tr>
<td><strong>Impact</strong></td>
<td>Economic growth (NAV in MPPS)</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Employment creation (Net additional FTE jobs created)</td>
<td>625</td>
</tr>
</tbody>
</table>
Title of the Measure  Basic Services for the Economy and Rural Population

Measure code  321

Article which covers the measure

Articles 52 (b) (i) and 56 of Council Regulation (EC) № 1698/2005
Point 5.3.3.2.1 of Annex II of Commission Regulation (EC) № 1974/2006

Rationale for intervention

The competitiveness of Bulgaria's rural areas is constrained by inadequate quality and access to basic infrastructure and services for the economy and rural population. The analysis shows that service provision levels in rural Bulgaria are considerably lower than in urban areas, and far below EU average standards.

The physical accessibility of rural areas has deteriorated due to the poor quality of municipal roads, which are important for connecting settlements within municipalities. This has been caused by the inadequate level of investment in road maintenance and renovation works since 1989. The poor quality of the roads increases journey times and the territorial weaknesses of the rural areas, and reduces their economic and social attractiveness. Improved access is a key condition for economic growth and diversification in rural areas e.g. for developing rural tourism potential.

Reconstruction of the exiting water supply network and extension of the sewage system is important for the preservation of the environment and improving the level of services provided to the rural population.

The underdeveloped social services, limited opportunities for cultural and recreational activities affect living standard in rural areas and results in population drain.

This measure aims at improving both the business environment and general living conditions for the rural population. The measure will target support of projects identified as a priority in the Municipal Development Plans 2007 – 2013. It is expected to boost local economies and to help slow the exodus of young and entrepreneurial people from rural areas. Interventions under this measure are vital for the economic, social and cultural integration in rural areas.

Objectives of the measure

• To enhance business attractiveness and labour force mobility in rural areas by improvement of road infrastructure;
• To improve living conditions in rural areas by improving access to quality water and sewage infrastructure;
• To improve access for the rural population to cultural, recreational and sports services;
• To improve access to social services for the rural population and especially for children and vulnerable groups;
• To improve access to ICT-related services.
Scope and actions

The measure will provide support for investments aiming at improvement of basic services for the rural economy and population. Support will be for the setting up of basic services concerning a village or group of villages, and related provision/rehabilitation of small-scale local rural infrastructure.

Operations for the water supply and sewage system may be supported in settlements with population equivalent not exceeding 2000, located on the territory of the 231 rural municipalities.

All other operations envisaged under the Measure will be implemented in the 178 rural municipalities which are not included in the urban agglomeration areas.(see list in Annex 6).

Definition of beneficiaries

Municipalities, non-profit making legal entities, “chitalishte” community centres.

Type of services supported

The measure will support investments in infrastructure and equipment aiming at development of services for the rural economy and businesses:

- Reconstruction and rehabilitation of existing municipal roads and bridges. Construction of new roads will be supported in exceptional cases, where the applicant could prove important social and economic benefits;
- Construction/reconstruction/rehabilitation of the water supply system and related facilities;
- Construction/reconstruction/rehabilitation of the sewage system and related facilities;
- Construction or rehabilitation of small infrastructure for waste management - only carcass collection facilities;
- Construction or rehabilitation and equipping of installations for the production of electric power and/or heat for municipality owned buildings and/or if buildings are used for provision of different services for the community, from renewable energy sources; setting-up public distribution networks for bio-fuels or heat/power from biomass or other renewables. In the case of cogeneration (combined heat and power generation) the capacity of the installation should be based on the useful heat demand of the municipality owned buildings (Directive 2004/8/EC);
- Investments for improvement of energy efficiency in municipal and other buildings used for provision of community services.
- Establishment of new or improvement of existing culture services centres (such as cultural centres, theatres, libraries), including creation of mobile units;
- Establishment or improvement of centres for recreation, leisure time and sports (including sports centres, youth centres, etc.);
- Establishment or improvement of centres for social services – child care (nurseries, kindergartens), care for elderly and people with disabilities (such as Day Care Centres) including specialised transport;
- Establishment or improvement of centres for ICT-based services (such as health advice, business support, municipal services, etc.), including mobile ICT centres;
The following operations will not be supported:
- Reconstruction / rehabilitation of cultural monuments of national importance (listed in the National Institute of Cultural Monuments);
- Broadband infrastructure development;
- Investments in statuary education and healthcare facilities;

Type of cost covered
Eligible expenditures are:

(a) the construction or improvement of immovable property;
(b) the purchase of new machinery and equipment, including computer software up to the market value of the assets; books, audio and video materials, if part of the setting-up investment or upgrade of the service;
(c) general costs linked to expenditure referred to in points (a) and (b). The general cost may not exceed 12% of total project eligible expenditure.

The following costs are not eligible for support:
- normal maintenance of infrastructure;
- operational costs for service provision.

Aid intensities
- 100% of the total eligible expenditure for projects of municipalities;
- 100% of the total eligible expenditure for projects of non-profit legal entities and “chitalishte” community centres, for non-revenue generating projects in the public interest.
- 70% of the total eligible expenditure for other projects of non-profit legal entities and “chitalishte” community centres, subject to the limits and conditions imposed by the de minimis rules (Commission Regulation (EC) No 1998/2006).
- The minimum total eligible expenditure per project will be EUR 10 000;
- The maximum total eligible expenditure per project will be:
  - EUR 3 000 000 for projects of municipalities;
  - EUR 500 000 for projects of non-profit legal entities and “chitalishte” community centres.

Eligibility and Selection Criteria
All applications will be checked against the eligibility criteria. Eligible projects will then be ranked according to the priority selection criteria listed below.

The applications for support will have to comply with all the conditions for eligibility of applicants, operations and expenditure specified in this Section and in Section 5.1.2.

Applicants have to comply with the following eligibility conditions:
- Non-profit-making legal entities shall be registered in any rural municipality (see list in Annex 6);
- The main area of activities of the applicants that are non-profit legal entities shall be related to the activity/service which they aim to develop.

- The application should comply with the priorities of the Municipal Development Plan 2007-2013;

- The applications should comply with all relevant Bulgarian legislation for investment design and the provisions of the Spatial Planning Law. The investment projects, and in particular investment projects for water supply and sewage, have to be approved by the Municipal committee for spatial planning, in which all relevant bodies participate, including the Water Supply Companies, which will operate the constructed/reconstructed network.

In the selection process the projects will be ranked and priority will be given to:

- Projects to be implemented in municipalities with population not exceeding 10 000 inhabitants (as of end 2005);

- Projects implemented on the territory of settlements with population above 500 and not exceeding 5000 inhabitants (as of end 2005);

- Projects for rehabilitation of water supply and sewage system;

- Projects proposed by applicants who are non-profit-making legal entities and “chitalishte” community centres, which are registered in the eligible municipalities, where the activities will be implemented (see list in Annex 6);

- Projects for rehabilitation / reconstruction of roads that are connecting rural settlements with 2nd and 3rd class roads;

- Projects for development of services for vulnerable groups (women, people with disabilities, elderly people);

- Applications that include technical designs of the investment.

As regards projects for water supply and sewage, during the RDP implementation the MA will seek to ensure that municipalities make appropriate use of the expertise within the relevant Water Supply Companies during the preparation and implementation phase of projects in this sector.

**Demarcation line and criteria with other EU financial instruments**

The demarcation with OP Regional Development (ERDF) will be by territorial criteria - the RDP Measure 321 will be implemented in 178 rural municipalities, which are not included in the urban agglomeration areas (see list in Annex 6). OP Regional Development will support similar actions in all other municipalities. OP Regional Development will support on the entire territory of Bulgaria (in all municipalities) the development of broadband infrastructure in underserved areas (scarce populated or with difficult topography), public education, health care and business related infrastructure, small scale flood prevention activities within the settlement areas. In addition, OP Regional Development will support investments in projects for cultural monuments of national importance (according to the National Institute of Cultural Monuments) on the entire territory of the country.

The demarcation with OP Environment (ERDF) for interventions in water supply and sewage will be by size of the settlement. The RDP will support projects for water supply and sewage in settlements with population equivalent below 2 000 in 231 rural municipalities, while OP Environment will cover such projects in settlements in 33 urban municipalities and in all settlements with population equivalent above 2 000. (see also Section 10.2)
Financing
The budget of the Measure is given in Section 7, Table: Indicative Budget per Measures of the RDP.

Transitional arrangements
None

Quantified targets for EU common indicators

<table>
<thead>
<tr>
<th>Type of Indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>Number of supported actions</td>
<td>1 500</td>
</tr>
<tr>
<td></td>
<td>Total volume of investments (in MEUR)</td>
<td>409</td>
</tr>
<tr>
<td>Result</td>
<td>Population in rural areas benefiting from improved services</td>
<td>320 000</td>
</tr>
<tr>
<td></td>
<td>Increase in internet penetration in rural areas</td>
<td>300 000</td>
</tr>
<tr>
<td>Impact</td>
<td>Economic growth (NAV)</td>
<td>22.64MPPS</td>
</tr>
<tr>
<td></td>
<td>Employment creation (Net additional FTE jobs created)</td>
<td>1560</td>
</tr>
</tbody>
</table>

Additional programme specific indicators and quantified target

<table>
<thead>
<tr>
<th>Type of Indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>Reconstructed /Rehabilitated municipal road infrastructure (km)</td>
<td>450</td>
</tr>
<tr>
<td></td>
<td>Newly constructed municipal road infrastructure (km)</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Reconstructed /Rehabilitated water supply and sewage network (km)</td>
<td>1 700</td>
</tr>
<tr>
<td></td>
<td>Newly constructed water supply and sewage network (km)</td>
<td>800</td>
</tr>
<tr>
<td></td>
<td>Number of supported created / renovated cultural facilities</td>
<td>240</td>
</tr>
<tr>
<td></td>
<td>Number of created / renovated sports facilities</td>
<td>180</td>
</tr>
<tr>
<td></td>
<td>Number of created / renovated social service facilities</td>
<td>420</td>
</tr>
<tr>
<td></td>
<td>Number of projects for development of ITC services</td>
<td>360</td>
</tr>
</tbody>
</table>
Title of the Measure  
**Village Renewal and Development**

Measure code  
322

**Article which covers the measure**

- Articles 52(b) (ii) of Council Regulation (EC) N° 1698/2005
- Point 5.3.3.2.2 of Annex II of Commission Regulation (EC) N° 1974/2006

**Rationale for intervention**

This measure targets physical renewal of the settlements in rural areas and improvement of opportunities for recreation and the attractiveness of villages – creating/recovery of publicly accessible green areas, landscaping of gardens, construction or renovation of squares, street lighting, and pedestrian zones.

Rural areas may be successful and sustainable provided their citizens live and work in them and have opportunities to interact, travel and build their homes there. They will be attractive for tourists if the overall rural environment is safe, sustainable and of high environmental quality. The green areas, streets and squares in rural areas have a strong impact on the quality of life of their citizens. These spaces offer an opportunity for physical exercise, social contacts, relaxation and calm. Well-maintained green areas and parks may become the most preferred and typical features of rural areas.

Rural areas have to become attractive living places, otherwise, regardless of the environmental considerations, the citizens of rural areas will continue moving into the cities. By improving the appearance of the settlements in the rural areas the quality of life will improve as well as the conditions for establishing successful business. As a result the measure will accelerate the process of development of local economies and will limit the fast depopulation of the rural areas.

**Objective of the measure**

- To improve the attractiveness of the living environment in settlements in the rural areas.

**Scope and actions**

The measure will support investments in parks, green areas, streets, squares, footpaths, sidewalks and street lightning, and renewal of buildings in the settlements of the rural areas.

It will be implemented in 178 rural municipalities, which are not included in urban agglomeration areas (see list in Annex 6).

**Definition of beneficiaries**

- Municipalities, non-profit making legal entities, “chitalishte” community centres;
- Civil partnerships of natural persons or legal entities, established for the renovation of the facades of private buildings and surrounding areas;
- Local religious branches, which may apply for renovation and refurbishment of buildings of religious importance.
Type of actions supported

- Rehabilitation of public green areas - parks and gardens, children playgrounds and related facilities;
- Reconstruction and refurbishment of municipal buildings of local historic and cultural importance and the improvement of the surrounding areas and outdoor facilities, including landscaping;
- Reconstruction and refurbishment of buildings of local religious importance and the improvement of the surrounding areas and outdoor facilities, including landscaping;
- Refurbishment of facades of private buildings, outdoor facilities, including levelling and landscaping of outdoor facilities (if integrated in a village renewal plan);
- Reconstruction and construction of street network, street footpath, squares, lightning in the village;
- Preparation of village renewal plans\(^{102}\), if the plan includes some of the investment activities mentioned above.

The following operation will not be supported:
- Reconstruction/rehabilitation of cultural monuments of national and world importance (listed in the National Institute of Cultural Monuments);

Type of cost covered

Eligible expenditures are:

- Expenditure related to investments in tangible and intangible fixed assets, including general costs.
- The expenditure related to the general costs may not exceed 12% of total project eligible expenditure.

The following costs are not eligible for support:
- Normal maintenance of infrastructure.

Aid intensities

- 100% of the total eligible expenditure for projects of municipalities;
- 100% of the total eligible expenditure of projects of non-profit legal entities, “chitalishte” community centres and local religious branches, for non-revenue generating projects in the public interest.
- 70% of the total eligible expenditure for other projects of non-profit legal entities, “chitalishte” community centres and local religious branches, subject to the limits and conditions imposed by the de minimis rules (Commission Regulation (EC) No 1998/2006);

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\(^{102}\) Preparation of general settlement spatial plans according to the provisions of the national Spatial Planning Law is not eligible for support under this measure.
50% of the total eligible costs for projects from civil partnerships of natural persons or legal entities, established for the renovation of the facades of private building and surrounding areas, subject to the limits and conditions imposed by the *de minimis* rules (Commission Regulation (EC) No 1998/2006).

- The **minimum total eligible expenditure per project** will be EUR 10 000;
- The **maximum total eligible expenditure per project** will be:
  - EUR 1 000 000 for projects of municipalities;
  - EUR 500 000 for projects of non-profit legal entities, “chitalishte” community centres, civil partnerships and local religious branches.

**Eligibility and Selection Criteria**

All applications will be checked against the eligibility criteria. Eligible projects will then be ranked according to the priority selection criteria listed below.

The applications for support will have to comply with all the conditions for eligibility of applicants, operations and expenditure specified in this Section and in Section 5.1.2. Applicants have to comply with the following eligibility conditions:

- The applicants, which are non-profit-making legal entities, have to be registered in any rural municipality;
- The application should comply with the priorities of the Municipal Development Plan 2007-2013.
- The application should comply with the priorities of the Village Renewal Plan, where such a plan exists. Where support is used under M322 for preparation of a Village Renewal Plan, once it is established all subsequent applications should comply with its priorities.

In the selection process the projects will be ranked and priority will be given to:

- Projects implemented on the territory of settlements with population above 500 and not exceeding 5000 inhabitants;
- Projects implemented in municipalities with population not exceeding 10 000 inhabitants;
- Projects proposed by applicants who are non-profit-making legal entities, “chitalishte” community centres and local religious branches, which are registered in the eligible municipalities, where the activities will be implemented (see list in Annex 6);
- Projects proposed by applicants who have never previously received EU support for implementation of a similar project.
- Applications that include technical designs of the investment projects.

**Demarcation line and criteria with other EU financial instruments**

Demarcation with SF Operational Programmes will be on territorial basis:

*Road sides, squares, buildings, parks and gardens, lighting:* The RDP will support investments in 178 municipalities, which are not eligible under OP Regional Development (ERDF). The 86 municipalities in agglomeration area will be supported under OP Regional Development. In addition, OP Regional Development only will support investments in projects for cultural monuments of national/world importance (listed in the National Institute of Cultural Monuments) on the entire territory of the country. *(See also Section 10.2)*
Financing
The budget of the measure is indicated in Section 7, Table: Indicative Budget per Measures of the RDP.

Transitional arrangements
None

Quantified targets for EU common indicators

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>Number of villages where actions took place</td>
<td>800</td>
</tr>
<tr>
<td></td>
<td>Total volume of investments (in MEUR)</td>
<td>208.446</td>
</tr>
<tr>
<td>Result</td>
<td>Population in rural areas benefiting from improved services</td>
<td>500 000</td>
</tr>
<tr>
<td>Impact</td>
<td>Economic growth (NAV)</td>
<td>14.3 MPPS</td>
</tr>
<tr>
<td></td>
<td>Employment creation (Net additional FTE jobs created)</td>
<td>525</td>
</tr>
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</table>
5.5 Measures in Axis 4

<table>
<thead>
<tr>
<th>Title of the Measure</th>
<th>Implementation of the Local Development Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measure code</td>
<td>41 (411, 412, 413)</td>
</tr>
</tbody>
</table>

**Article which covers the measure**

- Articles 63(a) and 64 of Council Regulation (EC) 1698/2005.

**Rationale for intervention**

This Measure supports implementation of integrated strategies for local development, elaborated on the basis of the Leader approach.

The Leader approach has a number of unique characteristics, which determine its strategic importance for the Bulgarian rural development policy implementation in the 2007-2013 period. The approach is based on the understanding that the diversity of rural areas requires planning and implementation of strategies, which take into account the local environment and local resources, including knowledge and cooperation of all local stakeholders. Leader is an area-based approach, which aims to identify the competitive advantages of a certain area and to propose an effective strategy for its development. Therefore, the territory has to be coherent with sufficient critical mass of human, financial and economic resources, and it does not have to correspond to the administrative boundaries of the municipalities.

The area-based approach is closely connected to the bottom-up approach, which requires the key local players to be involved in a participatory way in definition of objectives of local development and implementation of actions. Better knowledge of local needs and local development potentials by the local stakeholders can add value to the integrated strategies for local development when using such bottom-up approaches alongside more top-down interventions.

Therefore, the key for successful implementation of the Leader approach are well-functioning Local Action Groups (LAGs), which bring together all the public, private and civil organisations operating in a given territory. The LAGs, have a central role in the bottom-up development, deciding on priorities and projects and mobilising local communities. The Local Action Groups have to be equipped with all necessary management tools including well-framed local development strategy to guide the local development process and resources.

The Leader approach uses a multi-sectoral approach for planning and implementation of local development strategies, based on the mutual cooperation between the local actors from different sectors of the local economy. The interrelations between different economic, cultural and environmental sectors facilitate strengthening of the local competitiveness. The establishment of networks and strengthening the interrelations between sectors brings an added value to the uniqueness of products and services of the relevant local area. The Leader approach is oriented to innovation - new forms of exploiting local resources, development of
new products, new methods and new ways of organising and providing new answers to problems and weaknesses of rural areas.

The networking and co-operation of LAGs bring additional benefits to the rural areas through transfer of knowledge and good practices and implementation of joint projects that contribute to the achievement of local development objectives.

Bulgaria has limited existing experience in national or donor financed measures for supporting local development actions in Leader-type pilot groups. This Measure will provide an opportunity to introduce such approaches on a far wider basis.

The application of the Leader approach will also contribute to the specific priorities of Axes 1, 2, and 3 of the RDP, and will improve the capacity of rural communities to participate in the planning and implementation of local development strategies.

Objectives of the measure:

- To provide a basis for medium and long term sustainable development in rural areas by implementing bottom-up approaches and to encourage 'learning by doing' within local communities increasing local planning capacity;

- To diversify the economic activities, improve competitiveness of local products, protect the environment of rural areas and develop higher-quality services catering to the needs and expectations of local people in order to create long term employment opportunities and to raise income levels in rural communities.

- To encourage integrated and sustainable practices.

Axis 1, 2 and/or 3 covered by the Leader Axis

The Leader approach will contribute to the achievement of the objectives of the National Strategy Plan for Rural Development and the priorities under axis 1 and 2 and in particular of axis 3 relating to development of a competitive and innovation based agriculture, forestry sector and food processing industry, protection of natural resources and environment of rural areas, and improving the quality of life and diversifying job opportunities in rural areas.

To implement the local development strategies, Local Action Groups (LAGs) may apply measures under Council Regulation 1698/2005 selected in the RDP under Axis 1, Axis 2 and Axis 3 with the exception of measures in Axis 1 providing flat-rate aid in annual instalments (measures 112, 141, 142) and measures from Axis 2 which are paid on an area basis (measures 211, 212, 214). If operations supported under the local strategy correspond to an eligible operation under one of the measures defined in Council Regulation (EC) 1698/2005, the conditions for the measures defined in the Regulation apply. Where the measure is included in the RDP, the operations supported under the local development strategy will comply with the requirements on eligible type of activities, aid intensity and eligible types of beneficiaries, stated in the RDP measures (with the exception of the criteria for minimum and maximum size of projects), and the rules on the eligibility of expenditures stated in Section 5.1.2.

Other measures/actions outside the scope of the measures specified in Council Regulation 1698/2005 may also be supported, if they contribute to the objectives of the RDP and the local development strategies and aim at protection of the environment, rural landscape and local identity. The objectives and scope of such other measures, eligible applicants, actions and costs, aid intensities and criteria for selection of projects have to be presented in the Local Development Strategy and approved by the Managing Authority.
Procedures and timetable for selecting the Local Action Groups, including the objective selection criteria

The Managing Authority will be responsible for the selection of the LAGs. The procedure for the selection of the LAGs shall be open to all rural areas (according to the national definition) and will comply with the principles of transparency and equal treatment and competition.

At least three calls for LAG applications will be organised in the period 2007-2011. The first call for proposals will be launched in 2009.

Eligibility Criteria

LAGs should satisfy the following eligibility criteria:

- LAGs should be registered under the Law on Non-Profit Legal Entities as an entity pursuing activities for public benefit, with a headquarters on the territory of the group. The participation of local authorities – local administration and/or municipal council is mandatory;

- The representatives of the local economic and social partners as well as other representatives of civil society in the LAGs should amount to at least 50% of the representatives at the decision making level. The members of the Managing Board should have registered addresses and should live or work in the territory of the Local Action Group;

- They should propose and commit themselves to implement, if approved, an integrated local development strategy based on the following characteristics of the Leader approach:
  a. Area-based local development strategies;
  b. Creation of local public-private partnerships (local action groups);
  c. Bottom-up approach;
  d. Multi-sectoral approach in implementation of the strategy;
  e. Networking of local partnerships.

  The implementation of innovative approaches and cooperation projects is not mandatory at LAG level, however in the selections process priority will be given to strategies integrating innovation and cooperation.

- The territory covered by a LAG should be located in the rural areas as defined by the national definition (towns of rural areas included). A given territory may be covered by only one LAG and participate only in one Leader local development strategy. Interruptions in the territory’s border/boundary, where a LAG is active, are not allowed. In case of partial or total overlapping and/or including of one territory into more than one strategy the Managing Authority may recommend correction of boundaries and/or pooling together of the strategies. The applicants may apply in the next calls for proposals, after modifying their strategies and partnerships.

- In order to ensure the typically local character, the population of the territory covered by the LAG should not be below 10 000 and should not exceed 100 000.

- The area covered by the local development strategy has to be coherent (in terms of socio-economic issues, labour market, cultural matters and or environment and landscape characteristics) and to offer sufficient critical mass in terms of human, financial and economic resources to support a viable development strategy.
LAGs should demonstrate minimum capacity to define and implement a local development strategy and ability to administer public funds, which should also be evident in the statute of the structure established under the Law on the Non-Profit Legal Entities.

**Selection criteria**

The criteria for selection of LAGs are as follows:

*Quality of the partnership building process and the potential of the territory*
- Potential and coherence of the territory;
- Level of consultation and involvement of all relevant stakeholders in the partnership building and strategy elaboration;

*Quality of the partnership*
- Representativeness and coherence of the proposed public-private partnership;
- Organisational structure and resources;
- Level of involvement and contribution of partners in the implementation of the strategy;
- Capacity for cooperation and networking;

*Quality of the proposed strategy*
- Quality of the analysis of the strengths and weaknesses and needs of the territory;
- Relevance of the objectives to the identified needs of the territory;
- Consistency of the strategy with the objectives of the RDP and other relevant programming documents;
- Consistency between objectives, planned activities and results;
- Level of inter-sectoral cooperation within the priority objective(s);
- Integration of inter-territorial and trans-national cooperation operations into the strategy;
- Level of innovativeness of the local development strategy;
- Justification of budget and cost-effectiveness;
- Expected impact.

*Capacity for implementation of the Local Development Strategy*
- Quality of the procedures for strategy implementation;
- Quality of the procedures and availability of suitable staff/expertise for screening projects;
- Quality of the procedures for monitoring and evaluation of the strategy.

**LAG Selection procedure**

The LAG selection procedure will have the following stages:

1. **Launching of an open call for proposals**
2. **Evaluation of the submitted proposals**

The proposals will be examined and evaluated by a Selection Committee appointed by the Minister of Agriculture and Food, and chaired by the Managing Authority. The members of the Selection Committee will possess the technical and administrative capacities necessary to give an informed opinion on the proposals. The members of the LAG Selection Committee will be representatives of state bodies - MAF, PA, representatives of the Managing Authorities of the Operational programmes under the SF in Bulgaria. The LAG selection committee will be assisted by external assessors, who will carry out a detailed examination of the proposals and the LAG selection Committee will conduct its
deliberations on the basis of their assessments. Each proposal will be assessed independently by at least two assessors. The external assessors will have an in-depth knowledge and experience on all issues covered by the selection criteria (local strategies development and implementation, local development initiatives etc.).

The evaluation of the proposals will undergo the following stages:

(a) Administration compliance and eligibility check;

(b) Technical evaluation of the proposals.

All submitted proposals that pass the administrative compliance and eligibility check will be evaluated according to the selection criteria, listed above. The selection criteria and their weightings and minimum quality thresholds will be publicised in the Call for Proposals Notice.

(c) On-the-spot check

The applicant LAGs that meet the minimum quality requirements will be visited by the assessors to verify that the information provided in the proposal is correct and to collect additional information on the quality and capacity of the partnership.

3. Selection

Following the evaluation of the proposals, a table ranking the proposals according to their score will be established by the Selection Committee. Based on the results of the evaluation the Selection Committee will recommend to the Minister of Agriculture and Food approval/rejection of the LAG applications. The Minister of Agriculture and Food will issue a decision for approval/rejection of the proposals.

All applicants will be informed in writing of the decision concerning their application. The justification for rejection will be indicated for unsuccessful applicants.

4. Contracting

The successful applicants will be invited to sign a tri-party Contract for the Local Development Strategy Management, signed by the Managing Authority, the Paying Agency and the LAG, in which the obligations and responsibilities of each party are described.

Planned indicative number of Local Action Groups

The planned indicative number of LAGs is 50. This number takes into account the RDP objectives for the improvement of local governance, the current trends for local area cooperation and the expected effects of the capacity building actions.

Minimum percentage of social and economic partners and civil society organizations represented at the decision making level of the LAG

The representatives of the local economic and social partners as well as other representatives of civil society in LAGs will amount to at least 50% of the representatives at the decision making level.

Planned percentage of rural areas covered by local development strategies

It is expected that about 40% of the territory of rural areas will be covered by LAGs.
**Justification for selection of areas whose population falls outside the set limits**

Selection of areas whose population falls outside the limits set in Article 37(3) of Commission Regulation (EC) No 1974/2006 will not be permitted. The population of the territory covered by a LAG will not be below 10 000 and will not exceed 100 000.

**Procedure for selection of operations by the Local Action Groups**

The Local Development Strategy has to identify measures/operations and the procedures and criteria for selection of operations. Measures and operations, not envisaged in the strategy and, respectively, not approved by the Managing Authority during the LAG selection, cannot be implemented.

Under Measure 41 *Implementation of the local development strategies*, in its role as a legal entity the LAG can only administer projects. The eligible beneficiaries of operations under Measure 41 have to be stated in the Local development strategy and may include: all groups specified in Section 5.1.2, except the LAG itself. Medium-sized and large companies as defined in the Commission Recommendation 2003/361/EC may not be supported by LAGs.

The selection of operations by the LAGs may start only after the signature of the Contract for the Local Development Strategy Management with the Managing Authority and Paying Agency.

The LAGs will have full responsibility for the selection of applications and contracting, subject to a conformity check by the District Offices of the Paying Agency. In particular, LAGs will launch and publicise the local calls for proposals; provide information and assistance to potential applicants; register the submitted proposals; check for administrative compliance and eligibility and evaluate the technical quality of the proposals (against criteria set in the approved strategy); organise sessions of the local Project Selection Committee and provisionally select operations (Stages 2-7 on the Table below). The members of the local Project Selection Committee are the members of the Managing body of the LAG and external members, appointed by the LAG with the view to provide objectiveness, publicity and transparency.

<table>
<thead>
<tr>
<th>Stages for selection of projects by the Local Action Groups</th>
<th>Execution</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Signature of a Contract for the Local Development Strategy Management</td>
<td>LAG/PA</td>
<td>MA/PA/LAG</td>
</tr>
<tr>
<td>2. Call for proposals on the LAGs territory</td>
<td>LAG</td>
<td>LAG</td>
</tr>
<tr>
<td>3. Information, consultation and assistance on project preparation for potential applicants</td>
<td>LAG</td>
<td>LAG</td>
</tr>
<tr>
<td>4. Registration of the proposals</td>
<td>LAG</td>
<td>LAG</td>
</tr>
<tr>
<td>5. Assessment of the administrative compliance and eligibility of applicants, actions and planned expenditures</td>
<td>LAG</td>
<td>LAG</td>
</tr>
<tr>
<td>6. Technical evaluation and ranking of the proposals</td>
<td>LAG</td>
<td>LAG</td>
</tr>
<tr>
<td>7. Session of the local Project Selection Committee and provisional selection of the applications</td>
<td>LAG</td>
<td>LAG</td>
</tr>
<tr>
<td>8. Submission of the provisionally selected applications to the District Office of the Paying Agency for conformity check</td>
<td>LAG</td>
<td>LAG</td>
</tr>
<tr>
<td>9. Conformity check of the eligibility of expenditure and the procedure for evaluation and approval of the projects.</td>
<td>District offices PA</td>
<td>District offices PA</td>
</tr>
<tr>
<td>10. Notification of the successful and unsuccessful applicants</td>
<td>LAG</td>
<td>LAG</td>
</tr>
<tr>
<td>11. Contracting and contract amendments</td>
<td>LAG</td>
<td>LAG</td>
</tr>
<tr>
<td>Stages for selection of projects by the Local Action Groups</td>
<td>Execution</td>
<td>Decision</td>
</tr>
<tr>
<td>----------------------------------------------------------</td>
<td>------------</td>
<td>----------</td>
</tr>
<tr>
<td>12. Monitoring of the project implementation</td>
<td>District offices PA</td>
<td>LAG</td>
</tr>
<tr>
<td>13. Support in preparing claims for payment to the Paying Agency</td>
<td>LAG</td>
<td>Beneficiary</td>
</tr>
<tr>
<td>14. On-the-spot check</td>
<td>LAG, PA</td>
<td>PA</td>
</tr>
<tr>
<td>15. Approval/rejection of payment</td>
<td>PA</td>
<td>PA</td>
</tr>
<tr>
<td>16. Ex-post check</td>
<td>LAG, PA</td>
<td>PA</td>
</tr>
<tr>
<td>17. Annual report on the implementation of the strategy</td>
<td>LAG</td>
<td>MA</td>
</tr>
<tr>
<td>18. Monitoring of the LAG’s strategy implementation</td>
<td>MA</td>
<td>MA</td>
</tr>
</tbody>
</table>

Information on all applications provisionally selected by the local Project Selection Committee will be submitted to the District Office of the Paying Agency for conformity checks. The District Office of the Paying Agency will check the compliance with the procedures set out in the Local Development Strategy (LDS), the general eligibility criteria of the applicant, the project and the planned expenditures with the provisions set out in the relevant EC Regulations and the provisions of the RDP and LDS. The District Office of the Paying Agency rejects applications, which do not comply with the stated eligibility rules/procedures (Stages 8-9 on the Table above).

After the Paying Agency conformity check, the LAG notifies all applicants of the results of the evaluation and signs the contracts with the successful applicants (Stages 10-11 on the Table above). LAGs submit one copy of the signed contracts to the Paying Agency.

LAGs will be responsible for the amendments of contracts for individual projects, where necessary. All contract amendments have to be submitted for conformity check and approval to the District Office of the Paying Agency.

The LAGs will monitor the technical and financial management of the contracted projects on the basis of a review of the project documentation and visits to the project site (Stage 12). The LAGs will assist beneficiaries in the preparation of the payment claims (Stage 13).

The Managing Authority will assist LAGs in implementing their strategies. The MA will provide technical assistance to LAGs on regularity of the procedures (eligibility of costs and operations, state aid rules, procurement, etc.), eligibility of the submitted proposals, administrative management and monitoring of the contracts. The MA will liaise with the Paying Agency on interpretation of specific cases, prepare written instructions on contracts management/list of frequently asked questions. For the above mentioned activities the MA may hire external experts, funded under Technical Assistance.

LAGs will submit an Annual Report on the implementation of the local development strategy to the Managing Authority. The Annual Report will describe progress in the implementation of the strategy, as well as progress in contracting and implementation of the supported projects. The Managing Authority will be responsible for the approval of the LAGs Annual Reports. The Managing Authority will conduct regular monitoring visits to LAGs to assess progress in implementation of the strategy and compliance with the Contract for the Local Development Strategy Management.
Description of the financial circuit applicable for Local Action Groups

Payments to all beneficiaries (LAGs\textsuperscript{103} and beneficiaries of the projects) shall be made by the Paying Agency. The responsibilities of the Paying Agency are as follows:

a. Accepting claims for payment;
b. Administrative checks of all payment claims;
c. On-the-spot check based on risk assessment;
d. Approval/rejection and execution of payments;
e. Ex-post check/control of beneficiaries.

The Paying Agency will make the payment after checking for compliance with all adopted financial eligibility conditions and rules. For this purpose, beneficiaries shall submit for approval documents for the expenditure made.

LAGs will assist beneficiaries to prepare payments claims and will participate in the on-the-spot check to build experience in the administration of payment claims and control procedures (see Stages 14 – 16 on the Table above).

Financial management and accounting of LAGs should satisfy all the requirements of the Paying Agency, written down in the Contract for the Local Development Strategy Management. The LAGs will be trained and provided with written instructions and on-going assistance by the Managing Authority and the Paying Agency.

Type of aid

- Grant aid to eligible investments, including general costs;
- Grant aid to expenditure attributable to the implementation of “soft measures” (training actions, marketing, etc.).

Demarcation criteria with other local partnerships financed by EU funds

LAG strategies and individual projects supported under the Leader axis may be implemented in the 231 rural municipalities only. For implementation of the projects selected under the local development strategy each beneficiary will be obliged to sign a declaration to guarantee that he did not apply for support for the same activity under the programmes financed by the Structural Funds or the European Fisheries Fund. The Paying Agency will make cross-checks in the Information System for Management & Monitoring to be used for the Structural Funds (see Section 10.2) at the project selection stage during the conformity check and before payment.

Demarcation between LAGs and Fisheries Groups (European Fisheries Fund)

As regards Fishery Groups supported under priority axis 4 of OP Fisheries and Leader LAGS supported under Axis 4 of the RDP, an overlapping of the territory of fisheries areas with areas selected under the Leader axis of the RDP is possible. Where this occurs, it is possible for a common implementing structure to be used. The group will have to develop a separate development strategy for Leader actions (under EAFRD) and those to be supported by EFF. The strategies will be approved by the respective Managing Authorities. Separate project selection committees and accounting systems will be required for the two strategies. Common running costs for the local group will be shared between the two Funds on a pro rata basis.\textit{(see also Section 10.2)}

\textsuperscript{103} LAGs as beneficiaries under measures 421 and 431.
Financing

LAG Budget

The minimum total public contribution from the RDP to the budget of a local development strategy will be EUR 1 000 000, and the maximum up to EUR 2 000 000 for the period of the strategy implementation.

LAGs which have exhausted their initially approved budget, may apply to the Managing Authority for additional funding. The application for additional funding will include a justification and description of operations to which additional funds will be allocated. The additional funding allocated to a strategy may not exceed 25% of the initially approved budget. The overall total public funding from RDP for the initial and additional funding may not exceed EUR 2 500 000 per strategy.

LAG projects

The maximum total cost of a project supported by the Local Development Strategy may not exceed EUR 200 000.

Aid intensity for projects of public beneficiaries and for non-revenue generating projects in the public interest of non-profit legal entities, “chitalishtе” community centres and local religious branches may be up to 100% of total eligible expenditure (subject to the aid intensities specified in the relevant RDP measure chosen when a measure from the RDP menu is selected).

Aid intensity for other projects of non-profit legal entities, “chitalishtе” community centres and local religious branches, and for projects of private beneficiaries may be up to 70% of total eligible expenditure (subject to the aid intensities specified in the relevant RDP measure chosen when a measure from the RDP menu is selected).

The aid intensities have to comply with the conditions stated in Council Regulation (EC) 1698/2005, where applicable.

For operations subject to the State aid provisions, the de minimis aid rules will apply (Commission Regulation (EC) No 1998/2006).

The budget of the measure is indicated in Section 7, Table: Indicative Budget per Measures of the RDP.

Quantified targets for EU common indicators

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>Number of supported LAGs</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Total size of LAGs area (km²)</td>
<td>36 000</td>
</tr>
<tr>
<td></td>
<td>Total population covered by the LAGs</td>
<td>1 260 000</td>
</tr>
<tr>
<td></td>
<td>Number of projects financed by LAGs</td>
<td>2 500</td>
</tr>
<tr>
<td></td>
<td>Number of beneficiaries supported</td>
<td>2 500</td>
</tr>
<tr>
<td>Result</td>
<td>Gross number of jobs created</td>
<td>300</td>
</tr>
<tr>
<td></td>
<td>Number of participants that successfully ended a training activity</td>
<td>5 000</td>
</tr>
<tr>
<td>Impact</td>
<td>Economic growth</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>Employment creation (Net additional FTE jobs created)</td>
<td>300</td>
</tr>
</tbody>
</table>
Title of the Measure  
Inter-Territorial and Trans-National Cooperation

Measure code 421

Articles which cover the measure
- Articles 63(b), 64 and 65 of Council Regulation (EC) No 1698/2005

Rationale for intervention
In accordance with Article 61 of Council Regulation (EC) 1698/2005 the Leader approach shall, amongst others elements, also include the implementation of cooperation projects and networking of local partnerships in order to help deliver the objectives of the Bulgarian RDP. Local Action Groups are encouraged to bring additional value to rural areas via interacting and undertaking joint projects with other domestic LAGs – inter-territorial cooperation projects or with any LAG within the EU or similar type structure in third countries – trans-national co-operation projects. The experience of other Member States shows that cooperation among LAGs opens new and innovative opportunities to fulfil the objectives of the Leader approach, broadens the opportunity for exchange of experience, transfer of know-how and, in case of trans-national cooperation, also encourages the setting up of an EU dimension and EU identity of European rural areas. In terms of local development strategies cooperation projects enhance the value which strategies are bringing to rural areas and people and contribute to their sustainable development.

Objectives of the measure
- To support joint activities and projects (joint trainings, capacity development, sharing experiences and exchange of know-how);
- To support innovations in rural areas in products and services combining various rural backgrounds and to develop added value for rural areas;
- To support the setting up of an EU level identity in addition to the local, regional and national identity.

Definition of beneficiaries
Eligible beneficiaries under this measure are only LAGs selected by the Managing Authority.

Scope and actions
Two types of cooperation are eligible for funding within the scope of this measure:
- **Inter-territorial cooperation** - this type of cooperation is implemented, between two or more rural areas covered by Leader LAGs within Bulgaria.
- **Trans-national cooperation** - this type of cooperation can be between rural areas covered by Leader LAGs in Bulgaria and Leader LAGs in other Member States, as well as between rural areas covered by Leader LAGs in Bulgaria and similar structures in
third countries. In this case, only expenditure relating to the rural areas covered within Bulgaria shall be eligible for support under this Programme.

**Implementation**

The cooperation projects will be implemented in two phases:

- **Pre-development actions:** These actions facilitate the establishment of contact between potential partners and support the elaboration of a common action (preparatory technical support).

- **Implementation of the joint actions:** The cooperation partnership will be encouraged to work on the development of new/innovative products/services in rural areas, which are connected by common features presented in all cooperating LAGs and not only on sharing and exchange of experience. The common project will be managed by a coordinating LAG, which is responsible for the cooperation action/project.

LAGs may apply under Measure 421 with a cooperation project for each phase separately.

The following types of operations are eligible for support:

**A. Preparatory technical support**, aiming at establishment of cooperation partnerships and preparation of a joint project. The preparatory technical support projects may include the following types of activities:
- Feasibility studies, market research, surveys, etc;
- Technical planning (planning sessions, elaboration of joint action plans, etc.);
- Partnership meetings.

**B. Implementation of joint actions**, which bring tangible benefits to the rural areas. The joint projects aim at:
- Development of new products or services such as tourism products based on common heritage; development of a range of traditional craft products inspired by common traditions;
- Establishment of facilities for joint production of good or services;
- Joint marketing of local products (local labels, common tourist packages, development of new market outlets for local products, etc.);
- Preservation of shared natural or cultural heritage;
- Capacity building: sharing of experience, good practices and lessons learnt on local development through e.g. common publications, events, twinning arrangements (exchange of programme managers and staff), and joint or coordinated development work;
- Other operations with clear benefits for the rural area, supporting the achievement of objectives of the LAGs strategies.

The projects for implementation of joint actions may include the following types of activities:
- Investments in tangible and intangible assets;
- Elaboration and implementation of marketing strategies;
- Training and capacity development, necessary for the implementation of the joint projects;
- Establishing and running common structures;
- Other activities that are directly related to the objectives of the joint action.

In addition, the projects will include activities for project co-ordination – project management, monitoring and reporting to the partners and the Managing Authority.
Aid Intensity

- 100% of the total eligible expenditure; limits and conditions imposed by de minimis rules (Commission Regulation (EC) No 1998/2006)
- The maximum total eligible expenditure per project for preparatory technical support will be EUR 25 000 for trans-national projects.
- The maximum total eligible expenditure per project for preparatory technical support will be EUR 10 000 for inter-territorial projects
- The maximum total eligible expenditure per project for implementation of a joint action will be EUR 200 000, at level of the contribution of the individual LAG to the joint project.

The eligible expenditures are as follows:

A. Preparatory technical support:
- expenditure related to meetings with potential partners (e.g. travel, accommodation and fees for experts, full board and lodging costs, interpreter's fees, communication);
- expenditure related to organisation of planning sessions and events;
- project pre-development cost (e.g. project feasibility study, consulting for specific issues, fees for experts working on action plan etc., translation costs, additional staff costs).

B. Implementation of joint actions:
- Expenditure related to joint product/service development, including tangible and intangible investments costs;
- Expenditure for studies and marketing research directly related to the joint action;
- Expenditure related to implementation of promotional or marketing campaigns;
- Expenditure related to organisation of trainings, workshops, common events, meetings etc.;
- Expenditure for publications;
- Expenditure related to establishing and running common structures;
- Co-ordination of project activities (additional staff costs, travel, full board and lodging costs, communication costs, fees for experts, translation costs);

Procedure, timetable and selection criteria for inter-territorial and trans-national cooperation projects

The cooperation projects will be selected by the Managing Authority.

Two calls for proposals for cooperation projects will be announced annually by the Managing Authority until the end of 2013.

All projects should respond to the following eligibility criteria:
- to be implemented by LAGs selected by the Managing Authority;
- to target development of the territories covered by LAG strategies;
- to be consistent with and to contribute to the objectives and priorities of the LAG strategies and RDP;
- project partners to be involved in the preparation and implementation of the project and to have adequate capacity to implement the project.
The criteria for the selection of joint projects will be as follows:

- Quality of the project - relevance and maturity of the project, innovativeness of the proposed approach, value added of the partnership, quality of the action plan, tangible benefits to the rural area, sustainability and cost effectiveness;
- Quality of the partnership - level of involvement and responsibilities of partners, management capacity and the professional competencies to implement the project.
- Number of participating LAGs with priority for projects involving more than 2 Bulgarian LAGs and/or more than one other MS.

For inter-territorial projects with more than one LAG a three party contract between each LAG, the Managing Authority and the Paying Agency will be signed.

For trans-national projects the Managing Authority will send a list of the co-operation projects approved at national level to the European Commission before the contracting of the projects. The Commission will inform the Managing Authority about the approval or rejection of the other partners of the cooperation project. Once this confirmation is received, a three party contract between each Bulgarian LAG, the Managing Authority and the Paying Agency will be signed.

**Demarcation with other EU financial instruments**

The demarcation with Operation 4.2 *Inter-regional Cooperation* under Priority Axis 4 Local development and co-operation of OP Regional Development (ERDF) will be by type of beneficiaries. Operation 4.2 *Inter-regional Cooperation* will support cooperation projects between Bulgarian municipalities (associations of municipalities) and districts and their European partners, while the eligible beneficiaries under the Measure 421 of the RDP are LAGs, which are public-private partnerships.

**Quantified targets for EU common indicators**

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>Number of supported cooperation projects</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td>Number of co-operating LAGs</td>
<td>30</td>
</tr>
<tr>
<td>Result</td>
<td>Gross number of jobs created</td>
<td>100</td>
</tr>
<tr>
<td>Impact</td>
<td>Employment creation (Net additional FTE jobs created)</td>
<td>80</td>
</tr>
</tbody>
</table>

**Additional programme specific indicators and quantified target**

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>Number of inter-territorial co-operation projects</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Number of trans-national projects</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Number of innovative product/services created in rural areas</td>
<td>40</td>
</tr>
</tbody>
</table>
Title of the Measure: Running the Local Action Group, Acquiring Skills and Animating the Territory

Measure code: 431

Sub-measure 1: Running the Local Action Group, Acquiring Skills and Animating the Territory for Selected Local Action Groups

Article which covers the sub-measure

- Article 63(c) of Council Regulation (EC) 1698/2005

Rationale for intervention

The establishment and strengthening of LAGs is a key priority for the programming period 2007 - 2013, considering that Bulgaria has had only limited experience of pilot Leader-like initiatives in the pre-accession period.

The conclusions of the pilot project for 'Sustainable development of rural areas', supported by the United Nations Development Programme and Ministry of Agriculture and Food have shown that the application of bottom-up instruments for partnership-based local development in rural areas is a new approach in the Bulgarian context, and that it will take considerable local capacity to implement and monitor the local development strategies. In this connection, it will be essential to support the running costs of the LAGs, in order to help them build up capacity for the implementation and successful delivery of local development strategies.

At the same time, considering the experience and lessons learned from application of the Leader Approach in other Member States, it is particularly important to support operations related to enhancing awareness of the Leader approach and acquisition of skills by a wide range of local actors, which would guarantee their active participation in the process of strategy implementation with a view to achieving positive changes in the LAG area.

Objectives of the measure

- To encourage the development of strong and efficient LAG structures;
- To ensure resources – human, technical, financial – needed for the overall support and delivery of LAG activities and strategies;
- To enhance the awareness and skills of local people in the Leader approach, and to encourage their active participation in the process of local development strategy implementation.

Definition of beneficiaries

The beneficiaries under sub-measure 1 will be Local Action Groups, which have been selected by MAF in accordance with the requirements specified in Measure 41 Implementation of the Local Development Strategies.
Limit to apply on the share of LAG budget for operational costs
The cost for running the LAG, acquiring skills and animating the territory for selected Local Action Groups may not exceed 20% of the total public expenditure allocated to the local development strategy.

Eligible expenditures for running the LAG (operational costs)
The expenditure related to the running costs of the LAGs will not exceed 60% of the total eligible expenditure allocated for each individual LAG under this sub-measure. It can cover:

a. Salaries and other wages, social and health insurance etc. payments for the LAG staff;

b. Expenditure for experts and other paid services related to the implementation of the LAG strategy;

c. Expenditure for rent of an office;

d. Expenditure for rent and/or purchase of office-equipment, other equipment including vehicles (but not more than one for LAG, to be used only for LAG activities and to be owned by LAG), office supplies and fuel.

e. Expenditure for LAG meetings;

f. Expenditures for communications (telephone, Internet, postal services), transport, heating, and full other operational costs;

g. Expenditure for LAGs participation in the activities of the national and EU network for rural development.

Eligible expenditures for skills acquisition and animation
The expenditure for skills acquisition and animation will be at least 40% of total eligible expenditure allocated for each individual LAG under this sub-measure. It can cover:

- Studies of the area concerned;
- Measures to provide information about the area and the local development strategy;
- Training of staff involved in the implementation of the local development strategy;
- Promotional events;
- Training of local leaders.

Aid intensity
- 100 % of the total eligible expenditure.

Indicative estimate of the share of the expenditure under Measure 341 which will be used for skills acquisition and animation for the Leader Axis
Not applicable, as Bulgaria is not implementing Measure 341 in the 2007-09 period.

Quantified targets for EU common indicators

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>Number of skills acquisition and animation actions</td>
<td>1 000</td>
</tr>
<tr>
<td></td>
<td>Number of participants in the actions</td>
<td>20 000</td>
</tr>
<tr>
<td>Result</td>
<td>Number of participants that successfully ended a training activity</td>
<td>18 000</td>
</tr>
</tbody>
</table>
Sub-measure 2: Acquisition of Skills and Animation for Potential Local Action Groups (2007-2009)

Article which covers the sub-measure


Rationale for intervention
The implementation of the Leader Axis in Bulgaria will require the establishment of increased local capacity for preparing and implementing development strategies. It is necessary to expand and develop the local knowledge and skills for formulating and implementing local development strategies, as well as to prepare local experts to be involved with monitoring and evaluating locally supported projects. Given the limited experience in this area in Bulgaria, it will be necessary to have access to external expertise to help prospective LAGs identify the development potential of their territories and develop an appropriate local development strategy.

Experience in other Member States has shown that successful implementation of the Leader Approach strongly depends on an active inclusion process and establishment of working partnerships among various groups from the local population. This requires encouragement of dialogue and cooperation on the local level through informing and training equally all groups of the local population, including young people and the less active and isolated social groups like minorities and women.

The activities under this sub-Measure will comprise three extra operations under Article 37a of Commission Regulation 1974/2006 (as amended by Commission Regulation (EC) No 434/2007), which gives a wider scope to Measure 341 for Bulgaria and Romania on a transitional basis in the 2007-09 period. The projects under this sub-measure will be selected until the end of 2009 and implemented until the end of 2011. After 2009 they will be implemented under Measure 341 under Axis 3.

The activities under this sub-measure target specific local rural areas interested in the Leader approach, and are intended to assist them in preparing applications for selection as a Leader group. (Broader information and training actions concerning the Leader approach of interest and open to all rural areas will also be offered by the National Rural Network, and under technical assistance prior to the establishment of the network).

Objectives of the measure
- Supporting the emergence of local action groups in rural areas;
- Supporting the acquisition of skills for establishment and functioning of such groups at the local level;
- Facilitating the process for preparation of local development strategies
- Encouraging the inclusion of the local population in developing and future implementing of local development strategies;
Definition of beneficiaries

Support under this sub-measure is payable to organisations acting on behalf of potential future LAGs.

These can be municipalities, non-profit making legal entities, or legal entities registered under the Commercial Law and the Cooperatives Act, which are registered and operating on the territory on which the potential LAG will be established.

Scope and actions

The measure will be implemented in the 231 rural municipalities in Bulgaria and will support:

1) Studies of rural areas: (territorial, socio-economic analyses, etc.) for the purposes of preparing a local development strategy, setting-up of data bases;
2) Training, skills acquisition, technical and financial provisions (salaries, expert fees, etc.) for the staff/team involved in the preparation of the local development strategy;
3) Training of local leaders about the Leader approach;
4) Study tours for key representatives of the potential LAG or experienced LAGs in other Member States (e.g. groups which were previously selected under Leader+), in order to gain practical experience of how to develop and implement a local development strategy;
5) Workshops and information events for encouraging the active participation of the population in the local development process;
6) Information and promotional events and seminars to inform the local population about the intended Leader bid and to discuss and promote the proposed local development strategy;
7) Elaboration and publishing of information materials necessary for the preparation and publicity of the draft local development strategy (including Internet sites, brochures, etc.);
8) Preparing applications to be submitted under calls for proposals for the selection of local action groups issued by MAF.

Selection Procedure

The Managing Authority will be responsible for the selection of the projects. The selection procedure shall be open to all rural areas (according to the national definition) and will comply with the principles of transparency and equal treatment and competition.

The Ministry of Agriculture and Food will open public Calls for proposals under this measure up to three times until the end of 2009. The proposals will be examined and evaluated by a Selection Committee appointed by the Minister of Agriculture and Food, and chaired by the Managing Authority. The members of the Selection Committee will be representatives of MA, PA and external experts. The external experts will have an in-depth knowledge and experience on all issues covered by the selection criteria.

Following the evaluation of the proposals, a table ranking the proposals according to their score will be established by the Selection Committee. Based on the results of the evaluation the Selection Committee will recommend to the Minister of Agriculture and Food
approval/rejection of the applications. The Minister of Agriculture and Food will issue a decision for approval/rejection of the proposals.

Potential LAGs may have recourse to external experts (to assist with the above tasks), selected from a list to be established by the MA. This list will be drawn up following an open call for expression of interest with technical specifications for selection of experts which take into consideration factors such as level of experience in Leader or other local development approaches and capacity building and animation skills.

**Criteria for definition of potential LAGs and eligibility conditions**

All applications will be checked against the eligibility criteria. Eligible projects will then be ranked according to the priority selection criteria. The potential LAGs, which are the subject of an application under the measure, have to respond to the following eligibility criteria:

- The target territory is located in the rural areas according to the national definition, and covers an area with minimum 10,000 and maximum 100,000 population (towns of rural areas included);
- To submit a written agreement between municipal authorities, business and civil associations from the target territory for partnership in the setting-up of a LAG;
- To commit to register as a non-profit organisation in public benefit under the Law on Non-Profit Legal Entities and to elaborate a local development strategy based on the characteristics of the Leader approach;
- To demonstrate human capacity (internal or external) and technical resources for the management of the process of the establishment of the LAG.

**Selection criteria:**

In the selection process the projects will be ranked and priority will be given to:

- Capacity and coherence of the proposed territory;
- Quality of the proposed partnership and the capacity building actions carried out prior the application;
- Quality of the methodology (balance between the proposed activities, quality of the action plan, cost effectiveness);
- Capacity to implement the project (capacity of the applicant and partners, technical capacity of the proposed team of experts);
- Applications that present the package of at least six eligible activities, including 1, 2, 3, 4, 5, and 8.

**Aid intensity**

- 100 % of the total eligible expenditure.
- Minimum project size is EUR 10,000. Maximum project size is EUR 100,000.
<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>Number of skill acquisition and animation actions</td>
<td>300</td>
</tr>
<tr>
<td></td>
<td>Number of participants in actions</td>
<td>6 000</td>
</tr>
<tr>
<td>Result</td>
<td>Number of participants that successfully ended a training activity</td>
<td>5 000</td>
</tr>
</tbody>
</table>

**Additional programme specific indicators and quantified target**

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Indicator</th>
<th>Target 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>Number of supported potential LAGs under measure 431(2)</td>
<td>60</td>
</tr>
</tbody>
</table>
5.6 Complements to Direct Payments

Title of the Measure
Complements to Direct Payments

Measure code 611

Article which covers the measure
Annex VIII Section I point E of the Act of Accession of Bulgaria and Romania, as amended by Council Decision 2006/664/EC
Article 39 (a) and point 5.3.5.1 of Annex II of Regulation (EC) No 1974/2006.

Complementary national direct payments (CNDP) shall be financed both by the national budget, and by a transfer from EAFRD for the period 2007-2009 (year 2007 - 25%, year 2008 - 20% and year 2009 - 15% of the respective annual allocation originating from the EAGGF Guarantee Section as referred to in Article 34(2) of the Act of Accession of Bulgaria and Romania.)

Community contribution, national co-financing and total public support for each of the years 2007, 2008 and 2009

<table>
<thead>
<tr>
<th>Year</th>
<th>Community contribution</th>
<th>National co-financing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>48 428 890</td>
<td>12 107 222</td>
<td>60 536 112</td>
</tr>
<tr>
<td>2008</td>
<td>52 690 633</td>
<td>13 172 658</td>
<td>65 863 291</td>
</tr>
<tr>
<td>2009</td>
<td>44 353 294</td>
<td>11 088 324</td>
<td>55 441 618</td>
</tr>
<tr>
<td>Total</td>
<td>145 472 817</td>
<td>36 368 204</td>
<td>181 841 021</td>
</tr>
</tbody>
</table>

CNDPs will be defined annually in accordance with Article 132 of Council Regulation 73/2009 after approval of the Commission.

Designation of Paying Agency
State Fund Agriculture (SFA) has been accredited as the single Paying Agency for the CAP in Bulgaria in accordance with Article 6 of Regulation (EC) No 1290/2005, covering the 1st and 2nd Pillars including CNDP payments.

Additional information about the Paying Agency is given in Section 11.3

---

6. Financing Plan

6.1 Annual Contribution from the EAFRD (in EUR current prices, total period)

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>EAFRD</td>
<td>244 055 793</td>
<td>337 144 772</td>
<td>437 343 751</td>
<td>399 098 664</td>
<td>398 058 913</td>
<td>397 696 922</td>
<td>395 699 781</td>
<td>2 609 098 596</td>
</tr>
</tbody>
</table>

6.2 Financial Plan by Axis (in EUR current prices, total period)

<table>
<thead>
<tr>
<th>Axis</th>
<th>Public contribution</th>
<th></th>
<th>EAFRD amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total public</td>
<td>EAFRD contribution</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>rate (%)</td>
<td></td>
</tr>
<tr>
<td>Axis 1</td>
<td>1 204 866 983</td>
<td>80.00%</td>
<td>963 893 586</td>
</tr>
<tr>
<td>Axis 2</td>
<td>777 394 110</td>
<td>82.00%</td>
<td>637 463 170</td>
</tr>
<tr>
<td>Axis 3</td>
<td>877 666 684</td>
<td>80.00%</td>
<td>702 133 347</td>
</tr>
<tr>
<td>Axis 4</td>
<td>76 988 306</td>
<td>80.00%</td>
<td>61 590 645</td>
</tr>
<tr>
<td>Technical assistance</td>
<td>123 181 289</td>
<td>80.00%</td>
<td>98 545 031</td>
</tr>
<tr>
<td>Complements to DP</td>
<td>181 841 021</td>
<td>80.00%</td>
<td>145 472 817</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3 241 938 392</td>
<td>80.48%</td>
<td>2 609 098 596</td>
</tr>
</tbody>
</table>
### 7. Indicative Breakdown by Rural Development Measure (in EUR current prices, total period)

<table>
<thead>
<tr>
<th>N</th>
<th>Axis/Measure</th>
<th>Public expenditure</th>
<th>Private expenditure</th>
<th>Total cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>111</td>
<td>Training, information and diffusion of knowledge</td>
<td>102 413 694</td>
<td>0</td>
<td>102 413 694</td>
</tr>
<tr>
<td>112</td>
<td>Setting up of young farmers</td>
<td>102 413 694</td>
<td>0</td>
<td>102 413 694</td>
</tr>
<tr>
<td>113</td>
<td>Early retirement of farmers and farm workers</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>114</td>
<td>Use by farmers and forest holders of advisory services (years 2010-2013)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>115</td>
<td>Setting up of farm management, farm relief and farm advisory services, as well as forestry advisory services</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>121</td>
<td>Modernisation of agricultural holdings</td>
<td>572 311 816</td>
<td>468 255 122</td>
<td>1 040 566 938</td>
</tr>
<tr>
<td>122</td>
<td>Improving the economic value of the forests</td>
<td>24 097 340</td>
<td>16 064 893</td>
<td>40 162 233</td>
</tr>
<tr>
<td>123</td>
<td>Adding value to agricultural and forestry products</td>
<td>240 973 396</td>
<td>294 523 040</td>
<td>535 496 436</td>
</tr>
<tr>
<td>124</td>
<td>Cooperation for development of new products, processes and technologies in the agricultural and food sector</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>125</td>
<td>Improving and developing infrastructure related to the development and adaptation of agriculture and forestry</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>126</td>
<td>Restoring agricultural production potential damaged by natural disasters and introducing appropriate prevention actions</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>131</td>
<td>Meeting standards based on Community legislation</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>132</td>
<td>Supporting farmers who participate in food quality schemes</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>133</td>
<td>Supporting producer groups for information and promotion activities for products under food quality schemes</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>141</td>
<td>Semi-subsistence farming</td>
<td>144 584 038</td>
<td>0</td>
<td>144 584 038</td>
</tr>
<tr>
<td>142</td>
<td>Setting up producer groups</td>
<td>12 048 670</td>
<td>0</td>
<td>12 048 670</td>
</tr>
<tr>
<td>143</td>
<td>Provision of farm advisory and extension services in Bulgaria and Romania (According to Annex VIII Section I D of the Act of Accession of Bulgaria and Romania (years 2007-2009))</td>
<td>6 024 335</td>
<td>0</td>
<td>6 024 335</td>
</tr>
<tr>
<td></td>
<td><strong>Total Axis 1 - Improving the competitiveness of the agricultural and forestry sector</strong></td>
<td><strong>1 204 866 983</strong></td>
<td><strong>778 843 055</strong></td>
<td><strong>1 983 710 038</strong></td>
</tr>
<tr>
<td>N</td>
<td>Axis/Measure</td>
<td>Public expenditure</td>
<td>Private expenditure</td>
<td>Total cost</td>
</tr>
<tr>
<td>-----</td>
<td>------------------------------------------------------------------------------</td>
<td>--------------------</td>
<td>---------------------</td>
<td>--------------</td>
</tr>
<tr>
<td>211</td>
<td>Natural handicap payments to farmers in mountain areas</td>
<td>233 218 233</td>
<td>0</td>
<td>233 218 233</td>
</tr>
<tr>
<td>212</td>
<td>Payments to farmers in areas with handicaps, other than mountain areas</td>
<td>38 869 706</td>
<td>0</td>
<td>38 869 706</td>
</tr>
<tr>
<td>213</td>
<td>Natura 2000 payments and payments linked to Directive 2000/60/EC (WFD)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>214</td>
<td>Agri-environmental payments</td>
<td>435 340 701</td>
<td>0</td>
<td>435 340 701</td>
</tr>
<tr>
<td>215</td>
<td>Animal welfare payments</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>216</td>
<td>Support for non-productive investments - agricultural land</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>221</td>
<td>First afforestation of agricultural land</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>222</td>
<td>First establishment of agro-forestry systems on agricultural land</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>223</td>
<td>First afforestation of non-agricultural land</td>
<td>40 424 494</td>
<td>7 133 734</td>
<td>47 558 228</td>
</tr>
<tr>
<td>224</td>
<td>Natura 2000 payments - forest</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>225</td>
<td>Forest environment payments</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>226</td>
<td>Restoring forestry potential and introducing prevention actions</td>
<td>29 540 976</td>
<td>0</td>
<td>29 540 976</td>
</tr>
<tr>
<td>227</td>
<td>Support for non-productive investments - forest</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td><strong>Total Axis 2 - Improving the environment and the countryside</strong></td>
<td><strong>777 394 110</strong></td>
<td><strong>7 133 734</strong></td>
<td><strong>784 527 844</strong></td>
</tr>
<tr>
<td>311</td>
<td>Diversification into non-agricultural activities</td>
<td>140 426 670</td>
<td>75 614 361</td>
<td>216 041 031</td>
</tr>
<tr>
<td>312</td>
<td>Support for the creation and development of micro-enterprises</td>
<td>127 261 669</td>
<td>54 540 715</td>
<td>181 802 384</td>
</tr>
<tr>
<td>313</td>
<td>Encouragement of tourism activities</td>
<td>30 718 334</td>
<td>7 679 583</td>
<td>38 397 917</td>
</tr>
<tr>
<td>321</td>
<td>Basic services for the economy and rural population</td>
<td>412 503 341</td>
<td>45 833 705</td>
<td>458 337 046</td>
</tr>
<tr>
<td>322</td>
<td>Village renewal and development</td>
<td>166 756 670</td>
<td>41 689 168</td>
<td>208 445 838</td>
</tr>
<tr>
<td>323</td>
<td>Conservation and upgrading of the rural heritage</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>331</td>
<td>Training and information for economic actors operating in the fields covered by Axis 3</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>341</td>
<td>Skills acquisition and animation with a view to preparing and implementing a local development strategy</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>N</td>
<td>Axis/Measure</td>
<td>Public expenditure</td>
<td>Private expenditure</td>
<td>Total cost</td>
</tr>
<tr>
<td>----</td>
<td>------------------------------------------------------------------------------</td>
<td>--------------------</td>
<td>---------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>41</td>
<td>Implementation of the local development strategies:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>411</td>
<td>of which: <strong>Axis 1</strong> &quot;Improving the competitiveness of the agricultural and forestry sector&quot;</td>
<td>18 862 135</td>
<td>12 574 757</td>
<td>31 436 892</td>
</tr>
<tr>
<td>412</td>
<td>of which: <strong>Axis 2</strong> &quot;Improving the environment and the countryside&quot;</td>
<td>2 694 591</td>
<td>475 516</td>
<td>3 170 107</td>
</tr>
<tr>
<td>413</td>
<td>of which: <strong>Axis 3</strong> &quot;Quality of life in rural areas and diversification of the rural economy&quot;</td>
<td>32 335 088</td>
<td>10 778 363</td>
<td>43 113 451</td>
</tr>
<tr>
<td>421</td>
<td>Inter-territorial and trans-national cooperation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>421</td>
<td>of which: preparatory technical support</td>
<td>1 026 511</td>
<td>256 628</td>
<td>1 283 139</td>
</tr>
<tr>
<td>421</td>
<td>of which: implementation of joint actions</td>
<td>4 106 043</td>
<td>1 026 511</td>
<td>5 132 554</td>
</tr>
<tr>
<td>431</td>
<td>Running costs, acquisition of skills and animation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>431</td>
<td>of which: running the local action group</td>
<td>10 778 364</td>
<td>0</td>
<td>10 778 364</td>
</tr>
<tr>
<td>431</td>
<td>of which: acquiring skills and animating the territory</td>
<td>7 185 575</td>
<td>0</td>
<td>7 185 575</td>
</tr>
<tr>
<td></td>
<td>Total Axis 4 - Leader</td>
<td>76 988 306</td>
<td>25 111 774</td>
<td>102 100 080</td>
</tr>
<tr>
<td></td>
<td>Total axes 1, 2, 3 and 4</td>
<td>2 936 916 082</td>
<td>1 036 446 095</td>
<td>3 973 362 177</td>
</tr>
<tr>
<td>511</td>
<td>Technical assistance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>511</td>
<td>of which: National rural network</td>
<td>7 000 000</td>
<td>0</td>
<td>7 000 000</td>
</tr>
<tr>
<td>511</td>
<td>(a) running costs</td>
<td>1 750 000</td>
<td>0</td>
<td>1 750 000</td>
</tr>
<tr>
<td>511</td>
<td>(b) action plan</td>
<td>5 250 000</td>
<td>0</td>
<td>5 250 000</td>
</tr>
<tr>
<td>611</td>
<td>Complements to direct payments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>GRAND TOTAL</td>
<td>3 241 938 392</td>
<td>1 036 446 095</td>
<td>4 278 384 487</td>
</tr>
</tbody>
</table>
8. Additional National Financing per Axis
Additional national financing is not envisaged.

9. Elements for Appraisal under Competition Rules and list of Aid Schemes authorised under Articles 87, 88 and 89 of the Treaty

A: Measures and operations falling within the scope of Article 36 of the treaty

Aid under this Programme for measures and operations falling within Article 36 of the Treaty shall not be cumulated with any other State aid within the meaning of Article 87(1) of the Treaty, or financial contributions provided by Member States, if such cumulation would result in an aid intensity exceeding the maximum laid down in Regulation (EC) No 1698/2005.

B: Other measures and operations

State Aid Table

<table>
<thead>
<tr>
<th>Measure code</th>
<th>Name of the aid scheme</th>
<th>Indication of lawfulness of the scheme</th>
<th>Duration of aid scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>123</td>
<td>Support of micro-enterprises for investments related to processing or/and marketing of forestry product and support of micro, small and medium-sized enterprises for investments related to processing of products covered by Annex I to the Treaty (except fishery products), in products which are not listed in the same Annex</td>
<td>Any granted aid will be in conformity with the de minimis rules - Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid</td>
<td>2007-2013</td>
</tr>
<tr>
<td>123</td>
<td>Support of enterprises, which are not micro, small and medium but the number of their staff is less than 750 employees or their turnover is less than EUR 200 million, for investments related to processing of products covered by Annex I to the Treaty (except fishery products), in products which are not listed in the same Annex</td>
<td>Any granted aid will be in conformity with the de minimis rules - Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid</td>
<td>2007-2013</td>
</tr>
<tr>
<td>311</td>
<td>Support for initial investments for diversification into non-agricultural activities of owners of agricultural holdings</td>
<td>Any granted aid will be in conformity with the de minimis rules - Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid</td>
<td>2007-2013</td>
</tr>
<tr>
<td>Measure code</td>
<td>Name of the aid scheme</td>
<td>Indication of lawfulness of the scheme</td>
<td>Duration of aid scheme</td>
</tr>
<tr>
<td>--------------</td>
<td>------------------------</td>
<td>--------------------------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>312</td>
<td>Support for initial investments of micro-enterprises in rural areas</td>
<td>Any granted aid will be in conformity with the <em>de minimis</em> rules - Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to <em>de minimis</em> aid</td>
<td>2007-2013</td>
</tr>
<tr>
<td>313</td>
<td>Support for tourism infrastructure and services development</td>
<td>Any granted aid will be in conformity with the <em>de minimis</em> rules - Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to <em>de minimis</em> aid</td>
<td>2007-2013</td>
</tr>
<tr>
<td>321</td>
<td>Support for development of basic services for rural population and economy</td>
<td>Any granted aid will be in conformity with the <em>de minimis</em> rules - Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to <em>de minimis</em> aid</td>
<td>2007-2013</td>
</tr>
<tr>
<td>322</td>
<td>Village renewal and development</td>
<td>Any granted aid will be in conformity with the <em>de minimis</em> rules - Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to <em>de minimis</em> aid</td>
<td>2007-2013</td>
</tr>
<tr>
<td>41</td>
<td>Support to projects implemented under Local Development Strategies of Local Action Groups</td>
<td>Any granted aid will be in conformity with the <em>de minimis</em> rules - Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to <em>de minimis</em> aid</td>
<td>2007-2013</td>
</tr>
<tr>
<td>421</td>
<td>Inter-Territorial and Trans-National Cooperation</td>
<td>Any granted aid will be in conformity with the <em>de minimis</em> rules - Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to <em>de minimis</em> aid</td>
<td>2007-2013</td>
</tr>
</tbody>
</table>

Any cases of application of the schemes enumerated above for which under State aid rules or under conditions and commitments laid down in the respective State aid approval decision, individual notifications are required, will be notified individually pursuant to Article 88 (3) of the Treaty.
10. Complementarity with the Measures Financed by the Other Common Agricultural Policy Instruments, through Cohesion policy as well as by the European Fisheries Fund

10.1 Complementarity with Activities, Policies and Priorities of the Community and Measures Financed by the EAGF

Complementarity with the objective, activities, policies and priorities of Economic and Social cohesion and those of the European Fisheries Fund

The support under the RDP (EAFRD) is complimentary to the objectives of the interventions financed by the European Regional Development Fund (ERDF), the Cohesion Fund (CF), the European Social Fund (ESF), and the European Fisheries Fund (EFF) in Bulgaria. The guiding principles for co-ordination of the RDP and other Community Support Instruments are set out in the National Strategy Plan for Rural Development, the National Strategic Reference Framework (NSRF) which guides interventions in Bulgaria under the Structural and Cohesion funds, and the Fisheries Strategy Plan. The elaboration of the documents was done in close collaboration between responsible bodies and in consultation with relevant social and economic partners.

The interventions under the Structural Funds and the Cohesion Fund are organized in 7 Operational Programmes:

- Transport (ERDF and CF)
- Environment (ERDF and CF)
- Regional Development (ERDF)
- Human Resources Development (ESF)
- Development of the Competitiveness of the Bulgarian Economy (ERDF)
- Administrative capacity (ESF)
- Technical Assistance (ERDF)

The objectives of the Fisheries Strategy Plan will be delivered by the Fisheries and Aquaculture Operational Programme.

The RDP contributes to the objectives of the interventions under the operational programmes under the SF, CF and EFF and benefits from synergies with them. The RDP and other Operational Programmes address the Lisbon and Göteborg agenda of sustainable growth, competitiveness and employment by actions for modernising and developing of infrastructure, protecting environment, improving business environment, knowledge and innovation, and improving quality of human resources.

The RDP is consistent with the priorities of the NSRF and will contribute to all 4 priorities of the NSRF:
1. Improving basic infrastructure;
2. Increasing the quality of human capital with a focus on employment;
3. Fostering entrepreneurship, favourable business environment and good governance;
4. Supporting Balanced Territorial Development.

The Environment OP (ERDF and CF) has as a main objective to improve, preserve and recover the natural environment and development of the environmental infrastructure. The objectives and priorities of the RDP Axis 2 directly contribute to the third priority of the Environment OP for preservation of biodiversity and nature protection. The axis 3 interventions for rehabilitation and extension of water and sewage network in rural municipalities complement the first priority of the Environment OP for Improvement and development of water and wastewater infrastructure. The Environment OP will contribute
significantly to the improvement of quality of life for more than half of the rural population by interventions in favour of water and waste water and waste management under Priority 2 and biodiversity preservation.

The Transport OP (ERDF and CF) will contribute to the development of a sustainable transport system by integration of the national transport system into the European Union transport network and achievement of balance between the transport modes. The Transport OP will develop major national roads (Priority 2) and other transport infrastructure, which will improve accessibility of rural areas. The RDP measures under Axis 3 will contribute to the objectives of the Transport OP by interventions for improvement of municipal roads. Thus, RDP will augment the effects of the Transport OP, by allowing a larger part of the rural population to benefit from the investments under Transport OP.

The Regional Development OP (ERDF) aims to enhance the quality of life and working environment through better accessibility to the basic services and to create new opportunities for improved regional competitiveness and sustainable development. The objectives of the Regional Development OP and its five priorities are consistent and complementary to RDP objectives.

The objectives under Priorities 1 and 2 of the Regional Development OP are close to the objectives of Axis 3 of the RDP. Both programmes employ similar intervention tools and territorially complement each other. Priority 1 of the Regional Development OP targets sustainable and integrated urban development and will support development of social infrastructure, housing, urban transport, living environment in 86 municipalities included in agglomerations, of which 53 rural municipalities. Thus, Regional Development OP will contribute to the improvement of basic services in 53 rural municipalities, accounting for 42% of the rural population. Priority 2 of the Regional Development OP targets improvement of regional and local accessibility by investments in road, broadband and energy infrastructure. The Operational Programme will contribute to renovation of municipal roads in 53 rural municipalities (or about 30% of the territory of the rural areas) and to improvements on national roads. Priority 2 will benefit internet penetration in underserved and remote rural areas by supporting investments in broadband.

There is a complementarily between Priority 3 of the Regional Development OP, which focus on sustainable tourism development and Axis 3 and 4 Measures of the RDP. The Programmes differ by scope and to some extent by interventions and territory. The tourism development actions under the Regional Development OP have national or regional focus and aim to improve the overall consistency and effectiveness of the national tourism policy implementation. Regional Development OP will support national/regional tourism products development and implementation, development of tourism infrastructure and attraction in municipalities with a population above 10 000 people, the majority of which are rural. The RDP through the Leader Axis will activate local stakeholders to develop tourism products that are based on the advantages of the territory and through concerted multi-sectoral actions will enhance the tourism potential of the areas. The Axis 3 under the RDP will support smaller rural municipalities to develop tourism attractions and facilities enhancing the local tourism potential and activities. Thus, by support of locally driven initiatives the RDP will contribute to the wider objectives of the Regional Development OP. The RDP will have an important contribution to Priority 3 of Regional Development OP by support under Axis 3 of private investments in accommodation and tourism amenities, which are identified as a major constraint for the development of alternative tourism in Bulgaria.

Priority 4 of the Regional Development OP is highly consistent with the overall approach of the RDP and it aims at local development and cooperation by supporting investment facilities in rural municipalities outside agglomerations. It will focus only on improving the
public education, health care and business related infrastructure and thus will complement the interventions under Axis 3 of the RDP.

The *Human Resource Development OP* (ESF) aims to enhance human capital by interventions in 8 priority areas targeting increase in employment levels and productivity of the labour force, improved access to high-quality education and lifelong learning, and strengthening the social inclusion. Human Resource Development OP will contribute to RDP objectives by addressing the major problem of rural unemployment through active labour market measures targeting unemployed and unemployment threatened. The rural people will benefit also from operations aiming improvement of the employability of the labour force. Human Resource Development OP will add to entrepreneurship development in rural areas by training for acquisition of entrepreneurial, managerial and business skills of job seekers and vulnerable labour market groups willing to start up a new business. Actions under the Human Resource Development OP will have a contribution to labour market integration of vulnerable ethnic minority groups in rural area, including Roma. In turn, RDP will contribute to Human resource development by measures for life-long learning of the engaged in agriculture and forestry. RDP will also contribute with investments in social infrastructure and ITC based services.

The *Operational Programme Development of the Competitiveness of the Bulgarian Economy (Competitiveness OP)* (ERDF) aims to develop a competitive and efficient production and business potential and to assist the necessary structural changes in the economy. It has 5 priority axes which support development of the productivity of SMEs, innovations and new technologies as well as improvement of the business environment. RDP axis 1 and 3 interventions complement Priority 1 (development of a knowledge-based economy and innovation activities) and 2 (increasing efficiency of enterprises) of the Competitiveness OP by supporting co-operation for development of new products, processes and technologies and modernisation in the agriculture, food industry and forestry sector, and for setting up and development of micro-enterprises in rural areas. Competitiveness OP will complement the RDP by actions on the whole territory, including rural areas, for improvement of the competitiveness and innovation in non-agricultural small and medium-sized enterprises in sectors other than those eligible for support under axis 1 of the RDP.

*Administrative Capacity OP (ESF)* aims at development of an effective and competent administration capable of developing and implementing national and European policies, whilst meeting the expectations of citizens and the business for better service and professional ethics, as well as providing support for an effective judicial authority. In addition, the administrative capacity of the civil administration at central, regional and local level, the socio-economic partners and the judicial system will be strengthened in order to implement the good management principles as a fundamental condition for an effective and efficient use of EU Structural Funds and the Cohesion Fund. These actions are likely to contribute significantly to the RDP by improvement of capacity to elaborate and implement effective local programmes and projects. The RDP will complement the Administrative Capacity OP by Axis 4 actions for strengthening of local governance and local capacity building.

*National Strategic Plan for Fisheries and Aquaculture* will support sustainable aquaculture thus contributing to environmental protection and development of the targeted fisheries areas. The objectives of the Fisheries Strategy Plan will be delivered by the Fisheries and Aquaculture Operational Programme (OPFA). The OPFA has 5 priorities: *Priority Axis 1 Measures for the adaptation of the Community fishing fleet; Priority Axis 2 Aquaculture, inland fishing, processing and marketing of fishery and aquaculture products; Priority Axis 3 Measures of common interest”; Priority Axis 4 Sustainable development of fishing areas*
and Priority Axis 5 “Technical Assistance”. The RDP will complement the OPFA by Axis 4 actions for strengthening of local governance and local capacity building. The OPFA envisages support of up to 4 potential fishery groups. RDP will support about 50 LAGs in the rural areas. The LAGs eligible for support under EFF and EAFRD will develop a separate strategy for EAFRD and EFF.

There is a complementarily between OPFA and RDP regarding tourist development. The Fisheries and Aquaculture Operational Programme (OPFA) will support only fishing tourism. The RDP through Leader Axis will encourage local stakeholders to develop tourist products based on the advantages of the territory and will enhance the tourist potential of the areas. Axis 3 under the RDP will support smaller rural municipalities (with population not exceeding 10,000 inhabitants) to develop visitors attractions and facilities enhancing the local tourist potential and activities under Measure 313, and private tourism initiatives in rural areas under Measures 311 and 312.

**Complementarity with the First Pillar of the Common Agricultural Policy (EAGF)**

The Rural Development Programme is consistent with the measures funded by the EAGF. The scope of aid granted under the RDP measures will not overlap with the scope of aid granted under the 1st Pillar CAP support schemes referred to in Annex I to the Commission Regulation (EC) No 1974/2006 and implemented in Bulgaria. The Paying Agency shall be responsible for the cross-checks aiming at avoiding double-financing between the RDP and these support schemes. The Paying Agency will put in place a special procedure for the cross-checks. Every investment project under the RDP, which may fall under the scope of these 1st Pillar support schemes, will be checked for possible double financing before its approval.

Full complementarity and demarcation with measures financed by the CAP I Pillar support schemes in the sectors listed in Annex I to Commission Regulation No 1974/2006 is assured:

- **Fruits and vegetables** (Article 14(2) and 15 of Regulation (EC) No 2200/96)\(^{105}\)
  Producer Organizations will not be supported under the RDP for activities included for support in their Operational Programmes under Regulation (EC) No 2200/96. Producer groups for fruits and vegetables will not be eligible for support under Measure 142 *Setting up Producer Groups* of RDP, except for the producer groups for fruits and vegetables approved for support under the SAPARD Programme\(^ {106}\).

- **Wine** (Title II, Chapter I, Section 3, Art. 11 and 15 of Regulation EC No 479/2008)
  The eligible operations for support under Title II, Chapter I, Section 3, Art. 11 of Regulation EC No 479/2008 will not be supported by investment measures under the RDP. Creation and/or re-plantation of wine variety grapes and on-farm irrigation facilities and equipment for wine grape production including drop-systems will not be supported under the RDP. The eligible activities for support under Title II, Chapter I, Section 3, Art. 15 of Regulation (EC) No 479/2008 will be supported under the RDP, these activities will not be supported under the National Support Program in the wine sector of the Republic of Bulgaria. Demarcation between the both programmes is given in detail in Annex 4 (Attachment 1.A.). Setting up of wine grape producer’s groups will be supported under the RDP.


\(^{106}\) i.e. Producer Groups that have an on-going commitment from SAPARD which will be transferred to the RDP for outstanding payments
– Tobacco (Article 13(2)(b) of Regulation (EEC) No 2075/92\(^{107}\))

The diversification of tobacco producers will be supported under the RDP. The specific measures to help tobacco growers according to Article 13(2)(b) of Regulation (EEC) No 2075/92 are not foreseen. Investments in the tobacco production or processing sector, and the setting up by young farmers for tobacco production are excluded from support. Support for setting-up of producer groups in the tobacco sector is possible.

– Olive oil (Article 8 (1) of Regulation (EC) No 865/2004\(^{108}\))

A full distinction will be made between supported activities under the RDP and those supported according to Article 8 (1) of Regulation (EC) No 865/2004. Activities supported under Article 8 (1) of Regulation (EC) No 865/2004 will not be supported under the RDP. The production, processing and marketing of olive oil shall not be supported under the RDP.

– Hops (Article 6 of Regulation (EC) No 1952/2005\(^{109}\))

A full distinction will be made between supported activities under the RDP and those supported according to Article 6 of Regulation (EC) No 1952/2005. Activities supported under Article 6 of Regulation (EC) No 1952/2005 will not be supported under the RDP. Producer's groups of hops shall not be considered for support under Measure 142 Setting up Producer Groups of RDP.


There is no overlapping with the supported activities under the measures of the RDP.

– Sheep and goats (Article 114(1) and 119 of Regulation (EC) No 1782/2003)

There is no overlapping with the supported activities under the measures of the RDP.

– Bee keeping (Article 2 of Council Regulation (EC) No 797/2004\(^{110}\))

In respect of investments in bee keeping, a full distinction will be made between investments supported under the RDP and those supported under the Beekeeping Programme referred to in Regulation (EC) 797/2004.

The Bulgarian National Beekeeping Programme under Regulation (EC) 797/2004 will support beekeepers, if they possess up to 100 populated beehives, have registration as agricultural producers according to terms specified in the Programme and respect the other conditions under of the Beekeeping Programme. Other beekeepers are eligible for support under Measure 121 of the RDP to buy new empty beehives. All other activities related to the creation, recuperation and expanding of the bee-gardens without purchase of new beehives, shall also be eligible for support by the RDP. The activities for rationalisation of transhumance (including planting/replanting of melliferous trees) will not be supported under the Beekeeping Programme. Exceptionally, in accordance with Article 5(6) of Council Regulation (EC) №1698/2005 and Article 2(2) of the Commission Regulation (EC) №1974/2006 these activities (including planting/replanting of melliferous trees) will be supported under the RDP following the provisions of Measure 121.

The RDP will also support investments intended to enhance the overall performance of micro enterprises and SMEs classified according to Recommendation (EC) 2003/361, including the setting-up of laboratories for controlling the quality, authenticity and safety of honey processed in individual enterprises. Such laboratories functioning outside a single

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\(^{107}\) OL L 215, 30.7.1992, p. 70.


processing establishment or intended to service a whole region will be set up, modernized and equipped under the National Beekeeping Programme under Regulation (EC) 797/2004.

– *Sugar* (Council Regulation (EC) No 320/2006\(^{111}\))

A full distinction will be made between supported activities under the RDP and those supported according to Council Regulation (EC) No 320/2006. The RDP will not support investments in processing inputs into sugar or confectionery.

– *Direct payments* (Article 42(5) and Article 69 of Regulation (EC) No 1782/2003)

Regarding the direct payments under Pillar 1, during the first three years after accession (with the possibility for extension) Bulgaria shall apply the Single Area Payment Scheme (SAPS). Bulgaria may grant complementary national direct payments (CNDP) part financed by EAFRD under Measure 611 of the RDP in 2007-2009 period.

### 10.2. Demarcation Criteria for the Measures which Target Operations also Eligible under another Community Support Instruments, in Particular the Structural Funds and the European Fisheries Fund

**Demarcation criteria in relation with Axis 1, 2 and 3 measures**

The main principles of demarcation are based on the following types for different policies, measures and activities:

- by type of territories concerned – urban/rural;
- by the size of settlements / municipalities;
- by type of beneficiaries;
- by type and/or the size of actions selected under each policy;
- by establishment of administrative co-ordination mechanisms on programme level to ensure consistency.

The main distinction between the territorial interventions of the Cohesion Policy and EAFRD –axis 3 interventions is based on the national definition of the rural and urban areas in Bulgaria, approved by MAF Ordinance 14/2003. According to the national definition 231 of the municipalities are classified as rural and 33 as urban. For some of the measures in Axis 3 of the RDP additional territorial criteria will apply.

*Demarcation for measures which target development of physical infrastructure and services for the rural economy and population*

The Structural Funds Operational Programmes (OP) and the RDP will provide support for investments in physical infrastructure and establishment and improvement of social, recreational, cultural services, Internet-related services for the economy and rural population. The SF, CF and EAFRD will provide funding for buildings reconstruction, infrastructure and roads. The main demarcation criteria for the interventions related to physical infrastructure and services for rural economy and population, which are eligible under the RDP and other Community Support Instruments, are as follows:

- territorial coverage;
- type of operations;
- scale of operations.

\(^{111}\) OJ L 58, 28.2.2006, p. 42.
Demarcation with the Regional Development OP and Transport OP

The general demarcation criterion for activities potentially falling within the scope of the Regional Development OP and the RDP will be territorial coverage: the Regional Development OP will cover 86 municipalities in the urban agglomeration areas while the RDP will cover the remaining 178 municipalities in the rural areas (see list in Annex 6).

Specific demarcation criteria are introduced for the following:

- **The guiding principle of demarcation for the investments in road infrastructure is the territorial coverage (as described above) and the type of roads.** Transport OP will support motorways, first class roads, second class roads included in TENS; Regional Development OP will support second class roads (that are not included in TENS) and third class roads on the whole territory of Bulgaria, and municipal roads in the urban agglomeration areas (86 municipalities); while the RDP will support municipal roads in the remaining 178 municipalities in rural areas.

- **Road sides, squares, buildings, parks and gardens, lighting:** the RDP will support investments in the 178 rural municipalities, which are not eligible under the Regional Development OP (86 municipalities in urban agglomeration area will be supported Regional Development OP);

Regional Development OP will support activities to provide access to broadband infrastructure in the context of transition to information society (improving and extending current ICT networks) within all municipalities on the territory of the country. The RDP (Axis 3) will not support access to broadband infrastructure interventions.

The demarcation line between Regional Development OP and the RDP (Measure 313) for tourism services and infrastructure will be territorial on the basis of municipalities’ population. The demarcation OPRD/RDP for municipalities above (OPRD)/below (RDP) 10 000 inhabitants is applied only as regards the RDP tourism measure 313 where beneficiaries under both programmes are municipalities. Thus beneficiaries of the assistance under the RDP will be 103 rural municipalities with population not exceeding 10 000 inhabitants, while in OP Regional Development beneficiaries will be the remaining municipalities (with population above 10 000 inhabitants) (see list in Annex 6). EAFRD will not support tourism projects in settlements and resorts which are traditional destinations of mass tourism. (see list in Annex 6). In addition, regarding development of regional tourist products and marketing of destinations (Operation 3.2 of OP RD) the RDP Measure 313 envisages marketing activities of local (municipal) scope and importance while Regional Development OP envisages interventions at regional level, with much broader (supra-municipal) scope and importance.

The demarcation of tourism actions between OP Regional Development (Operation 3.1) and Measures 311 and 312 of the RDP is by type of beneficiary. OP Regional Development will support municipalities (and their associations); the Ministry of Culture, tourism associations and public bodies managing cultural monuments of national importance, whereas beneficiaries for tourism actions under measures 311 and 312 of the RDP can only be registered agricultural producers and rural micro-enterprises for private tourism actions in rural municipalities.

The Regional Development OP will also support interventions related to cultural monuments of national and world importance (approximately 1500) situated on the whole territory of the country according to the classification of the National Institute for Cultural Monuments while the RDP will support only cultural monuments of local importance in the 178 municipalities in rural areas.
The investment part of the Priority 4 of the Regional Development OP (especially Operation 4.1) complements and has very close links with the Axis 3 of the RDP. The Operation 4.1 will focus only on improving the public education, health care, business related infrastructure and purchasing of equipment for organisation of waste collection and disposal systems in smaller municipalities. Small scale flood prevention activities within the settlement areas will also be supported. The above mentioned types of activities will not be supported under Axis 3 of RDP. This differentiation in types of activities will rather create synergy between the two programs and will bring added value to the development of the targeted territory.

Demarcation with Environment OP

The demarcation with the Environment OP for operations eligible under both programmes is as follows:

i). Water supply and sewage

- The RDP will support projects for water supply and sewage systems in settlements with population equivalents not exceeding 2000 PE in 231 municipalities in rural areas of Bulgaria.
- Environment OP will support water supply and sewage systems in settlements with population equivalents above 2000 PE in all 264 municipalities (231 rural plus 33 urban) and in settlements with population equivalents below 2000 PE in the 33 urban municipalities.

ii) Construction of carcass collection facilities

The RDP also foresees measures for improvement of the waste management sector. Specifically, it will finance the construction of carcass collection facilities in 178 rural municipalities.

The following types of activities are envisaged for funding under Environment OP in all 264 municipalities: construction of regional facilities/installations for municipal waste treatment; construction of waste recycling centres in parallel with putting into operation of the new municipal waste regional landfills; construction of installations for recovery of the emitted gas emissions; preparation/review and update of regional/municipal waste management plans;

iii). Natura 2000 network and protected areas related to preservation and restoration of habitats and regulated use of species

Environment OP will support only actions directly related to implementation of Natura 2000 management plans and necessary for the management of protected zones and protected areas as well as for the attainment of favourable preservation status for habitats and species (for example, the restoration of wetlands, maintenance of high-mountain grasslands, assistance for nest success of endangered bird species, etc. including also infrastructure projects);

These activities are for the following beneficiaries: municipal authorities, associations of municipalities, directorates within the Ministry of Environment and Water and within MAF that are responsible for managing national and natural parks respectively, as well as other units within these two ministries that are involved in/responsible for the management of Natura 2000 sites and protected areas, Natura 2000 management administrations, non–
governmental organizations. For all tourism activities financed under Measure 313, Axis 3 of the RDP and falling in the Natura 2000 sites, the respective projects, before their approval, will be checked for compliance with the provisions of the Bio-Diversity Law and the respective secondary legislation for its implementation as well as the envisaged restrictions in the orders for the site designation and management plan.

Demarcation for Actions, which Target Development of Physical Infrastructure and Services for Rural Economy and Population implemented on Rural Territories

<table>
<thead>
<tr>
<th>Type of investment</th>
<th>Territory</th>
<th>RDP</th>
<th>RD OP</th>
<th>Environment OP</th>
<th>Transport OP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roads, Streets, Buildings, Parks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motorways, first class roads, second class roads included in TENs</td>
<td>Nation wide</td>
<td></td>
<td></td>
<td></td>
<td>Priority 2</td>
</tr>
<tr>
<td>Second and third class roads not included in TENs</td>
<td>Nation wide</td>
<td></td>
<td></td>
<td></td>
<td>Priority 2</td>
</tr>
<tr>
<td>Construction, reconstruction and rehabilitation of municipal roads and bridges;</td>
<td>Rural areas outside agglomerations (178)</td>
<td></td>
<td></td>
<td></td>
<td>Priority 2</td>
</tr>
<tr>
<td>- Reconstruction and construction of streets, squares, street footpath, etc.</td>
<td>Rural areas in agglomerations (53) and 33 urban</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Rehabilitation of public green areas - parks and gardens, etc.</td>
<td>Rural areas outside agglomerations (178)</td>
<td></td>
<td></td>
<td></td>
<td>Priority 1</td>
</tr>
<tr>
<td>- Reconstruction and refurbishment of public buildings and outdoor facilities of local importance;</td>
<td>Rural areas in agglomerations (53) and 33 urban</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Refurbishment of facades of private buildings, and outdoor facilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Supply and Sewage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction or rehabilitation of water supply and sewage system and related facilities;</td>
<td>All rural areas (231) in settlements not exceeding 2000 PE</td>
<td></td>
<td></td>
<td></td>
<td>Priority 1</td>
</tr>
<tr>
<td></td>
<td>All rural areas (231) in settlements above 2000 PE, and all settlements below 2000 PE, in 33 urban municipalities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services for the economy and populations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Public education, health care, business related infrastructure and purchasing of equipment for organisation of waste collection and disposal systems in smaller municipalities</td>
<td>Rural areas outside agglomerations (178)</td>
<td></td>
<td></td>
<td></td>
<td>Priority 4</td>
</tr>
<tr>
<td>- Broadband infrastructure</td>
<td>Nation wide</td>
<td></td>
<td></td>
<td></td>
<td>Priority 2</td>
</tr>
<tr>
<td></td>
<td>Rural areas outside agglomerations (178)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Establishment of new or improvement existing of centres of culture services;</td>
<td>Rural areas outside agglomerations (178)</td>
<td></td>
<td></td>
<td></td>
<td>Priority 4</td>
</tr>
<tr>
<td>- Establishment or improvement of existing centres for recreation, leisure time and sports;</td>
<td>Rural areas outside agglomerations (178)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Establishment or improvement of centres for social services;</td>
<td>Rural areas outside agglomerations (178)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Establishment or improvement of specialised transport services for vulnerable groups;</td>
<td>Rural areas in agglomerations (53)</td>
<td></td>
<td></td>
<td></td>
<td>Priority 1</td>
</tr>
<tr>
<td>- Establishment or improvement of centres for ICT-based services (such as distant learning, health advice, business support, municipal services, etc.), including mobile ICT centres;</td>
<td>Rural areas outside agglomerations (178)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Construction or rehabilitation of small infrastructure for risk prevention and waste management (construction of carcass collection facilities)</td>
<td>Rural areas outside agglomerations (178)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type of investment</td>
<td>Territory</td>
<td>RDP</td>
<td>RD OP</td>
<td>Environment OP</td>
<td>Transport OP</td>
</tr>
<tr>
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<td>-------------</td>
</tr>
<tr>
<td>Tourism</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Renovation of cultural monuments of national and world importance</td>
<td>Nation wide</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Development of regional tourist products</td>
<td>Rural areas not exceeding 10 000 population(103)</td>
<td>M 313</td>
<td>Priority 3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Other tourism infrastructure -tourists attractions, etc.</td>
<td>Municipalities above 10 000 inhabitants</td>
<td></td>
<td>Priority 3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Investments directly related to Natura management plans</td>
<td>Nation wide</td>
<td></td>
<td></td>
<td></td>
<td>Priority 3</td>
</tr>
</tbody>
</table>

Demarcation for actions, which target business and human resource development

The main demarcation criteria for the interventions related to business and human resource development will be by types of vocational training, target groups and type of operation and territorial, only for Axis 3. RDP business and human resource development, measures will be implemented nation-wide with the exception of Axis 3 and Axis 4 measures.

Demarcation for actions related to business and human resource development

<table>
<thead>
<tr>
<th>Type of interventions / target group</th>
<th>Territory</th>
<th>Rural Development Programme</th>
<th>Human Resource Development OP</th>
<th>Competitiveness OP</th>
<th>Fisheries &amp; Aquaculture OP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vocational training for agriculture producers and forest owners and employed in their holding</td>
<td>Nation wide</td>
<td>M 111</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vocational training for agriculture producers and forest owners and employed in their holding in non agricultural / forestry training</td>
<td>Nation wide</td>
<td></td>
<td>Priority 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training for food-processing industry enterprises</td>
<td>Nation wide</td>
<td></td>
<td>Priority 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vocational training for other groups in rural areas</td>
<td>Nation wide</td>
<td></td>
<td>Priority 2</td>
<td>Priority 1</td>
<td></td>
</tr>
<tr>
<td>Investments in primary agriculture and forestry and food processing</td>
<td>Nation wide</td>
<td></td>
<td>Axis 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in diversification in non-agricultural activities of farmers</td>
<td>231 rural municipalities</td>
<td>M 311</td>
<td></td>
<td>Priority 2</td>
<td></td>
</tr>
<tr>
<td>Investments in non-agricultural activities of micro-enterprises and start-ups</td>
<td>231 rural municipalities</td>
<td>M 312</td>
<td>Priority 1, operation 1.1</td>
<td>Priority 2</td>
<td></td>
</tr>
<tr>
<td>Investments in other small, medium-sized and large enterprises in sectors other than agriculture, forestry and food processing</td>
<td>Nation wide</td>
<td></td>
<td>Priority 2</td>
<td>Priority 2</td>
<td></td>
</tr>
</tbody>
</table>

Demarcation with the Human Resources Development OP (HRD)

The support for vocational training under the RDP is related to agriculture and forestry and it is only for agricultural producers, forest owners as well as for those employed in their holdings. All other types of vocational training will be supported by the HRD OP (including for those employed in the food processing sector, and training needed to promote economic diversification in rural areas in sectors other than agriculture/forestry, independent of whether the person trained is involved in the agricultural/forestry sector or not).

Activities under the RDP will also include support for investments for upgrading and introducing new technologies and processes aiming at improvement of the quality of farming products output and is targeted at the registered agricultural producers as
beneficiaries. Area of intervention 2.3 “Improving the working conditions at the workplace” of the HRD OP does not envisage such investments.

Demarcation with the Administrative Capacity OP (OPAC)

OPAC will provide training for the local and regional administrations aiming at strengthening their general capacity in fields such as public administration management, strategic planning, policy-making and policy implementation, organisational development, human resources management, accounting etc. OPAC training and capacity building interventions are not limited to specific sectors and funds. They will not overlap with interventions financed under the RDP.

Demarcation with the Technical Assistance OP

Training activities for local and regional authorities regarding the general principles related to receiving financial assistance from the Structural Funds and the Cohesion Fund of the EU, such as public procurement, audit trail, verification of expenditures, financial management and control, horizontal principles, etc. are included under OPTA.

Demarcation with the Development of the Competitiveness of the Bulgarian Economy OP

The main demarcation with the Development of the Competitiveness of the Bulgarian Economy OP (Competitiveness OP) will be by target group, territory and type of activities.

Under the RDP, support will be introduced for investments in tangible and intangible assets, which aim to improve the overall performance of the agricultural holdings and covering the Community standards requirements, for the relevant investments. Demarcation with Competitiveness OP measures is ensured by the different type of beneficiaries – only the RDP will support agricultural producers and producers’ organizations. Only the RDP will support agricultural producers for diversification in non agricultural activities in rural areas.

The RDP will provide investment support for food processing enterprises which are micro, small or medium-sized or have up to 750 employees or an annual turnover of less than EUR 200 million if the investments are aiming at processing and marketing of agricultural products listed in Annex I to the EC Treaty, from the sectors eligible under the RDP, excluding fishery products (independently of whether the final product is listed in Annex I to the EC Treaty or not).

For the processing and/or marketing of forestry products, the RDP will only support micro enterprises whereas if wood is used as an input, only investments for work operations prior to industrial processing of wood will be eligible for support.

All other types of enterprises other than micro-enterprises (see below) which are not under the eligibility restrictions for the processing and/or marketing under the RDP, are eligible to be supported under the Competitiveness OP.

The demarcation for production of energy from renewable energy sources is ensured by type of beneficiaries. The RDP will support investments in renewable energy sources of micro-enterprises and municipalities in rural areas, agricultural producers, micro-enterprises processing forestry products (before industrial processing), micro-enterprises and SMEs as well as enterprises which have up to 750 workers or an annual turnover of less than EUR 200 million processing agricultural products listed in Annex I to the EC Treaty, except fish products whether the processed products are listed in Annex I to the EC Treaty or not. Competitiveness OP will finance the rest of enterprises only for measures, aimed at production of energy from renewable energy sources for the needs of enterprises, only by the means of wind and solar sources and cogeneration from industrial facilities. RDP will
support production of bio-fuels from biomass and production of biogas and biogas cogenerations.

In order to avoid overlapping with Competitiveness OP support to investments in non-agricultural activities for established micro-enterprises and innovative start-ups in rural areas will be granted only within the framework of the RDP. Micro-enterprises, including innovative start-ups, will be eligible for support under the Competitiveness OP only if they operate in urban municipalities.

Demarcation with the Fisheries and Aquaculture OP
The main demarcation with the Fisheries and Aquaculture OP will be by type of activities. Support for investments in processing and marketing of fishery products will be supported by the EFF only.
Support for investments for aquaculture and for aqua-environmental measures will be supported by the EFF only.
Fishing tourism will be supported by the EFF.
The vocational training in the Fishery sector will be supported by the EFF.

The Information System for Management and Monitoring (ISMM)
For the purposes of coordination, avoidance of double funding and effective management and monitoring of the Structural Funds, Cohesion fund, EFF and EAFRD Programmes the Bulgarian authorities shall also use the Information System for Management and Monitoring (ISMM) set up in the Ministry of Finance and operational as of December 2006. The ISMM is based on a client/server platform and provides access to all programme authorities (e.g. managing authorities, intermediate bodies, paying agencies, monitoring committee members) to the central project data base at the Ministry of Finance. The system will be accessible by all institutions, participating in the management, implementation, monitoring of the EU financial instruments in Bulgaria.

The possibility to exchange/cross-check information in real time from the ISMM and the monitoring system of the RDP will enable the authorities to make a check for any beneficiary under which programmes he/she has applied and for what activities, which reduces the risk of double funding.

Cross-representation of MA representatives in the RDP and the various OP Programme Management Committees will also be ensured, in order to facilitate co-ordination between the different programmes and EU financial instruments.

10.3 Demarcation Criteria in Relation with Axis 4 Measures

Demarcation between LAGs and Fisheries Groups (European Fisheries Fund)
As regards Fishery Groups supported under priority axis 4 of OP Fisheries and Leader LAGS supported under Axis 4 of the RDP, an overlapping of the territory of fisheries areas with areas selected under the Leader axis of the RDP is possible. Where this occurs, it is possible for a common implementing structure to be used. The group will have to develop a separate development strategy for Leader actions (under EAFRD) and those to be supported by EFF. The strategies will be approved by the respective Managing Authorities. Separate project selection committees and accounting systems will be required for the two strategies.
Common running costs for the local group will be shared between the two Funds on a pro rata basis.

**Demarcation with the Regional Development OP**

In respect to Inter-regional Cooperation under Regional Development OP (Operation 4.2) the demarcation with the Inter-Territorial and Trans-National Cooperation measure of the RDP will be set by type of beneficiary: the Operation 4.2 will support cooperation projects between Bulgarian municipalities (association of municipalities) and districts and their European partners, while eligible beneficiaries under the RDP are Local Action Groups which are public-private partnerships.

**Demarcation with the Human Resources Development OP**

The main demarcation with the Human Resources Development OP will be by type of activities. The RDP will support training activities for skill acquisition of local communities and training activities for establishment of LAGs and for the preparation and implementation of local development strategies.

**Demarcation with the Administrative Capacity OP (OPAC)**

The RDP will supplement the activities envisaged in the OPAC for improving the capacity at local level through investments in the Leader approach. In order to eliminate any possibility for overlap between the RDP and OPAC, the LAGs and the activities foreseen in the local development strategies will not be co-financed under OPAC.

**10.4 Information on the Complementarity with other Community Financial Instruments**

The Instrument for Pre-Accession Assistance (Phare) supports institution building and economic and social cohesion actions in Bulgaria. There is a potential for overlap between Phare Economic and Social projects, which are mainly implemented by grant schemes. Typically these are small scale operation for business development, human resource development and social integration of vulnerable groups that are implemented nation-wide and provide grants to a variety of target groups – SMEs, municipalities, NGOs, educational institutions. Contracting of the projects under Phare Financing Memoranda 2005 and 2006 is expected to be completed by the end of 2008. To avoid double funding of operations the Paying Agency will check for on-going/ pending contracts in ISMM and in the records of the respective Implementing Agencies (IA - Ministry of Labour and Social Policy, IA - Ministry of Economy, IA – Ministry of Regional Development and Public Works, Central Finance and Contracting Unit).
11. Designation of Competent Authorities and Bodies Responsible

11.1 Member State

The Ministry for Agriculture and Food (MAF) is the responsible body for the preparation of the Rural Development Policy Documents for the period 2007 - 2013 (incl. NSP and RDP) in accordance with Articles 11 and 15 of Council Regulation (EC) № 1698/2005 and Article 2g of the Bulgarian Law for Support of Agricultural Producers.

As such, MAF will ensure:

- All legislative, statutory and administrative provisions in accordance with Article 9(1) of Regulation (EC) No 1290/2005 are adopted to ensure effective protection of the Community’s financial interests;
- The RDP has the relevant management and control systems in place to ensure clear allocation and separation of functions between the Managing Authority and other bodies involved in implementation of the rural development policy, and
- The RDP’s management and control systems function effectively throughout the programme period.

11.2 Managing Authority

The Rural Development Directorate within the Ministry of Agriculture and Food is the administrative unit acting as Managing Authority (MA) and designated by Bulgaria in accordance with Article 74(2)(a) of Council Regulation (EC) No 1698/2005.

In pursuance to Article 75 of Regulation (EC) No 1698/2005 the Managing Authority is responsible for the efficient, effective and correct management and implementation of the RDP. In particular, the Managing Authority will ensure:

- operations are selected for funding under the RDP in accordance with the criteria applicable to the RDP;
- establishment and maintenance of a system to record and maintain data for monitoring and evaluation in computerized form\(^{112}\);
- beneficiaries and other bodies involved know their obligations and maintain a separate accounting system or use adequate accounting codes for all transactions funded under this Programme, and are aware of requirements concerning provision of data to the MA and recording of outputs and results;
- programme evaluations are carried out within the required time limits and conform to the Common Monitoring and Evaluation Framework;
- publicity of the NSP and RDP in compliance with Community publicity requirements; and
- appropriate flow of information to the Paying Agency (incl. information on procedures and controls\(^{113}\)) to provide for efficient programme implementation.

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\(^{112}\) The system is being prepared and is expected to become operational in early 2008.
\(^{113}\) In the case of Bulgaria the PA will perform the controls on beneficiaries with the exception of Leader measures where controls are shared between the PA and the MA.
The Managing Authority is responsible for chairing and providing secretariat functions for the Programme Monitoring Committee and preparing analyses needed for the work of the Monitoring Committee. It will draw up the Annual Progress Reports and, after approval by the Monitoring Committee, will submit them to the Commission.

The Head of the Managing Authority is the Minister of agriculture and food. The Director of RDD is the Head of the administrative unit acting as Managing Authority (MA). The Secretariat of the MA is the Programming, coordination, monitoring and evaluation (PCME) Unit of RDD. The secretariat is run by the head of the PCME Unit and is responsible to the Head of the RDD. The secretariat is responsible for the overall operational coordination at Programme level and provide administrative support to the MA and to the Monitoring Committee as well.

The strategic management and monitoring functions of the MA is performed through a Management Committee (MC), created with an order of the Minister of Agriculture and Food. The committee is chaired by the Minister of Agriculture and Food (deputy chair is the Deputy Minister) and consists of the Directors of the following MAF Directorates directly related to the implementation of RDP: Rural Development (MA), Agriculture,, Plant-growing and animal breeding, Coordination of EU affairs, Finance, Legal, Agrostatistics, Monitoring and Coordination of the Paying Agency Activities, Executive Director of the Paying Agency and the Deputy Directors responsible for the RDP measures implementation as well as the heads of the four units of RDD (MA). A representative of the State Agency for Forestry is also a member of the Management Committee. The PCME Unit of RDD is acting as Secretariat of the MC. The committee has regular meetings, at least four per year.

The operational level functions of the MA are performed by RDD Units (according to the organigram below).

The analytical tasks of the MA at the level of Axes/measures are performed by the following RDD Units:

- Competitiveness of the Agricultural and Forestry Sector Unit – for Axis 1 measures;
- Agri-environment and Less Favoured Areas Unit – for Axis 2 measures;
- Rural Areas and Local Initiatives Unit (incl. the Leader Office) – for Axis 3 and 4 measures;
- Programming, Co-ordination, Monitoring and Evaluation Unit is responsible for the organization of monitoring and evaluation, Technical Assistance, SFC 2007 and IT support, reporting, financial issues.
The above structure of the MA was elaborated and its administrative capacity strengthened as a result of a Phare Twining project with the Austrian and Italian Ministries of Agriculture “Preparation of the Bulgarian Ministry of Agriculture and Food to implement the Second Pillar of the EU Common Agricultural Policy – Rural Development” BG04/IB/AG/01, September 2005 – September 2007.

For the efficient work of the MA written Rules of Procedure have been prepared and approved by the MAF Collegium.

The MA signed with the PA a special Contract/Agreement in which all concrete obligations/delegation of functions/activities concerning the implementation of the RDP are described in detail. The content and periodicity of reporting by the PA to the MA are also specified in the contract.

The implementation of the Programme is carried out by the MA and PA. Managing Authority (RDD) is responsible for the implementation of Axis 4 Leader measures and the Technical assistance. The implementation of the other measures of the Programme are delegated to the PA with the contract mentioned above.

Envisaged implementation framework:

*Implementation of investment projects under the measures from Axis 1, Axis 3 and forestry-related measures under Axis 2*

Main stages:

- Submission of application (including a business plan) at the PA Regional Offices
- Administrative checks at regional and central level by the PA;
- Processed applications are presented to the expert committees for transparency.
- Approval and contracting;
- Project implementation (public procurement under Axis 3 measures shall be done by municipalities);
- Submission of payment claims at the PA District Offices;
- Administrative checks at District and Central PA Offices (in order to verify the realization of the investment visits will be carried out for all investment projects from Axis 1, Axis 3 and forestry-related measures under Axis 2);
– On-the-spot control (covering a sample of projects/beneficiaries selected on the basis of risk analysis) by the PA Technical Inspectorate;

– Payment

The approval of applications under the measures from Axis 1, Axis 3 and forestry-related measures under Axis 2 at first will be done at central level with the exception of approval of applicants under the measure for support to semi-subsistence farmers, which shall be done at the regional level. After the start of the Programme on the bases of measure implementation results and after the analysis of capacity of PA Regional Offices a plan for the decentralization of approval and contracting for various RDP measures depending on the type of measure and size of projects will be developed.

**Implementation of Axis 2 – compensatory payments**

The payments for agri-environmental activities and/or for less favoured areas are made on the basis of a submitted payment claim, as an additional part of the application form for direct payments. Main stages:

– The first (initial) application by a farmer is considered as both an application for participation in the indicated scheme (LFA or agri-environment) and as a payment claim for the first year. The first application should be submitted in the same period as for the direct payments (1 March – 15 May) except for the agri-environmental packages HNV4 (maintenance of habitat of protected species in arable lands of IBA) and SW 1 (Crop rotations for soil and water protection) where applications shall be submitted in the period 1-30 March. The PA approves the participation in the measure 214 by sending a letter to the farmer confirming that his application for participation has been approved and that the application is considered as a payment claim.

On the basis of experience gained the Bulgarian authorities explore the possibilities to open a wider window for the initial contracting for measure 214 Agri-environmental payments

*For subsequent annual payment claims the procedure is as follows:*

– Submission of payment claim to the PA Regional Offices in the period 1st of March – 15th of May;
– Administrative checks at regional and central level by the PA and on-the-spot control (covering a sample of projects/beneficiaries selected on the basis of risk analysis);
– Payment is done in the period December current year – June next year.

**Implementation of Axis 4 Leader**

The activities related to the provision of information to beneficiaries, carrying out the procedure for selection of Local Action Groups, control of the implementation of LAG strategies, approval of LAGs’ running costs and costs for acquisition of skills and animation of territories of approved and potential LAGs, and selection of cooperation projects are carried out by the MA.

The LAGs will have responsibility for the evaluation, selection, contracting and monitoring of the projects implemented under their local development strategies. To ensure that the projects meet the eligibility criteria set out in the EC Regulations, the RDP and the local development strategies, the District Offices of the Paying Agency shall conduct a conformity check before the project contracting. The monitoring and the control of the local development strategies implementation shall be done by the Rural Development Directorate (MA). All payments for completed projects in the framework of the local development
strategies of the LAGs, for LAG running costs, skill acquisition, territory animation and cooperation projects shall be done by the Paying Agency.

**Implementation of Technical assistance (inclusive of the National rural network)**

The implementation of the Technical Assistance activities, including those related to the National Rural Network are carried out by MAF. The PCME Unit of RDD oversees the contracting and implementation of Technical Assistance in order to ensure that supported actions fall within the scope of the Technical Assistance operations approved under the RDP and are in conformity with Articles 66 and 68 of Council Regulation 1698/2005. The Technical Assistance actions are contracted in accordance with the applicable national legislation for public procurement. Public procurements are organized by the Investment policy and Public Procurement Directorate of MAF and by the PA (for the actions where the PA is the beneficiary). The RDD is responsible for the monitoring and control of the implementation of all Technical Assistance actions, while the PA is responsible for payments.

### 11.3 Accredited Paying Agency

The State Fund Agriculture (SFA) has been accredited as a Paying Agency in accordance with Article 6 of Council Regulation (EC) No 1290/2005.

On the basis of Article 2b of the Law on Support of Agricultural Producers, Bulgaria has accredited a single Paying Agency through which support shall be provided to agriculture, rural areas and fisheries with funding from the EAGF, EAFRD, EFF and the state budget.

The accredited Paying Agency in respect of payments made by it and as regards communicating and keeping information, is responsible to provide sufficient guarantees that:

- the eligibility of requests and, in the framework of rural development, the procedure for allocating aid, as well as their compliance with Community rules are checked before payment is authorised;
- accurate and exhaustive accounts are kept of the payments made;
- the checks laid down by Community legislation are made;
- the requisite documents are presented within the time limits and in the form stipulated by Community rules;
- the documents are accessible and kept in a manner which ensures their completeness, validity and legibility over time, including with regard to electronic documents within the meaning of Community rules.

The Paying Agency shall carry out all the tasks delegated by the MA of the RDP. These delegated tasks will be specified in a contract between the Managing Authority and the Paying Agency (as mentioned in Point 11.2).

The tasks of the Paying Agency are divided into three core functions:

1. **Authorization and control of payments** - to establish that the amounts to be paid to a claimant are in conformity with the Community rules, including administrative control and control on-the-spot;

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114 The PA has been granted provisional accreditation. Full accreditation is expected until the end of 2007.
2. Execution of payments - to pay the authorized amount to the claimant (or his assignee), or in case of rural development, the Community and national co-financing part;

3. Accounting for payment – to record all payments in the Agency’s separate accounts for EAGF and EAFRD expenditure in the form of an information system, and the preparation of periodic summaries of expenditure, including the monthly, quarterly (for the EAFRD) and annual declarations to the European Commission.

With regard to the implementation of the rural development measures, the Paying Agency performs the functions of project assessment, approval, definition of commitment levels and contracting.

In order to fulfil these functions, the Paying Agency is structured in such a way as to provide a clear distinction of the rights and responsibilities at all operational levels and division of the three functions mentioned above.

The Paying Agency is responsible for the implementation of all the support schemes financed by EAGF and EAFRD. According to the origin of the financing and the requirements thereto, the implementation of these schemes is grouped into direct payments, market mechanisms, rural development measures and fisheries and aquaculture measures departments. These departments work in close cooperation with the Technical Inspectorate Department, responsible for undertaking on-the-spot checks, the Financial Services Department, which plans and performs budgetary functions and accounting of payments and the Payments Department, which is in charge of the execution of payments and registration and recovery of bad debts.

Rural Development Department within the Paying Agency

The Rural Development Department within the Paying Agency was set up in order to take up the responsibilities for the implementation of the measures of the Rural Development Programme 2007-2013 and to be in charge of authorizing the amounts to be paid to the beneficiaries under the RDP measures.

The organizational structure of the department ensures internal segregation of responsibilities, namely:

- project approval and contracting, and
- authorization of payments

On central level, the implementation of the measures is a responsibility of the Contracting Sector and the authorization of the payments is performed by the Authorization of Payments Sector. On regional level, these functions are charged respectively to the 28 PA Regional Offices and the 11 PA District Offices (in pursuance to the implementation framework under section 11.2).

The Contracting Sector is responsible for processing of application files, in conformity with the Community Regulations and practices, as well as the requirements of the Bulgarian legislation, which guarantees the financial interests of the European Community, providing for strict implementation of specific commitment on the part of the beneficiary.

The processing of application files involves:

- Administrative checks of the applications for conformity with the eligibility criteria and with the financial criteria;
- Evaluation of the projects;
The Authorization of Payments Sector within the Paying Agency is in charge of providing an exact evaluation of the expenditure made in conformity with the Community Regulations, as well as with the requirements of the Bulgarian legislation, in order to guarantee the financial interests of the Community.

The evaluation of the expenditure includes:

- Assessment of payment claims for conformity with the financing criteria;
- Calculation of the investment expenditure;
- Definition of the reality of the expenditure and conformity of the costs incurred with the approved operations;
- Authorization of the payments.
- Archiving;
- Ex-post project monitoring and control.

There is a coordination among the Rural Development Department (RD Department), and the Execution of Payments Sector and Bad Debts Sector within the Payment Department, Accounting of Payments Sector and Budgeting Sector within the Financial Services Department and the Technical Inspectorate Department. The activities of the RD Department are supported by the Legal Department and the Information Technologies Department, and are controlled by the Internal Audit Department – PA.

To ensure the transparency of project approval the Executive Director of the Paying Agency will appoint special expert committees for transparency by measures that will include representatives of responsible PA Units, MAF, other ministries, professional associations and NGOs.

All applicants will be informed in writing of whether their application under a particular RDP measure has been accepted/rejected. The justification will be indicated for rejected applications.

**Human Resources**

At the time of RDP preparation the total number of staff at the State Fund Agriculture was set at 1204. The RD Department at the PA headquarters had 49 officers. In November 2007, the existing 19 experts of the RD Department, were supplemented by the transfer of another 30 experts from the SAPARD Agency who had been dealing with the project approval process. In addition, an increase with 51 additional officers was planned until the end of 2007. Specific training was envisaged for these additional staff in order to rapidly build necessary administrative capacity.

As of January 2009, after additional staff was recruited during 2008, the total number of staff at the State Fund Agriculture is set at 1535. The RD Department at the PA headquarters has 150 officers.
The 28 PA Regional Offices have a total staff of 256 officers and the 11 PA District Offices – 186 (for rural development and other payment mechanisms claims including SAPS). The overall number of Technical Inspectorate officers is 399.

The officers involved in RDP implementation and control are not involved in SAPARD implementation.

Control Procedures

The purpose of the control function is to check the facts on which the documents and the requests for payment are based, in order to establish their compliance with the financial rules and the terms and conditions of the contracts with beneficiaries. This control includes administrative checks and on-the-spot checks.

Administrative checks involve on-site visits and cross-checks of documents and the beneficiary’s statute.

Physical checks or on-site checks are an important requirement for checking the eligibility of the financial assistance. It is an obligation of the Authorization of Payments Sector to maintain adequate procedures for requesting on-the-spot checks relating to processed projects/claims for payment to the Technical Inspectorate Department, which by means of the Regional Technical Inspectorate Directorates will perform all checks in the required time and in accordance with the standards. The results from the control must be recorded and taken into account when processing the file before authorization. There is a clear procedure, based on the written evidence that such controls really exist and function well.

The application form and the claim for payments are submitted in the PA Regional Offices and PA District Offices respectively by the beneficiaries or their legal representatives. Checks for compliance with the eligibility criteria are performed both at regional/district level and central level. They are in strict conformity with the requirements of Commission Regulation (EC) No 1975/2006 and are as follows:

- Administrative checks on applications for support include verification of:
  – the eligibility of the operation for which support is requested;
  – the respect of the agreed selection criteria;
  – the compliance of the operation for which support is requested with applicable national and Community rules on, in particular, and where relevant, public procurement, State aid and the other appropriate obligatory standards established by national legislation or established in the RDP;
  – the reasonableness of the costs proposed, which shall be evaluated using a suitable evaluation system, such as reference costs, a comparison of different offers or an evaluation committee;
  – the reliability of the applicant, with reference to any previous co-financed operations undertaken since 2000.
  – the respect of the relevant mandatory requirements (GAEC, relevant statutory management requirements for the agri-environment measure) established pursuant to Annex III and IV to Council Regulation (EC) 1782/2003, adopted with an Order № RD 09-293/04.05.2007 of the Minister of Agriculture and Food or transposed in the national legislation.

- Administrative checks on payment claims include a verification of:
  – the delivery of the products and services co-financed;
  – the reality of the expenditure claimed;
  – the completed operation compared with the operation for which the application for support was submitted and support - granted.
Detailed check-lists for each measure are completed by the experts at the District Offices, the Regional Offices and the Rural Development Department, whereas the senior experts perform a procedural check for the purpose of establishing the correct work of the experts and observing the “four-eyes” principle according to the accreditation criteria of the Agency. The management of the PA performs special checks.

Routine checks by the Internal Audit Department control the correct implementation of measures and the evaluation of the incurred investment costs. The control is carried out in accordance with the international standards and is concluded by reports and recommendations addressed to the management of the Agency.

On-the-spot checks are performed by the Technical Inspectorate Department upon preliminary request.

**Monitoring**

The Paying Agency ensures provision of project data for monitoring purposes to the MA.

The SFA has a separate Internal Audit Unit, which conducts internal audits in pursuance to the Act for Internal Audit in the public sector. This Unit is providing independent assessments and consultations aimed at improving the operations of the Paying Agency. The Paying Agency does not foresee delegation of functions to other bodies.

The organigram of the Paying Agency is presented below.
11.4. Certifying Body

The Certifying Body is responsible for certifying the truthfulness, completeness and accuracy of the accounts of the accredited Paying Agency and assures the security of IT systems of the PA in accordance with EU Regulation № 885/2006. The Certifying Body draws up a report with its findings every year certifying:

- that Paying Agency and its procedures are followed and are in accordance with the accreditation criteria;
- accuracy, truthfulness and completeness of annual accounts;
- protection of the financial interests of the European Community;
- that recommendations for improvement have been followed up.

Grant Thornton Ltd. – Bulgaria (representative of Grant Thornton International) is the Certifying Body for the Bulgarian Paying Agency within the meaning of Article 7 of Council Regulation (EC) No 1290/2005. The company has been contracted by the Ministry of Agriculture and Food following a competitive tendering procedure to conduct an audit of the Paying Agency for compliance with the accreditation and certification criteria.

According to the contract the company shall also certify the Paying Agency's accounts for 2007.

In August 2008 following a public procurement procedure “Deloitte Bulgaria” OOD has been designated as a Certifying body of the Paying Agency within the meaning of Article 7 of Council Regulation (EC) No 1290/2005 for a period of three years. According to the contract concluded between the MAF and “Deloitte Bulgaria” OOD on 20 August 2008 the latter expires on 31 January 2011.

11.5 Competent Authority

In accordance with Article 2a from the Law on Support of Agricultural Producers the Minister of Agriculture and Food is the Competent Authority responsible for granting accreditation to the Paying Agency (also for withdrawal of accreditation) as required by the EU legislation.

In his capacity of Competent Authority the Minister of Agriculture and Food can:

- Issues the Paying Agency’s accreditation in accordance with Commission Regulation 885/2006 with an Accreditation Act published in the Bulgarian State Gazette;
- Designates the Certifying Body;
- Monitors and controls the compliance of the Paying Agency's work vs. the accreditation criteria.

The detailed rules and procedures on accreditation and annual certification of the Paying Agency are set in Ordinance 79/01.06.2006 issued by the Minister of Agriculture and Food. The Minister notifies the EC for the accreditation.

Control Unit

In accordance with Article 2v from the Law on Support of Agricultural Producers the Minister of Agriculture and Food controls the Paying Agency through:

- the Certifying Body (as mentioned in section 11.4);
- a special unit (Monitoring and Coordination of the Paying Agency Activities Directorate) in the Ministry of Agriculture and Food which is under the direct orders of the Minister and has its functions defined in the Statutes of MAF. The main
responsibilities of the Directorate are: assisting the Competent Authority concerning the monitoring and control of the compliance of Paying Agency activities with the accreditation criteria; monitoring and control of the Paying Agency regarding the fulfilment of accreditation criteria; conducting audits in line with international audit standards and taking into account any guidelines on the application of these standards established by the European Commission and etc.

The **Directorate for Monitoring and Coordination of the Paying Agency Activities** was set up in MAF in June 2006 initially as an Unit numbering 7 experts. In August 2008 following amendments in the Statutes of MAF the Unit has been transformed into a Directorate and its staff has been increased with 13 experts in order to be strengthened.

The Directorate reports directly to the Minister of Agriculture and Food as a Competent Authority and assists him in overseeing that the Agency's activities are in line with the accreditation criteria.

### 11.6 Protection of the Community financial interests

The control mechanisms set up in the Paying Agency and MAF are aimed at ensuring conformity with Regulations 1290/2005 and 1975/2006 concerning the verification of eligibility of financed operations and the protection of the financial interests of the Community.

Furthermore, MAF and the Paying Agency participate in the work of the Council for Coordination of Combat against Fraud/irregularities concerning the financial interests of the EC, established in 2003 under the Ministry of Interior.

The Council oversees the implementation of the national strategy for combat against fraud and irregularities affecting the Community financial interests in pursuance to the Penal Code of Bulgaria, which was harmonized with Council Regulation 2988/1995 and the Convention on the Protection of the European Communities Financial Interests. The Council coordinates the efforts of the Bulgarian authorities in liaison with the European Anti-Fraud Office (OLAF) and also provides guidance as regards anti-fraud prevention and investigation.

Following the structural changes in the Bulgarian Council of Ministers and the election of Deputy Prime Minister responsible for the overall coordination on the programming, management, monitoring and control under the EU financial instruments, in May 2008 the Council for Coordination of Combat against Fraud/irregularities concerning the financial interests of the EC was transferred from Ministry of Interior to direct subordination of the Deputy Prime Minister.
12. Monitoring and Evaluation Systems

12.1 Description of Monitoring and Evaluation Systems Formed on the basis of the Common Monitoring and Evaluation Framework

Monitoring and evaluation will be based on the guidance contained in the EU Commission’s Common Monitoring and Evaluation Framework (CMEF) and will monitor progress against the common indicators relating to the baseline situation as well as the inputs, outputs, results and impact of the RDP. The monitoring and evaluation system has the objective of providing to the institutions and partners, engaged in RDP management, reliable information about programme outputs, results and impacts so as to enable them to take pertinent management decisions.

Thus, monitoring will collect information about budgetary inputs, activities/investments financed and immediate project outputs. The common indicators are supplemented, where relevant, with additional indicators specific to the RDP.

The monitoring and evaluation system created under SAPARD will be extended and modified under the RDP. It will reflect the more strategic approach of the CMEF and the extended menu of measures. The monitoring function at RDD will continue to collect, with the help of the Paying Agency, operational data on progress in implementation of measures/projects (in financial and physical terms) inclusive of data on the economic performance of assisted entities. However, based on the results of the ex-ante evaluation and with the help of the on-going evaluation activities information will be collected on the baseline indicators, including data on the economic development of the respective sectors countrywide/region-wide and the socio-economic characteristics of the rural areas. The sources of this data shall include the Agrostatistics Directorate of MAF (including from the Farm Accountancy Data Network - FADN) and the National Statistics Institute. The FADN information shall help determine the results of RDP support to agricultural producers. The information from the NSI on the socio-economic situation in the rural areas could also be supplemented by surveys funded in the framework of the on-going evaluation activities. As a result, the monitoring function of RDD should be able to build a database on rural areas covering the key statistics: e.g. designation of areas (% of territory; % of population; population density), gross value added in rural areas, % unemployment in rural areas, % employment in agriculture, % of employment in forestry, % employment in the processing sector, % employment in the services sector, education levels and age structure of the rural population, % arable area, % forestry area, % natural area, % permanent crops and pastures, etc. These characteristics shall also be differentiated for the Less Favoured Areas. Finally, the monitoring function at RDD would seek to expand the “out-reach” of the RDP system in terms of ability to obtain data on parallel sectoral developments – including through monitoring/evaluation information for the progress achieved (projects implemented and results obtained) in the implementation of the other EU-assisted Structural Funds operational programmes, managed by other line ministries: Competitiveness of the Economy (Ministry of Economy); Environment (Ministry of Environment and Waters); Human Resources (Ministry of Labour); Regional Development (Ministry of Regional Development), Transport Infrastructure (Ministry of Transport). The interventions financed through these programmes will also affect the rural economy and areas and must be taken into account.

In the framework of the mid-term evaluation and its possible up-dates information will be collected about the results and impacts of the Programme based on the indicator fiches and feed-back from the evaluation questions.
As a result, the above system will deliver sufficient and appropriate information enabling the Bulgarian authorities to take decisions on the basis of the three core analyses prescribed in the EC evaluation/monitoring guidelines: temporal comparison between the state of beneficiaries before and after assistance; counterfactual comparison between the beneficiaries and the non-assisted entities; spatial comparison between entities/socio-economic developments throughout the various regions of the country. The system should enable the Bulgarian authorities to report on the strategic CMEF common impact indicators as well as on the additional indicators related to targets specific to the Bulgarian context.

Overall responsibility for the monitoring of the Programme will rest with the Rural Development Directorate, as Managing Authority, and the Programme’s Monitoring Committee.

Progress on implementation of the Programme will be reported to the European Commission annually through an annual progress report, in accordance with Article 82 of Council Regulation (EC) No 1698/2005, prepared by the RDD and approved by the Monitoring Committee. The annual reports shall be submitted by 30th of June each year, with the first one due by 30th of June, 2008.

Beneficiaries under the RDP have to provide monitoring data when completing their application form. For that purpose specific monitoring forms have been prepared for each measure as an obligatory part of the application form. The monitoring data, provided by the applicant, shall be keyed in an electronic format and up-dated by the Paying Agency at the stages of contracting and payment. The data collected by the PA shall be transferred in an agreed compatible format to the Monitoring System at the Managing Authority where the data shall be aggregated and monitoring indicator tables will be produced. This computerized system is expected to become operational in early 2008. The MA shall also instruct the Agency as regards periodicity of data submission. The MA shall also liaise with the Managing Authorities of the Structural Funds’ OPs. The MA will define in consultation with the Agrostatistics Directorate of MAF and the National Statistics Institute the format, manner and periodicity of data collection for the baseline sector and rural area indicators (as the relevant background data per sectors and regions is not collected or is not in a readily usable format, support for surveys could be provided under the Technical Assistance of RDP).

Furthermore, in the framework of the PHARE project BG 2004/016-711.03.01 “Technical assistance to the preparation pf RDP 2007-2013 and its monitoring system” the MA has contracted a team of experts, including a statistician, to review the baseline indicators for which data is missing, to check the possible sources of data and what is needed in terms of additional collection or further processing of available data in order to supply the missing information in the course of RDP on-going evaluation studies. The experts are scheduled to provide the final report on their task in January 2008. For the missing indicators Bulgaria undertakes to put in place systems to collect data for this indicators for the baseline value 2006 onwards and to start providing this data to the Commission from the year 2008 onwards. As regards renewable energy, efforts will be undertaken to include within the national monitoring system some indicators which more fully capture the outputs, results and impacts of RDP support to renewable energy production/consumption.

115 The collection of data shall start at the stage of application and then the data shall be up-dated at the stages of approval for support and payment[s].
116 The data in these forms has been disaggregated by gender/age, size of the agricultural holding/ enterprise, region of implementation, wherever applicable, among other things.
The data from the programme monitoring and the on-going and mid-term evaluation studies shall help the MA to prepare summary reports on the progress made in implementing the National Strategy Plan (NSP) and its contribution to the achievement of the Community Strategic Guidelines for Rural Development. It shall also help the MA to assess the contribution of RDP implementation in relation to the indicators set in the NSP and RDP.

The evaluation of the Programme will serve as an important management and control tool to better focus programming on needs, better identify programme process and the necessary changes. The evaluation work will be undertaken in accordance with the Common Monitoring and Evaluation Framework and will be organised on a continuous basis leading from the *ex-ante* evaluation to the *mid-term* evaluation in 2010 and the *ex-post* evaluation in 2015 in accordance with Articles 85 and 86 of Council Regulation (EC) No 1698/2005.

The ex-ante evaluation (presented in Annex 7.1) helped improve the programming and quantify baseline, output, result and impact indicators, while the mid-term and ex-post evaluation will provide information about the results and impacts of the measures and the RDP as whole and assess if they are effective, efficient and relevant.

An ex-ante evaluation of RDP was prepared by the Joint-Venture of Scanagri Denmark Consortium partners for the period June 2006 - March 2007.

In accordance with Directive 2001/42/EC and Ordinance on the Conditions and Order for Carrying out Environmental Assessment of Plans and Programmes of the Ministry of Environment and Waters a Strategic Environmental Assessment (SEA) of the Programme was prepared as part of the ex-ante evaluation (SEA is presented in Annex 7.2).

The Final report of the ex-ante evaluation including the full report on Environmental impact assessment is given in the annexes.

The Programming, Co-ordination, Monitoring and Evaluation Unit within the MA shall be responsible for the organization of tender procedures for the evaluations. The MA intends to use a 3-year contract with independent evaluators for the evaluation activities in the period 2008-2010, covering the on-going evaluation tasks in 2008 and 2009 and the mid-term evaluation in 2010. Based on the results achieved, the contract may be extended to cover the rest of the programming period.

From 2008 onwards, the MA will report each year to the Monitoring Committee on the outcomes of its ongoing evaluation activities and will include a summary of the activities in the Annual Report.

12.2 The envisaged composition of the Monitoring Committee

A Programme Monitoring Committee will be established by an Order of Minister of MAF in accordance with Article 77 of Council Regulation (EC) No 1698/2005. The Monitoring Committee will be established till the end of December 2007.

The Programme Monitoring Committee (PMC) oversees the effectiveness and the quality of programme implementation with regard to programme objectives and therefore shall review and take Programme management decisions on the basis of the provided monitoring and evaluation information in accordance with Article 78 of Council Regulation (EC) No 1698/2005, which states that the PMC:

- shall be consulted, within four months of the decision approving the RDP, on the selection criteria for financed operations. The selection criteria shall be revised according to programming needs;
- shall periodically review progress made towards achieving the specific targets of the programme, on the basis of the documents submitted by the Managing Authority;
shall examine the results of implementation, particularly achievement of the targets set for each axis and ongoing evaluations;

shall consider and approve the Annual Progress Report and the Final Progress Report before they are sent to the European Commission;

may propose to the Managing Authority any adjustment or review of the RDP aimed at achieving the Objectives of the EAFRD defined in Article 4 of Council Regulation 1698/2005 or improving its management, including its financial management;

shall consider and approve any proposal to amend the content of the Commission decision on the contribution from the EAFRD.

The Committee involves all key partners in rural development:

- Economic and social partners;
- Competent regional, local and other public authorities;
- The European Commission, at its own initiative, may participate in the Committee in an advisory capacity;
- Other appropriate bodies representing civil society, non-governmental organisations (including environmental organisations and those responsible for promoting equality).

Annex 2 includes a list of the institutions invited to become members of the Monitoring Committee (members with voting rights).

Training of the invited Monitoring Committees members was provided under the Austrian/Italian Twining Project “Preparation of the Bulgarian Ministry of Agriculture and Food to implement the second pillar of the EU Common Agricultural Policy – Rural development” BG04/IB/AG/01”. Two trainings on PMC related issues (covering the role of the PMC, rules and procedures, secretariat of the PMC and its duties, membership, role of the partners in the PMC work, etc.) were carried out with the participation of MA and PA experts as well as the invited members from partner institutions according to the list in Annex 2.

The decision-making at the Committee will be consensus-based. The Committee shall also have Working Groups set up on a thematic principle (i.e. group of measures of related scope). These Working Groups shall prepare the technical input for Committee decisions on the basis of the monitoring and evaluation information forwarded by the MA. The Working Groups shall be chaired by a representative from the partner organizations. The WG will involve a wider range of stakeholder organizations (in addition to those represented in the PMC).

It is anticipated that the Consultative Partnership Working Group (as refereed to in Chapter 14) will form the basis of the PMC.

The PMC will be chaired by the Deputy Minister of MAF (deputy chairperson will be the Director of the RDD).

The PMC shall meet at least twice a year, possibly in the spring and autumn. Ad-hoc meeting may be convened if there are urgent issues to be reviewed. At the spring meeting the PMC shall review the progress achieved in the previous year and shall approve the RDP implementation report for it. At the autumn meeting the PMC will review the progress achieved by June 30th of the current year. If it is necessary for the PMC to decide on any particular issue prior to the date of the next regular meeting, a written procedure shall be organized for the purpose.
13. Provisions to Ensure that the Programme is Publicised

Communication Plan

The Managing Authority (MA) will ensure that all information and publicity actions comply with the requirements outlined in Article 76 of Council Regulation (EC) 1698/2005, Article 58 and Annex VI of Commission Regulation (EC) 1974/2006 and take into account the experience gained under the SAPARD Programme.

Aims

The Managing Authority aims at:

- informing potential beneficiaries of the opportunities offered by the RDP and encouraging them to take advantage of the provided support;
- popularising the Community contribution to sustainable rural development among the beneficiaries and the general public, as well as providing transparency concerning support granted to beneficiaries under the European Agricultural Fund for Rural Development (EAFRD);
- informing the general public about the role played by the Community in the RDP and the results thereof.

Target Groups

The information activities will provide for transparency and inform the following groups of the opportunities offered by the RDP, and of the procedures and requirements for gaining access to RDP funding:

- Potential beneficiaries;
- Economic and social partners;
- Trade and business organisations;
- Regional, local and public authorities;
- Non-governmental organisations, including environment protection groups and organizations promoting gender equality and non-discrimination;
- Consultants;
- Media;
- The general public.

For the particularly isolated groups, such as Roma communities, special efforts will be made to provide information and guidance on what support is available under the RDP. The specific business support facilities that have been established to support the Roma communities will be utilised in the programme information campaigns.

Indicative budget

The Communication Plan shall be funded by the RDP Technical assistance (TA). The funds allocated to the Communication Plan under TA amount to 15% of the overall TA allocation.
Information actions and phases of the Communication Plan

Information actions

The MA shall ensure that the general public and potential beneficiaries are informed about of and acquainted with the National Strategy Plan for Rural Development, RDP and the EU contribution to the granted support.

Detailed ordinances regarding the implementation of each measure will be published in the Bulgarian State Gazette. The ordinances shall determine:

- rules of the implementation of the RDP measures;
- supported sectors;
- eligible investments;
- financing;
- eligibility criteria;
- procedures regarding the application and granting of support, including the accompanying documents required.

Guidelines for applicants under the RDP measures shall also be prepared in order to facilitate the application procedure.

Information shall be provided by way of:

Seminars, courses and trainings of trainers

These training and information events will comprise detailed description of all eligible investments (activities by measures, investment information), opportunities for applying for financial support, support criteria and all documents that needs to be provided by the applicants. The seminars, courses and trainings will be aimed at:

- agencies and regional services of MAF, PA, NAAS, the State Agency for Forestry;
- members of non-governmental organizations;
- producers’ associations;
- chambers of agriculture;
- selected LAGs and Management unit of National Rural Network;
- other partners and organisations representing potential beneficiaries under the RDP.

Information seminars

Information seminars will be held all over the country. The opportunities for support under the RDP will be presented to the potential beneficiaries including:

- conditions for applying and eligibility criteria;
- application documents needed for the measures;
- information on the design and contents of a business-plan;
- names and addresses of local experts from the MAF, Paying Agency and the respective services related to the RDP implementation.

Lectures

If other institutions or partners submit an invitation to the MA, MA experts shall be provided to participate in lectures to inform potential beneficiaries of the opportunities for financial support under the RDP.

Printing of information materials

The MA, PA and partner organizations will publish various technical materials – booklets, leaflets, newsletters and other printed materials to facilitate the RDP implementation (for beneficiaries) and to disseminate information on the programme results (for the general public).
Mass media
The MA will provide specialized materials and press releases, to TV and radio channels related to the RDP such as:
- making of information videos;
- participation of experts of MA/PA in specialized TV or radio broadcasts;
- providing information to assist the publicizing of materials – articles or interviews for printed editions.

Information Points
People interested in gaining more information related to the possibilities offered under the RDP and its implementation process have access to assistance, in the form of information materials and expert consultations, through a special information desk (on the Common Agricultural Policy) within MAF and through the regional/municipal offices of MAF, NAAS and the PA.

Internet
Full and comprehensive information on the RDP is continually posted on the website of MAF (www.mzf.government.bg). This website contains the full range of eligible activities under the implemented measures, as well as the full text of the NSP and RDP. The website will also be regularly updated with detailed information on the progress in the implementation of the Programme, including the list of approved applications under the Programme. The site shall include pointers/hyperlinks to EC sites devoted to EAFRD. The following will also be posted:
- measure ordinances;
- guidelines for applicants;
- application documents;
- names, e-mail addresses, phone numbers of experts in case of specific issues related to applications under the Programme;
- list of beneficiaries and of approved, rejected and paid projects under the RDP and amount of public support allocated/paid to beneficiaries (information to be up-dated annually starting from 2008);
- forum for comments and provision of opinions.

The MA will aim to target the use of the above information actions to ensure that they reach the intended audience – i.e. special attention will be put to the wide circulation of print materials and use of local mass media in the case of rural areas where access to Internet is still limited.

The information actions listed above shall ensure that the general public is also informed about the RDP in line with sub-point 2.1 of Annex VI of Regulation 1974/2006.

Phases of the Communication Plan
The timing and focus of the communication effort will be tailored to the different stages in the programme cycle:

Phase 1: RDP preparation phase – introducing the Programme to potential beneficiaries and the general public (2006-2007)

This is the RDP launch phase when potential beneficiaries and the general public shall become aware of the Programme and core measure parameters. This phase has already started in Bulgaria. The communication means used include a substantial number of seminars, press releases, radio and television broadcasts in national and local media and information websites. In November 2006 MAF launched an extensive publicity initiative devoted to the available financial support under 1st and 2nd CAP Pillars called
Communications project for the absorption of EU funds in the field of agriculture, which is part of a wider national campaign under the motto *You have the right to use these funds*. Specialized programmes with the participation of MAF experts are aired twice a week by the national “Horizont” and “Darik” radios. A promotion clip is broadcast by the national television channels BNT, BTV and Nova TV. The project is to continue until the end of 2007 employing a wide range of electronic and print media – publication of advisory materials in newspapers of nation-wide circulation as well as in regional media throughout the entire country, broadcasting of educational TV programmes based on the “question-answer” mode, which explain how farmers may access support and provide detailed explanation of issues that necessitate expert advice. The project also involves the publication of brochures, posters and other information materials. Use of promotional billboards is also envisaged. The Minister of Agriculture and Food sent a personal letter to 650 000 farmers calling for them to make use of the financial benefits that ensue from the accession of Bulgaria into the EU. A special web-site was also created under the project – [www.agroprograma.bg](http://www.agroprograma.bg). In December 2006, an info-desk was opened in the reception hall of the Ministry of Agriculture and Food where MA experts provide information to the interested persons on all RDP measures.

**Phase 2: RDP implementation – keeping beneficiaries abreast with measure requirements and the public informed about progress in Programme implementation (2008-2012)**

The focal point during this phase will be to keep beneficiaries informed about the requirements of the detailed measure texts and the ordinances for their implementation, the procedure for application and the required list of documents. In this phase the beneficiaries should be promptly informed in case of changes in the Programme measures. Best practice and practical lessons learned from the measure implementation process will be studied and publicized. Relevant expert advice, information seminars and platforms, such as the National Rural Network (NRN)117, informative print materials, case studies and Internet will be employed to deliver the information specified above.

News about the programme’s realization and contracts concluded/aid approved and paid will be spread at national and local level through printed materials (booklets, leaflets, newsletters, etc.), the MAF website, MAF info centre, publicity forums, etc.


This phase will summarize positive and negative experiences from implementation of the RDP, and draw lessons for the planning for the next programming period. Conclusions can be drawn as to what measures/activities should be given priority and reinforced in the future programming period, as well as how programme implementation can be further improved. The communication means will include seminars, press releases, radio and television broadcasts in national and local media, and information websites.

**Criteria to be used to evaluate the impact of the information and publicity measures**

The criteria to be used to evaluate the impact of the information and publicity measures will be based on the experience gained under SAPARD whereby surveys were conducted in the framework of programme evaluations to obtain quantitative and qualitative information on

117 NGOs working with minority groups shall be able to take part in the activities of the National Rural Network and use this platform to exchange information and best practice and seek ways to improve the access of minority groups to RDP benefits
the use of information sources and the transparency of Programme implementation. Quantitative data shall include usage of information sources by beneficiaries to learn about RDP (i.e. seminars, print materials, mass media, expert advice, etc.) broken down by type of beneficiary at the different stages of programme implementation: gaining awareness about rural development measures and opportunities offered; preparation of application documents and solving related practical issues; project implementation; payment application and reimbursement claims. A scale of qualitative assessments shall be applied to judge the degree of satisfaction of beneficiaries as regards the quality of information obtained from the various information sources and actions (seminars, print materials, broadcasts, advice from MAF, PA or NAAS experts at central and local level).

These monitoring indicators shall be used to measure the outreach of the communication means and shall include the number of seminars/lectures/trainings and number of participants in them, number of published/circulated information materials, and number of information/promotion articles or broadcasts in national/local media.

Evaluation indicators shall be used to measure the effectiveness of the various communication means – i.e. the level of beneficiary satisfaction with information gained with respect to the beneficiary needs at the given stage of participation under RDP measures: learning about opportunities offered; preparing application documents, project implementation, preparing reimbursement claims. The method for assessing beneficiary satisfaction shall be determined by the independent RDP evaluators.

**Bodies responsible for the implementation of the Communication Plan**

The Managing Authority is responsible for the overall implementation of the Communication Plan. MAF services and agencies, and the PA shall also take part in organization of the information and publicity actions. The National Rural Network shall also be involved once its management unit is operational.

The MA and the Information and Public Relations Directorate of MAF shall be responsible for the organization of seminars, the publishing of print materials and the use of national and local mass media. The MA and the PA at both central and regional level shall continuously provide expert advice to beneficiaries on the basis of the measure implementation ordinances and the guidelines for beneficiaries. The NAAS will put special focus on providing extension to young farmers, semi-subsistence farmers, producer groups and on agri-environment during the first years of RDP implementation. Through their involvement in the activities of the Monitoring Committee and its Working Groups, and in the National Rural Network, the MA has also ensured that other bodies and partners can act as information relays - local and regional authorities, professional organisations, economic and social partners, non-governmental organisations (especially bodies working to protect the environment).

The implementation of specific actions such as media campaigns and publication of print materials shall be contracted to independent professional organizations.

Professional expertise may be contracted under TA to further develop and refine the overall approach, content and information channels to be used under the Communication Plan, and to assist with its delivery.

The Ministry of Agriculture and Food has prepared special instructions regarding the technical characteristics of information and publicity actions in accordance with points 3 and 4 of Annex VI of Commission Regulation 1974/2006. All ordinances on measure implementation shall include as an annex the instructions regarding the technical
characteristics of information and publicity actions so that beneficiaries can duly fulfil their responsibilities (see also the section below).

**Responsibilities of beneficiaries**

The following will be part of the contractual obligations to the beneficiaries in order to ensure information and publicity:

- If a project supported by the RDP has a total investment cost above EUR 50 000, the beneficiary shall place an explanatory plaque.
- An explanatory plaque must also be installed in the locations of LAGs financed by Axis 4.
- A billboard shall be erected at the sites of infrastructure the total cost of which exceeds EUR 500 000.

It will be required that billboards and plaques contain a description of the project/operation and the required elements mentioned below. Such information will take up at least 25% of the billboard or plaque.

**Technical characteristics of information and publicity actions**

The MA will ensure that all information and publicity actions will contain the following mandatory elements:

- The European flag in accordance with the graphic standards as well as explanation of European Community’s role as provided in Annex VI of Commission Regulation 1974/2006.
- For the actions and measures financed by Leader, the Leader logo must be applied.
- All publications about the RDP have to contain a clear indication on the title page of the EU participation, as well as the Community emblem if the national or local emblem will be used. This also applies to the information being provided by electronic means.
14. Designation of the Partners Consulted and the Results of the Consultation

14.1 Designation of the Partners Consulted

In accordance with Article 6 of Council Regulation 1698/2005 and with Article 2g (point 4) of the Bulgarian Law for Support of Agricultural Producers the Rural Development Programming Documents for the period 2007-2013 have to be prepared in close consultations with all competent state, regional, local authorities and other public authorities, the economic and social partners and any other appropriate bodies representing civil society, non governmental organisations, including environmental organisations, minority group representatives, stakeholders and bodies responsible for promoting equality between men and women.

A detailed List of the consulted partners is presented in Annex 1.

The consultation process

A four-pronged approach was adopted in the process of consultation.

- **Permanent consultation via establishment of working groups**

  Working groups were set up to provide a continuous and a structured way of side-by-side cooperation between the administration and partners to draft the programming documents – NSP and RDP.

- **Partnership Forums**

  Partnership forums with the participation of the stakeholders were convened to debate and forge broad consensus on the core aspects of rural development policy in the period 2007-2013 and the programming documents. EC representatives also participated.

- **Public hearings**

  Public forums were also utilized in pursuance of national legislation to reach as wide an audience as possible and obtain feedback on the NSP and RDP.

- **Consultation seminars**

  Seminars throughout the country were conducted in order to present the draft NSP and RDP and to obtain feedback from the participants.

**At National Strategy Plan level**

**Consultative Partnership Working group**

In accordance with Article 6 of Council Regulation (EC) No 1698/2005 and Article 2g (point 4) from the Bulgarian Law for Support of Agricultural Producers, a Consultative Partnership Working group was established by the Minister's Order № RD 09-5234 of 29.09.2004 to help guide the preparation of the Rural Development Programming Documents for the period 2007 - 2013. The Working group comprised experts from the state administration, representatives of the socio-economic partners, local authorities, research institutes, trade unions, partner NGOs and branch associations. Most of them had also taken an active part in the work of the SAPARD Monitoring Committee.

At its first meeting the Working group decided to set up 4 Working sub-groups (along the axes of Regulation 1698/2005). Additional competent partner organizations were listed in these sub-groups. At its consequent meetings the Working group and its sub-groups reviewed the core legal framework for rural development Community strategic guidelines for rural development.
development, Regulation 1698/2005 and later on Regulation 1974/2006, discussed and approved the Concept for agriculture and rural development in Bulgaria (prepared in April 2004 by MAF) and on its basis worked on the key elements of the draft National Strategy Plan for Rural Development 2007-2013 - its strategic objectives, priority axis allocations and selection of measures to be implemented under the RDP.

The Rural Development Directorate of MAF (as Managing Authority of the RDP) acted as Secretariat of the Working group and its Sub-groups.

**Partnership forum with stakeholders and the EC**

A key partnership forum was the seminar on EU Rural Development Policy 2007-2013 (10-11 October 2005 in Sofia), organized jointly by MAF and the DG Agriculture and Rural Development of the EC and co-financed by TAIEX. The seminar was attended by over 200 representatives of the socio-economic partners, who in 4 workshops discussed the key issues under the separate priority axes as well as the financing of rural development and the draft NSP.

In relation to the coordination and complementarily of programming, the draft NSP was also presented at the four National Public Forums convened in order to reach consensus on the priorities of Bulgaria as regards the National Strategic Framework and Operational Programmes under the Structural Funds.

**Consultation seminars**

The draft NSP was further reviewed at:

- National seminar on the Leader approach and on the preparations to apply the 4th Axis of Regulation № 1698/2005 as well as the Concept for setting up of a National Rural Network, held on 10 November 2005;

- 16 regional seminars held in the last quarter of 2005 that were attended by over 1000 people. The participants filled in questionnaires providing their queries and opinion on the NSP. The data from the questionnaires were summarized by the MA and taken into consideration;

- Seminar on the second draft of the NSP, the allocation of funds and the selection of measures for the RDP, held on 26-27 April 2006 with the participation of representatives of MAF and experts from the Ministry of Agriculture of Austria under the aegis of a Phare twinning project.

The progress in the preparation of the National Strategy Plan for Rural Development 2007-2013 was reported and reviewed at 3 sessions of the Agriculture and Forestry Committee of the National Assembly of the Republic of Bulgaria. Two of these sessions were attended by Mr. Franz Fischler – former Member of the European Commission responsible for Agriculture, Rural Development and Fisheries – who advised Bulgarian authorities on the strategic focus of the NSP.

The draft NSP was approved by the Collegium of the Ministry of Agriculture and Food on 21 March 2006

**Public hearing**

In accordance with the Article 2g (point 4) from Bulgarian Law for Support of Agricultural Producers, the draft NSP was also reviewed at a public hearing held on 4 May 2006. Some 250 people, from both the stakeholder organizations and the administration, attended the public hearing.
The draft NSP, the EC Regulations and other EC and Bulgarian documents on rural policy 2007 - 2013 were publicised on the webpage of MAF in order for them to be accessible to and thus discussed by a nationwide audience.

As a result of the above mentioned consultations - 61 written comments and opinions (26 from partner organizations and NGO’s, 19 from MAF Directorates and 16 from other ministries) were received and have been taken into account during the preparation of the NSP.

On 21.02.2007 the NSP was submitted officially to EC.

At Rural Development Programme level

Working groups

In the period July-August 2006 separate Working groups on RDP measure preparation were set up by a Ministerial order (7 WG for Axis 1 measures, 2 WG for Axis 2 measures, one WG for Axis 3 measures and one WG for Axis 4 Leader). The membership of the Measure Working groups include representatives of the state, non-governmental, professional and other organizations in the fields covered by the respective measure, as well as experts from MAF Directorates and from the PA. However, the Working groups include not only those concerned with the specific activities/sectors under a given measure, but also those whose interest has a horizontal scope, such as environment protection NGOs and trade unions, who contribute to the programming of all axes/measures. Simultaneously with the elaboration of the measure texts the WGs members contribute to the development the National legislation (ordinances) for the measures implementation. The results of the Working group efforts are presented in section 14.2.

After the official approval of the RDP, the Measure working groups will form the basis of the Monitoring Committee’s Working sub-groups.

The meetings of the Measure working groups will continue until the Programme Documents for the period 2007 - 2013 and Ordinances for the measures implementation are finalised.

Consultation seminars

28 regional seminars were conducted in the period October-November 2006 throughout the country to present the draft RDP measures and feed-back was obtained from the participants via questionnaires.

Public hearing

In accordance with the Article 2g (point 4) from Bulgarian Law for Support of Agricultural Producers and the Article 21 from the Ordinance on the Conditions and Order for Carrying out Environmental Assessment of Plans and Programmes the draft RDP and the SEA were presented and discussed at a public hearing on 18 December 2006, attended by over 140 people.

The draft RDP was approved by the Collegium of MAF on 16 January 2007.

Partnership forum on RDP implementation

On 15.03.2007 a Partnership Forum on the RDP implementation issues was held with the participation of EC representatives and wide attendance of partners’ audience, MA and PA experts. The forum was attended by over 150 participants.

The draft RDP was publicised on the webpage of MAF in order to be accessible to and thus discussed by a nationwide audience. The 1st official draft of the RDP was posted on the webpage of MAF in Bulgarian language after its submission via the SFC in April 2007,
while the 2nd official draft was posted in both English and Bulgarian in the beginning of December 2007.

In the period 7-14th of December 2007 the 2nd official draft of RDP was also consulted with the Consultative Partnership Working group via written procedure.

As a result of the above mentioned consultations - 105 written comments and opinions were received and have been taken into account during the preparation of the RDP.

14.2 Results of the Consultation

At strategy/programme level

The discussions at forums and axis consultative groups were used to introduce the core legislation for the period 2007 - 2013 to the stakeholders, to structure the programming process, to define and reach consensus on the strategy, then to scope the assistance [i.e. agree the menu of measures to be implemented], agree upon a budget allocation at the axis level and upon the key aspects of programme implementation. The following is a thematic summary of the key issues raised by the partners in the framework of public forums and hearings.

NSP - Key issues raised by the partners:

Baseline analysis of social, economic and environmental situation

- A precise definition of rural areas based on clear and objective criterion is needed.
  
  **(Opinion from: National Association of Municipalities in Bulgaria)**

- Emphasis must be put on waters, bio-diversity, agricultural and forest high-nature value areas and climate change impact. Environment NGOs must be involved in the review and finalization of the environmental situation.
  

  **Response:** The SAPARD definition for rural areas will be used as there is lack of reliable statistical data at settlement level. However, in order to revitalise villages and small towns in rural areas measures under Axis 3 give priority to investments in settlement with population from 500 to 5 000 people.

To address the disadvantages that smaller municipalities face in the provision of basic services, a priority is given to rural municipalities with population up to 10 000 people in measures for development of basic services and village renewal. In measures 321 and 322 support will be given only to rural areas, not included in urban agglomerations (except for water supply and sewage, which will be implemented in all rural areas in settlements with population equivalent not exceeding 2000).

With the support from Environment NGOs an improved analysis of waters, biodiversity, agricultural and forest high-nature value areas and climate change impact was prepared.

Budget allocation to axes and selection of measures to be implemented

- The environmental protection NGOs insisted on higher allocation to axis 2 (allocation of 30% to up to 50% of the overall RDP budget); while the representatives of producers and food industry insisted for Axis 1 allocation of over 40% and the association of municipalities insisted on an increase to Axis 3 allocation.

Response: Claims for higher axis allocations were received from all sides. Bridging the difference was a slow and arduous process; however, the agreed final breakdown took into consideration the existing needs, the capacity for absorption and the coherence between the axes. Thus, the needs addressed by environment NGOs should be met not only under the actions of Axis 2, but also under those of Axis 1, which provides support for establishment of manure storage sites, treatment facilities, training for organic producers and support for their groups, investments for the transition from conventional to organic production.

The discussions within the Consultative Partnership Working Group and its sub-groups on the menu of measures to be implemented were particularly intensive. Opinions ranged from sticking only to successful SAPARD measures to including almost all measures under Regulation 1698/2005 into the RDP. Agreement was reached that support must be focused to achieve the strategic objectives, that the menu of measures must be based on the SWOT analysis and that administrative capacity and accumulated experience should also be taken into account.

Views clashed on measures 112 Setting up of young farmers, 141 Supporting semi-subsistence farms, 126 Restoring agricultural production potential damaged by natural disasters and in particular on 113 Early retirement of farmers and farm workers. Consensus was reached that measures 112 and 141 must be carefully adapted to the Bulgarian context in order to achieve meaningful results from their implementation. No consensus was reached on the implementation of Measure 113. On one hand the National Centre for Agrarian Sciences and the Land Ownership Directorate of MAF claimed that the measure can help stabilization of rural households and migration processes. The option to limit measure implementation only to dairy farmers was also discussed. On the other hand the Association of Agricultural Producers in Bulgaria claimed that the measure cannot be easily suited to Bulgarian realities and that its effect on the age structure of farmers will be dubious.

The selection of measures to be implemented is a result of the discussions with the partners in the Consultative Partnership Working Group and its sub-groups, the Paying Agency and MAF services, of the analysis of capacity built under SAPARD and Phare, and of the recommendations of the Ex-ante evaluators, which were also taken into account. Agreement was also reached for a phased-in implementation.

Targeting of support

- The sectors with the greatest potential in Bulgaria must be identified and targeted.
- Target groups must be clearly identified while taking into account Bulgarian realities (e.g. need for support of semi-subsistence farms too).
- Dead-weight support under RDP must avoided – e.g. support to large producers who may not need it to be competitive. At the same time small farms must be supported only if this contributes to restructuring and to competitiveness. Or the alternatives offered under axes 3 and 4 must be used.
- Concentration of support: support for small producers must be coupled with support for establishment of producer groups. Setting up of young farmers is to be supported through a combination of measures.
Focus must be put on products traditional for Bulgaria that are also contributing to development of rural and ecological tourism.

*(Opinion from: Seminar with stakeholders on EU RD Policy; October 2005)*

**Response:** All the recommendations were taken into account in the finalization of NSP and into the preparation of the measures under the RDP. Thus, support under measure 123 shall target the sectors with export potential and those which are important for the domestic market as identified under NSP. Support to young farmers was combined with training and provision of extension. Young farmers will be a priority under measures of Axis 1 (measures 111, 112, 121 and 143) based on the defined eligibility rules or higher aid intensities. In Axis 3 priority is also given to young farmers under Measure 311. Taking into account national specificity support is envisaged for semi-subsistence farms. However, the eligibility rules are meant to target those farms that have enough economic potential to become market oriented ones.

**RDP - Key issues raised by the partners:**

**Horizontal**

**Communication**

- The communication channels shall be appropriate for a less informed audience such as the semi-subsistence farms.

*(Opinion from: Partnership forum on RDP implementation, March 2007)*

**Response:** The RDP communication plan envisages a number of options to reach the less informed audience, such as wide circulation of print materials, use of local media, use of partners from the National rural network and the Monitoring Committee as relays of information. In addition, under Measure 143 *Provision of Farm Advisory and Extension Services* pro-active support will be provided for drawing up business plans and applications by young farmers, semi-subsistence farmers, producer groups and on agri-environment.

**Roma/Minority groups**

- Roma NGOs expressed concern that lack of sufficient information could hamper the access of minority groups to support.
- Representatives of the Roma NGOs must be included in the work of the RDP Monitoring Committee.

*(Opinion from: National Centre for Roma in Bulgaria)*

**Response:** A targeted information campaign for minority groups is being prepared. Representatives of the Roma NGOs shall be included in the Monitoring Committee working group on Axis 3, as well as in the National Rural Network.

**Decentralisation of project approval**

- The procedure for application and approval of projects should be more decentralised than under SAPARD.
- The 28 regional Paying Agency offices shall approve projects below EUR100 000
- This decentralization of project approvals shall take place gradually along with strengthening the competence and the capacity of the regional offices
• The type of the projects shall be taken into account in the decentralization process - according to the competence of the regional offices

• Representatives of the LAGs from the respective districts shall attend the approval sessions as observers

• A system for appealing decisions should be established. The transparency of the approvals processes shall be seriously addressed

• As regards project submission – all project proposals shall be submitted at regional level.

(\textit{Opinion from}: Partnership forum on RDP implementation, March 2007)

\textbf{Response}: The project approval process will be gradually decentralized. The approval of applications under the measures from Axis 1, Axis 3 and forestry-related measures under Axis 2 at first will be done at central level with the exception of approval of applicants under the measure for support to semi-subsistence farmers, which shall be done at the regional level. After the start of the Programme a plan and timetable shall be developed for the decentralization of approval and contracting for the above measures depending on the type of measure and size of projects.

To ensure the transparency of project approval special transparency committees to review the approval and contracting process by measures will be appointed and will include representatives of responsible Paying Agency units, MAF, other ministries, professional associations and NGOs.

The complaints procedure shall be laid out in the ordinances (a two or three-tier complaints procedure is envisaged with the requirement that sufficient detail is provided to applicants as to the reason[s] for rejection).

Submission of applications shall take place at the regional Paying Agency offices.

\textit{Advance and interim payments}

• Advance payments (up to 20\%) are recommended for all investment projects under Axis 1, 2, 3 and Leader

• The size of the advance payments shall vary according the size and the type of the investment (by the measures)

• Interim payments are recommended

• The bank collateral for interim and advance payments shall not be required.

(\textit{Opinion from}: Partnership forum on RDP implementation, March 2007)

\textbf{Response}: The remarks on advances were overall accepted. Advances will be granted for investment projects across all 4 axes of RDP, but subject to conformity with relevant EU legal provisions, which notably require collateral for advances to private beneficiaries. Interim payments are also envisaged for the investment projects under all RDP axes.

\textit{Project size (min and max thresholds for investment projects)}

• While the particular threshold values are to be further developed they should stimulate the access of the middle size farmers to the funds

(\textit{Opinion from}: Partnership forum on RDP implementation, March 2007)
- Maximums of EUR 200,000 per farm and EUR 250,000 per producer group under Measure 121 are inadequate to obtain the measure objectives – i.e. modernization. Such amounts are not sufficient for modernization of a cattle farm with a capacity of 50 cows, for example, so that it meets all standards. The maximums are to be set at EUR 500,000 per farm and EUR 600,000 per producer group.

  **(Opinion from: Association of Agricultural Producers in Bulgaria)**

- The maximum support to a beneficiary for the period of Programme implementation must be EUR 3,000,000 under Measure 121, EUR 6,000,000 under Measure 123, EUR 1,000,000 under Measure 311 and Measure 312 and up to EUR 2,000,000 for Measure 322.

  **(Opinion from: Working seminar on RDP implementation, March 2007)**

- There is no need of a minimum threshold for municipal projects.

  **(Opinion from: National Association of Municipalities in Bulgaria)**

**Response:** The claims for maximum and minimum thresholds have varied widely. The MA has attempted to set the thresholds at levels that will not restrict access to support on one hand (by focusing too much support on a few large projects/beneficiaries with possible deadweight effects), and will allow beneficiaries to implement technically sound projects on the other (this is of particular importance for infrastructure projects). The minimum threshold for municipal project is set to discourage extremely small projects that, albeit eligible, would incur substantial administrative costs and might have inferior technical qualities.

**Axis 1**

- The consultancy “market” shall not be open exclusively for the MAF extension services. The MAF shall elaborate criteria and procedures for selecting consultants.


- In order to avoid concentration of investments under measure 121. e.g. purchase of soil tillage equipment the budget under the measure can be split along the main sub-sectors of agriculture – dairy, meat production, cereals, vegetable production, etc. The criteria for eligibility can be adapted accordingly.

  **(Opinion from: Association of Agricultural Producers in Bulgaria)**

**Response:** At the present moment there are no private advisory institutions, which could cover the entire territory of Bulgaria and fulfil the minimum requirements under the Measure 143 *Provision of Farm Advisory and Extension Services in Bulgaria and Romania 2007-2009* (expert capacity, equipment, local offices, etc.). Thus, the Managing Authority has decided to delegate the implementation of this measure to the National Agricultural Advisory Service (NAAS). NAAS will be the sole beneficiary till 2009 and will provide advisory services free of charge to young farmers, semi-subsistence farmers, producer groups and on agri-environment. NAAS is considered to meet the minimum requirements: providing advisory services in the field of agriculture; to have experience in the provision of services to the agricultural producers; to have administrative and technical equipment for performing of advisory activity and offices in the country; to have qualified staff available.
The capacity and expertise of NAAS was questioned too - by the National Dairy Board and by the environmental NGOs, especially with regard to the provision of advice on agri-environmental issues. As a consequence to meet its commitments under measure 143 NAAS will hire additional external staff, in particular for elaboration of project documentation and agri-environmental plans for farmers applying for Measure 214 Agri-environmental Payments.

Private consultants can provide advice and draw up project documentation under the measures 121, 123, 311, for example, and the beneficiaries’ expenditures concerning these services will be eligible for support within certain limits. Besides, from 2010 the implementation of Measure 114 Use by farmers and forest holders of advisory services shall start, where all aid is paid directly to farmers who then buy-in advisory services from bodies providing such services.

Under Measure 121 separate budget allocations are envisaged and priority will be given to investment projects concerning the protection of waters against pollution caused by nitrates from agricultural sources; investments in existing agricultural holdings in the “milk” sector for compliance with Community standards; investments in existing agricultural holdings (before 01.01.2008) from other animal breeding sectors for compliance with Community standards; and investments in facilities and corresponding equipment for organic agricultural production.

**Axis 2**

- The implementation of the measures for agri-environment and Natura must start as soon as possible [e.g. upon the issue of orders for the Natura sites]. Lack of administrative capacity and experience as was the case under SAPARD is no excuse for delayed start of implementation.
  
  *(Opinion from: Public hearing of RDP and SEA, December 2006)*

- The NGOs must be involved not only in the definition of restrictions under Natura but also in the calculation of [level] of compensation.
  
  *(Opinion from: Partnership forum on RDP implementation, March 2007)*

  **Response:** The implementation of the measures for agri-environment will start at the very beginning of RDP launch. The implementation of the Natura measures will be launched after the Ministry of Environment and Waters issues all designation orders for Natura sites.

The partner NGOs were included in the working groups for measure preparation.

- The rate of support under Measure 125 Improving and developing infrastructure related to the development and adaptation of agriculture and forestry (for forestry roads) and under Measure 223 First afforestation of non-agricultural land must be 100% when the applicant is a municipality and the investment is done with non-commercial purpose
  
  *(Opinion from: National Association of Municipalities in Bulgaria)*

Axis 3

**Rural municipalities**
- A clear list of municipalities and settlements eligible for support under RDP must be established.
- RDP must be carefully coordinated with OP Regional Development to avoid either overlapping or lack of support to actions in the small municipalities within [large] agglomerations.
- The coverage of the Measure 313 *Encouragement of tourism activities* can be expanded. All municipalities can be eligible under the measure with the exception of large tourism centres.

*(Opinion from: National Association of Municipalities in Bulgaria)*

**Response:** A clear list of municipalities and settlements eligible for support under Axis 3 measures is established, together with clear demarcations between support under the RDP and OP Regional Development (see section 10). These have been designed to try to ensure no overlapping and also no gaps in support possibilities.

**Leader**
- MAF should explore further means to overcome the contradiction between the definition of rural areas and the needs of the typical rural villages, located in “urban” municipalities.
- The selection criteria for LAGs shall take into account the level of the participatory process in the elaboration of the strategies and the establishment of the LAGs as institutions.
- The approval of expenditures under Leader projects shall not be at central level. It could be at the district level or at the level of LAGs. The independence of LAGs in that respect shall gradually increase, being supported by external consultancies and coaching.
- MAF should set up criteria for selecting consultants under Leader.
- Because of its horizontal and integrating objectives there is no need for a demarcation line at programme level between Leader and the other Operational Programmes. The differentiation shall be at the level of beneficiaries only.
- While the informal Leader network is a part of the National Rural Network, it shall be separately initiated and run, so that it responds to the particular needs of the LAGs.

*(Opinion from: Partnership forum on RDP implementation, March 2007)*

- Demarcation for support to LAGs eligible for support under EFF and EARDF will be via the preparation of separate strategies for the EARDF and EFF by the LAGs and the operation of separate accounts.

*(Opinion from: Seminar on Leader implementation, June 2007)*

**Response:** The contradiction between the definition of rural areas and the needs of the typical rural villages, located in “urban” municipalities cannot be overcome for regulatory reasons.

The indicative list of criteria for selection of LAGs will include the level of consultation and involvement of all relevant stakeholders in the partnership building and strategy
elaboration; and the level of involvement and contribution of partners in the implementation of the strategy.

The LAGs will have the responsibility for the selection of applications and contracting, subject to a conformity check by the District Offices of the Paying Agency.

MAF has developed the procedure and the criteria for selecting consultants for LAGs.

Demarcation in relation to Axis 4 is established with the Regional Development OP by type of beneficiary, with the Human Resources Development OP by type of activities and with the Fisheries and Aquaculture OP via the preparation of separate strategies and the operation of separate accounts.

The Leader network will be a part of the National Rural Network and its objective will be to respond to the particular needs of the LAGs.

**At measure level**

**At the level of Measure working groups** the discussions were used to develop in finer detail the measure texts and the rules for their implementation as follows [based on minutes from WG meetings]:

**Axis 1**

**Measure 111**

The cooperation with the Association of Agricultural Producers in Bulgaria and the Federation of Independent Trade Unions in Agriculture helped to develop in detail the list of eligible beneficiaries and the eligible activities.

**Measure 112**

The cooperation with the Association of Agricultural Producers in Bulgaria, the Federation of Independent Trade Unions in Agriculture, and the Executive Agency for Vine and Wine helped to define the eligibility criteria for the beneficiaries.

**Measure 121**

The cooperation with the Council of Agrarian organizations, the Federation of Independent Trade Unions in Agriculture, the Association of Agricultural Producers in Bulgaria, the Regional Service of MAF – Smolyan, the National Agricultural Advisory Service, State Fund Agriculture, and Agrostatistics Directorate and Agrarian Development Directorate of MAF contributed to the definition of eligible costs, eligible investments and project amounts.

**Measure 123**

The cooperation with the Association of Agricultural Producers in Bulgaria, the Federation of Independent Trade Unions in Agriculture, the National Vine and Wine Chamber, the Association of Meat-processors, and the Union of Processors of Fruit and Vegetables helped the development of list of eligible beneficiaries, the eligible investments, and the project selection criteria.

**Measure 124**

The cooperation with the Association of Agricultural Producers in Bulgaria, the Federation of Independent Trade Unions in Agriculture, the Institute for Food Technologies, the Agrobioinstitute, the University for Food Technologies and the Forestry University helped to define the list of eligible beneficiaries and the eligibility criteria for them, definition of new products, processes or technologies, and the project selection criteria.
Measure 141

The cooperation with the Federation of Independent Trade Unions in Agriculture, Agrarian Development Directorate of MAF and Regional Service of MAF – Smolyan contributed to the definition of the scope for support and the eligible beneficiaries.

Measure 142

The cooperation with the Federation of Independent Trade Unions in Agriculture, Agrarian Development Directorate of MAF, the Regional Services of MAF, and the Executive Agency for Vine and Wine helped for definition the eligibility criteria, the eligible sectors and products.

Measure 143

The cooperation with Association of Agricultural Producers in Bulgaria and the Federation of Independent Trade Unions in Agriculture helped to develop in detail the eligibility criteria. Furthermore, the information provided by the environmental NGOs and the National Dairy Board was useful in the calculation of the consultancy services rates which are based on factual costing.

Axis 2

Measures 213 and 224

The cooperation with the Bulgarian Society for Protection of Birds, WWF- Bulgaria, Society for Wild Nature, Agrolink helped to delineate the assistance under the measures and to define the eligible activities.

Measure 214

The cooperation with the Bulgarian Society for Protection of Birds, WWF - Bulgaria, Bioselena foundation, Bulgarian biodiversity foundation, Ecofarm foundation, Agrolink association, Rare Indigenous breeds association the Executive Agency for Animal Selection and Reproduction, Institute for soil sciences, Institute for Agrarian economics, Executive soil agency contributed to the detailed formulation of eligible sub-measures/eligible activities and support payment levels.

Measures 223 and 226

The cooperation with the State Agency for Forestry the Association of Owners of Non-state Forests, the Union of Foresters in Bulgaria helped to define the eligible activities.

Axis 3 and Axis 4

Measures 311, 312 and 313

The cooperation with the Bulgarian Association of Regional Development Agencies and with the Forum for Entrepreneurship Development helped establishing the eligible activities

Measure 321 and 322 and Leader measures

The cooperation with the National Association of Municipalities in Bulgaria, the Association of Bulgarian Villages and the Foundation for Development “Chitalishta” contributed to the development of territorial scope of the assistance and of the eligible activities and costs.
The consultations in the framework of the working groups were done through meetings and exchanges of written communication. Group members were given sufficient time (minimum 10 days) to react to presented materials.

A summary of the stages of the consultation process for developing the RD Programming Documents, is presented in Annex 1.

All written comments received during the consultation process and WG minutes are kept in the Managing Authority archive.
15. Equality between Men and Women and Non discrimination

In accordance with Article 8 of Council Regulation 1698/2005 the Managing Authority will seek to ensure that equality between men and women and non-discrimination are respected in the stages of programming, implementation, monitoring and evaluation of the RDP. All measures under the programme will be open to all beneficiaries on an equal basis, regardless of race, ethnic origin, religious conviction or belief, disability, age or sexual orientation. The MA has also sought to ensure compliance with the national legislation in the following fields: the Constitution of the Republic of Bulgaria, the Labour Code, and the Law on Protection from Discrimination in all activities related to the RDP.

15.1 Equal Opportunities

The development and implementation of gender equality policy in Bulgaria is coordinated by the National Council on Equality between Women and Men (NCEWM). The NCEWM was set up by Government Decree 313/17.11.2004. NCEWM is chaired by the Minister of Labour and Social Policy and its members include representatives of all government ministries, of academic institutes, national organizations of the social partners and NGOs, as well as the State Agency for Child Protection, the Executive Agency for Promotion of Small and Medium Enterprises, the State Refugees Agency, the National Social Security Institute and the National Statistics Institute.

NCEWM was actively involved in the consultations for the preparation of RDP to ensure that gender equality is respected in the design of rural development measures. NCEWM is invited as a permanent member in the RDP Monitoring Committee.

In the selection of projects under measures 311 and 312 priority will be given to projects proposed by women. In the selection of projects under measure 321 priority will be given to projects for development of services for vulnerable groups. Where relevant, under the programme monitoring indicators data will be collected on the numbers of males and females participating in/benefiting directly from the Programme. This data will be reported to the Monitoring Committee.

In addition, the programme evaluations will seek to establish the extent to which equal opportunities has been provided in the implementation of the project, measure or programme.

15.2 Non-Discrimination

In pursuance to the need to ensure that the principle of non-discrimination is upheld in the preparation of the RDP the MA has sought to involve in the programme consultations the National Council for Cooperation in Ethnic and Demographic Issues under the Council of Ministers (a consultative body involving representatives of the state administration and NGOs active in the work with or representing ethnic minorities).

Furthermore, the formal RDP consultations included the National Centre for Roma People in Bulgaria (NCRPB), an umbrella organization for Roma NGOs or NGOs working with the Roma minority. A representative of NCRPB has also been included in the Working Group on Axis 3 measures.

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118 i.e. prevention of any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation.
The Roma NGOs have nominated their representatives to take part in the work of the RDP Monitoring Committee – a permanent member from the Association “Integro” and his/her substitute from the United Roma Union will take part in the work of the Monitoring Committee Working Groups on Axis 1 measures and on Axis 3 measures.

The monitoring and evaluation of the RDP implementation shall also seek to ensure that the principle of non-discrimination is pursued.

The Roma NGOs and NGOs working with the minorities shall also be able to take part in the activities of the National Rural Network and use this platform to seek ways to improve access of minority groups to RDP benefits.
16. Technical Assistance Operations

16.1 Description of actions to be financed under technical assistance

Technical assistance (TA) provides the resources required for effective management and implementation of the RDP. It will be used in accordance with Article 66 of Council Regulation (EC) No 1698/2005 for actions related to the preparation, management, monitoring, evaluation, information and control activities of programme assistance only. The following activities will be supported:

- Activities related to the organization of meetings and functioning of the Programme Monitoring Committee (PMC) and its Working Groups, including the costs of the PMC/Working Group members and the costs for experts and other participants\(^\text{119}\) whose attendance is needed for the Committee and/or its Working Groups to fulfil their functions effectively;

- Conduct analyses, studies, surveys and other technical reports by external contractors that are needed for the purposes of effective Programme management by the Managing Authority, Programme Monitoring Committee and/or its Working Groups, and the Paying Agency (including an analysis/study of the tobacco sector competitiveness/diversification options, that must provide recommendations as to the type of investment support RDP can offer to that sector after 2009). Gathering statistical information and analytical data relevant to the RDP areas of intervention in order to ensure high quality reporting.

- Preparation and dissemination of information about the RDP including:
  - preparation of information and publicity materials
    - design, printing and distribution of materials (documents, reports, guidelines, posters, brochures, leaflets, manuals, instructions, rules, etc) for promotion of measures and practical aspects on programme and project implementation;
    - production and dissemination of informative and educational pieces, broadcasting and publishing them in the electronic and printed media, outdoor media, internet promotions.
  - assistance to the preparation and implementation of the Communication Plan as outlined in Section 13, including publicity events on how to access RDP measures and to implement projects, as well as on the achievement of its objectives and priorities (such as seminars with socio-economic partners and potential beneficiaries, external expert support to further develop and refine the Communication Plan and further development and maintenance of the MAF and PA websites devoted to RDP providing information for potential beneficiaries as regards opportunities to obtain support and for the results of programme implementation;
  - organization of ad-hoc publicity events related to the RDP initiated on the request of potential beneficiaries or socio-economic partners and implemented directly by MAF administration (costs for organization of the events, preparation/copying of information materials, travel, accommodation and per diem shall be covered);

- Ensuring the provision of high-standard translation and interpretation services for the RDP needs;

\(^{119}\) Participant costs include travel and accommodation.
• Organization and participation in training activities for the administration engaged in Programme management, implementation, control, monitoring and evaluation, including cooperation between the MA and similar institutions from the EU member-states including as regards the Communication Plan (Costs for the organization of the training events and the attendance costs for participants – travel, full board and accommodation - shall be covered);

• Development, installation, up-grading and maintenance of computerized systems for management, monitoring and evaluation (including hardware and software), as well as hiring of external IT experts for these tasks;

• Supply of the necessary software, hardware, specialised and office equipment, and materials in order to increase the quality and effectiveness of the performance of the MA and PA staff working fulltime under the RDP;

• On-going, mid-term and ex-post evaluation of the RDP;

• Ex-post evaluation of the SAPARD Programme;

• Top-up payments for permanent personnel engaged in tasks directly associated with the management, monitoring, evaluation and control of the RDP and laid down in the job descriptions of these staff. (The provision for such payments is based on the need to attract and retain high-quality expertise following the experience from the previous programme period 2000-2006 under the SAPARD Programme when there was persistently high turnover of core personnel, who after gaining valuable skills in programme management leave to join the private sector.) The level of top-up payment will be based on the proportion of a staff members' time allocated to the above mentioned activities. The top-up payment calculated on a monthly base, shall not exceed the maximum monthly base salary for a given expert position. It shall not duplicate similar national bonus schemes, and will be supported by appropriate accounting documents. Its payment shall be limited to the duration of the RDP implementation and are not forecast to exceed 5% of the TA budget, which will be distributed in equal annual allocation over the RDP implementation period. As regards staff working on a part time basis on the tasks related to the RDP implementation listed above, only personnel with minimum percentage of time devoted to the RDP of 50% will be eligible for a top-up payment.

• Hiring and staff expenditure for additional staff in the MA and PA needed in order to enhance the capacity of the administration, engaged in the management, implementation, control, monitoring and evaluation of the RDP, including:

  ✓ Additional staff at the MA (RDD) will be hired to help with the administration of the Axis 4 Leader measures as the Rural Areas and Local Initiatives Unit of the MA is responsible for their implementation. Additional staff for the implementation of the Leader measures will also be needed at the PA.

  ✓ The fulfilment of monitoring tasks (the RDP Monitoring System is under development) may also require additional staff at the MA and PA as the volume of work will increase dramatically compared to SAPARD. The number of indicators and their data sub-divisions has grown several times and additional staff can be hired to input into the Monitoring System data from project files in support to key permanent MA and PA staff. Additional staff at the PA will be hired to help with evaluation of the three offers presented by the beneficiaries, in order to justify the proposed costs, evaluation of business plans and (if necessary) administrative checks of the applications.
• Additional staff in the MA and PA will be carrying out clearly demarcated tasks directly linked to the RDP management and implementation and will be on contract with the MA/PA but will not have the status of civil servants. The duration of contracts of such staff shall not exceed the final date of eligibility of expenditure under the RDP. Additional staff will not be eligible for the above top-up payments scheme. The costs for additional staff are not forecast to exceed 4% of the overall TA allocation. Participation of the administration, engaged in the management, implementation, control, monitoring and evaluation of the RDP in international events (including exchange of good practice) in the field of rural development, which are of direct relevance to the implementation of Community rural development support in Bulgaria;

• Participation of the administration, engaged in the RDP management in technical meetings with the European Commission services and in the EC Committees/working groups which are not reimbursed by the EC.

• Expenditure related to the National Rural Network, as described in section 16.2;

• Hiring of consultants/organizations/experts to carry out short-term and long-term tasks and activities, related to RDP management, under the full responsibility of the Managing Authority. External experts shall be hired as well to help with the preparation, implementation and monitoring of the implementation of measures under Axis 4 – “LEADER”; contracting consultants and exchange of experience with the administrations and experts from other EU member-states on Programme management, implementation, control, monitoring and evaluation;

• Activities related to the organization and conduct of public procurement and contracting procedures under TA (including preparation of Terms of references);

• Activities related to the organization and conduct by the Managing Authority/Paying Agency of Commissions for evaluation and selection of projects under Axis 1 measure 111 and Axis 4 Leader;

• Activities related to capacity building and preparation of the strategic and programming documents for the next programming period (post 2013).

The implementation of TA actions shall be organized as specified in Section 11 in conformity with Bulgarian public procurement provisions for actions falling within their scope.

3.78% of the EAFRD allocation to the RDP is allocated to TA. The eligible costs under TA actions shall be financed at 100%.

Indicative breakdown of TA budget by core groups of action

<table>
<thead>
<tr>
<th>TA actions</th>
<th>Share in TA budget in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities to support management, monitoring, evaluation, training of staff, implementation of RDP</td>
<td>79.3</td>
</tr>
<tr>
<td>Information and publicity actions</td>
<td>15</td>
</tr>
<tr>
<td>National Rural Network</td>
<td>5.7</td>
</tr>
</tbody>
</table>
16.2. National Rural Network

The National Rural Network (NRN) in Bulgaria will operate in line with the national context and rural development policy, and the administrative and social culture of the stakeholders on local, regional and national level. The Network will be a partner of the Ministry of Agriculture and Food in determining the priorities in rural development and the changes that have to be made in operational policy with a view to improving the effect of its implementation; improving the dialogue with the civil society and expanding its participation in decision-making; as well as in the process of planning, programming, monitoring and implementation of the rural development policy.

Organisations and public authorities forming part of the National Rural Network

The main principle for participation in the National Rural Network is the organized and representative membership of the organizations and institutions engaged in sustainable local and regional development, promotion of employment and improvement of the quality of life in rural areas. The other main principle that predetermines the type of participants in the Network relates to the representation of all groups of potential beneficiaries under the RDP.

The participants in the NRN can be divided into two broad categories:

1. Organisations representing the various categories of potential beneficiaries under the RDP, with direct or indirect interest in the application of the Programme's measures.

   1.1. The organisations representing potential beneficiaries under Axis 1 and Axis 2 measures are farmer associations, agricultural chambers, producer groups and associations of agricultural and forestry cooperatives, including associations of forest owners; processing branch organisations; non-profit organisations for environmental protection, agro-ecological and forest research institutes; agricultural research institutes; training organisations in the agricultural and forestry sector.

   1.2. The organisations representing potential beneficiaries under Axis 3 measures are the local, regional or national non-profit organisations and their networks; NGOs working in the domain of sustainable local development and rural areas, including organizations working with isolated groups (e.g. Roma); associations of business producers and branch organisations; NGOs in the field of rural tourism, environmental protection, cultural heritage safekeeping; rural municipalities, associations of rural municipalities.

   1.3. The organisations representing potential beneficiaries under axis 4 Leader are the Local Action Groups and their informal network; another local beneficiaries under the local development strategies.

2. Administration: the Ministry of Agriculture and Food, the Paying Agency and their regional and local structures; other ministries and their regional structures related to the development of rural areas; municipalities and town councils; the National and Regional Associations of Municipalities in Rural Areas.

The National Rural Network will permit the participation of all representative stakeholder organisations with a direct or indirect interest in rural development.
Procedure and time schedule for establishing the National Rural Network:

The procedure for joining and participation in the National Rural Network has already started and involves the following:

- Declaring interest in participation by the respective institution/organisation by submission of a formal declaration to MA F, following a publicly announced call for Declarations of Interest to Join the National Rural Network issued in autumn 2006;

- Entering the name of each participant organisation into a public register of the National Rural Network and initiating a dialogue between the participants, exchange of good practices, access to public discussions and opinion forums; informing the participants about topics of importance for the different groups within the Network.

The process of stimulating the interest of all stakeholders involved in rural development in Bulgaria for the preparation of the National Rural Network started in 2005. Through the initiatives of the Ministry of Agriculture and Food and the partnerships of various national institutions and organisations, the potential local participants have begun to receive extensive information about the opportunities presented by the Rural Network and thus motivation for actively joining in and participation of interested socioeconomic partners was created.

As of November 2007 there were 640 organisations that had registered interest to participate in the National Rural Network – including representatives of all major groups of institutions and organizations interested in the development of rural areas. These organisations have selected the official logo of NRN. The National Rural Network will have four Consultative Groups, each corresponding to one of the priority axes within the framework of the National Strategy Plan for Rural Development 2007-2013.

The idea of setting up subject groups within the Network’s framework is supported, on the one hand, by obtaining the needs in discussions with the interested socioeconomic partners to contribute to the formulation of national policies in the domain of rural development and, on the other hand, it shall stand as a prerequisite for an integrated inter-sectoral approach in the discussion and implementation of development policies in the rural areas in Bulgaria. Formation of such subject groups within the Network will make possible the better structuring of the work and presentation of the interests of the Network members on a national level. The subject axes within the Network’s framework will not divide the participants into four different groups, but rather would represent a flexible interaction between the participants.

Management of activities related to NRN

The strategic decisions on activities related to NRN shall be made by the Monitoring Committee of the RDP. As the key institution guiding the implementation of RDP (i.e. the Community support to Bulgarian rural areas) on the principle of partnership the RDP Monitoring Committee shall decide on the menu of information/communication means to be used, the forums to be run, the scope of thematic work to be performed under the aegis of NRN. These shall be set in an action plan implemented by a “contact point” or operational management unit for the NRN under the supervision of the RDP MA.

In line with the Monitoring Committee role the four permanent working groups of the Committee will serve as the basis for the thematic groups of the Network.

Technical support, operative and information coordination between the participants in the National Rural Network will thus be carried out by this Managing Unit, which will provide the necessary human resources and expertise required to implement the NRN action plan. The external body which will undertake this function will be selected by the Managing
Authority of the RDP following a competitive tender procedure. Until such an organization/unit is selected the coordination tasks as regards NRN and its links to the European Network of Rural Development and the preparatory work to establish the Action Plan shall be done by MA/MAF services (NAAS).

**Summary description of the main activities to be undertaken by the Network**

The basic categories of activities to be addressed in the action plan of the National Rural Network in Bulgaria, which will be drawn up under the responsibility of the Managing Authority, shall be:

- Identification, analysis and provision of information regarding good practices applicable in Bulgaria (on various topics included in the EC Strategic Guidelines, the National Strategy Plan and the RDP: innovations, renewable energy sources, employment in rural areas);
- Identification and exchange of experience and knowledge related to administrative rules, procedures and mechanisms applied within the framework of the RDP;
- Supplying information to the Network users - the potential beneficiaries of the measures under the RDP;
- Preparation and running of training seminars and provision of expert support for capacity development for potential beneficiaries;
- Consolidation and extension of the Network in the period of the RDP implementation. Organisation of a survey on the Programme’s needs;
- Assistance in the process of building up and strengthening of the capacity of Leader LAGs. Facilitation and promotion of inter-territorial and trans-national cooperation projects for LAGs.
- Representing the National Rural Network of Bulgaria within the European Rural Network.

**Eligible expenditure**

The Network will be financed from RDP Technical assistance funds and the following types of expenditure will be covered:

- Selection of a Managing Unit for the network;
- Operative functioning of the NRN management unit and setting up and running of operational forums of the network;
- Preparation of the action plan for the network and its implementation including organization of exchange of experience and know-how, preparation of training programmes for Leader local action groups including technical assistance for in-country and international cooperation activities by LAGs;
- Setting up of an integrated data base and Internet portal for the network to underpin the exchange of experience and know-how and best practices.

**Budget for the Network**

The budget allocated for the support of the network is EUR 7.0 million.
The budget will be used to cover the costs needed to run the network and the costs for implementation of the Action plan. The amount to cover the costs needed to run the network shall not exceed 25% of the overall NRN budget. This will also be stipulated in the competitive tender procedure to select the NRN Management Unit. As a result of this procedure the exact amount for the NRN running costs (which will be in any case below EUR 1.75 million) shall be fixed in the contract with the NRN management unit. The Managing Authority of RDP shall oversee the running of NRN so that the share of running costs is kept within the contracted amount.
CONTACT POINTS:

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