

MEASURE 1.4. FORESTRY, AFFORESTATION OF AGRICULTURAL AREAS, INVESTMENT IN FOREST HOLDINGS, PROCESSING AND MARKETING OF FORESTRY PRODUCTS

Rationale

Contribution of the measure to the general objective of the Programme

The forestry sector in Bulgaria is traditionally strictly linked to the country agricultural and rural development sector.

Forest Land in Bulgaria is covering 3.91 M ha or 34% of the country's area, providing in many instances the main source of income and employment for the rural population, raw materials for the wood-processing industries and fuelwood, together with having basic environmental effects such as storing and releasing water to agricultural and urban areas, preventing erosion, protecting biodiversity, producing oxygen and providing recreation and other social activities, together with producing considerable quantities of non-timber forest products and a ground basis for hunting and wildlife preservation.

For the reasons above the Government has given high priority to the restructuring of the forestry sector, implementing the restitution of forest land to private owners and Municipalities and promoting the privatization of all commercial actions related to forestry, previously of exclusive competence of the National Forest Board.

The major drawbacks for improving the sector are connected with difficulties in management of the forest estate due to the scarce resources available for silvicultural operations, the low level of protection from fire and other hazards, and the deteriorated state of forest roads.

The recently privatized sector of commercial wood harvesting, extracting lumber from forests, its processing, and trading has inherited a difficult economical situation which is presently hampering its chances to achieve long term sustainability, thus posing a serious limit to forest development in mountain and rural areas.

This measure will include investments within the existing forest estate and in marginal agricultural areas aiming at making the Bulgarian forests able to perform its multi-functional role in line with the society expectations.

Linkage with other measures

This Measure is linked with other measures of SAPARD, such as:

- water resources management;
- improvements in vocational training;
- development of environmentally friendly agricultural practices and activities;
- technical assistance;

Linkages with other national and international programs and projects:

- Strasbourg Resolutions;
- Helsinki Resolutions;
- Lisbon Resolutions;
- Ramsar Convention;
- Biological Diversity Convention;
- Convention on Climate Change;
- Convention to Combat Desertification and Drought;
- Preservation of International Cultural and Natural Heritage Convention.

Objectives

The Measure objectives are as follows:

- Facilitate the conditions for sustainable economic and environment-friendly forest management, particularly with Municipalities and the private sector, by encouraging afforestation of marginal agricultural land and complementary activities in order to effectively contribute to rural development in the less favoured and mountain areas of the country.
- Foster and strengthen the utilization, maintenance and improvement of forest stands, including harvesting, extracting timber to landing site, processing and marketing of timber, thus helping owners and forest specialized enterprises to attain self-sustainability of the productive process.

Description of activities eligible for support

1. Execution of thinnings in stands less than 20 years old, for which no production of marketable timber is foreseen
2. Construction of secondary (feeder) roads
3. Improvement of forest roads
4. Plantation of fast-growing species cultivated in the short term on marginal agricultural land and eroded areas
5. Tending (improvement) operations for newly established plantations, in order to guarantee their proper growth and facilitate their protection against pests, diseases and fire
6. Afforestation of marginal agricultural land and eroded areas
7. Enrichment planting in low-density high-stem and coppice stands
8. Conversion of old and unproductive coppice stands to high-stem forest
9. Plantation of fruit-bearing forest trees and/or high-value timber species
10. Technological investments in forest nurseries
11. Equipment, instruments, software, tools and technologies for afforestation and for felling, delimbing, skidding or hauling with cable-ways, tractors and/or animal power, debarking and loading roundwood on trucks; field equipment and machinery for the utilisation of wood harvesting by-products (branches, barks and leaves), which facilitate their transportation, such as chipping and pressing machines (for first stage transformation); establishment of shelters and stores for machinery and timber.

Eligible expenditure

Eligible investments are specified above and in the ordinance for measure implementation.

Expenditures shall be considered eligible for support, if they meet the requirements laid down in Art. 4, Section B from the Multiannual Financing Agreement between the Commission of the European Communities on behalf of the European Community and the Republic of Bulgaria, signed on December 18th 2000 (published in SG 17/23.02.2001).

Only expenditure paid by the Agency from the date of the Commission Decision conferring financial management on the SAPARD Agency or the date specified therein, shall be eligible for Community support.

For a project to be eligible for Community support, all services, works, machinery and supplies shall originate from the EU member states or in the applicant countries mentioned in article 14 (2.7) Section A of MAFA, if so requested the final beneficiary shall be able to establish the inputs into works or services contracts, using any admissible means of evidence.

Eligibility criteria for investments

-The investments must be made in a forest or land owned by legal or physical persons, monasteries, mosques, schools or municipalities.

-The investments, within the Forest Fund must comply with the existing approved and operational forest management plan¹⁰ or be previously endorsed by the State Forestry Office and the Natural park Directorate(for the lands within the Natural parks) according to the location of the land.

-Requests for financing made by single applicant may not be for parcels of land less than 1Ha.

-Land and forest owners organizations, constituted for the purpose of joint forest management, may apply only when the combined area, owned by the members of the organization, is not less than 5 Ha.

-For activity No.10 the applicant will produce a management plan; the applicant should also have a financial situation in which total debts of the firm should not be > 60% of total assets. Applicants should further employ, within the nursery, not less than 5 and not more than 15 workers.

-For activity No. 11, applicant enterprises should have a financial situation in which total debts of the commercial establishment should not be > 60% of total assets. The Gross Profit Margin index (increase of operating profit, by the end of the project), calculated as: (Sales Revenues - Production Costs)/ Sales Revenue, should be of at least 0.1. Applicant should further employ, on a permanent basis during the working season, not less than 10 and not more than 50 persons.

For activities non included in the approved forest management plans, there must be a copy of positive decision on the Environmental Impact Assessment of the project, issued by the Ministry of the Environment and Waters or respectively by the Regional inspectorate on the environment and waters, in accordance with the requirements of the Environment Protection Act. Projects with negative environmental assessment shall not be supported.

¹⁰ All Bulgarian forests have their management plans renewed every 10 years. The plans provide the necessary information for the forest exploitation under scientific principles as well as ecological data needed by the silvicultural practice including the land availability.

Supporting documentation

The applicant should present a completed application form accompanied by the following documents:

- Business plan;
- Technical project documentation, including the necessary permits of designated authorities. For the construction investments under activities 10 and 11, construction permit must be presented, according to the Law on Territorial Development;
- Copy of positive decision on the Environmental Impact Assessment of the project, issued by the Ministry of the Environment and Waters or respectively by the Regional inspectorate on the environment and waters, in accordance with the requirements of the Environment Protection Act.-Document issued by the Executive Agency on Soils under the Minister of Agriculture and Forestry, confirming the existence of soil salinization or pollution (for projects directed at solving problems connected with salinized or polluted soils.
- Letter of approval by State Forestry Office (SFO) confirming the relevance of investment project with respect to the forest management plan;
- Preliminary written intent/contract for sale of at least 50% of production (for activity 10);
- Copy of deed of forest or land ownership, leasing contract or other document certifying the right of forest or land use;
- Registration of the land or forest owners or users issued by the competent authorities;
- Document issued by a taxation office certifying that the concerned person has no overdue taxes;
- Declaration on the existence of the applicant's required own contribution or bank statement expressing willingness to provide credit;-Certificate of non-conviction.

Besides the above mentioned documents, traders shall enclose also a copy of court registration, certificate of current financial situation and tax registration certificate.

The persons who keep an accountancy according to the Accountancy Act, shall enclose the last available annual balance sheet and balance sheet for the last accounted period, preceding the date of application

When the applicant is a municipality, the following documents must be presented in addition:

- Certified copy of a development plan of the respective municipality in its part related to forests management;
- Decision of the municipality council approving the project application;
- Extract from the municipal budget with the envisaged finance for the investment.

Ranking system for the investments

Description	Score	
	Yes	No
1. Location in the territory of municipality where the forests and forest fund lands comprise more than 50% of total district territory	35	0
2. Location in “less developed rural areas”	25	0
3. Location in the areas with soil salinization and industrial pollution problems	25	0
54. Members of forest-owner organizations	15	0
Total score	100	0

Ranking system will be applied from the beginning of the implementation of the measure in accordance with the annual available budget for all eligible applications.

Procurement tendering

The rules for the procurement by public bodies are applicable according to MAFA, Section A, art. 14(2.6) (published in SG No. 17/23.02.2001) and will be executed under activities No 2, 3 and 6.

Beneficiaries

Beneficiaries may be:

1. Natural or legal persons, municipalities who are forest or forest land owners, as well as owners and renters (by a contract valid for at least 10 years) of marginal agricultural land with area not less than 1 ha.
2. Trade companies with less than 25% of their capital being held by the state and sole proprietors registered by the National Forestry Board in Public register under the Forestry act, as well as co-operatives with main business in the field of forestry and wood harvesting.
3. Forest-owner organizations (with cumulative area owned by the organization members more than 5 ha), established with the purpose of joint management of member forests.

Geographic coverage

All of the country.

Priority will be given to:

- districts (municipalities) where land classified as Forest Land, according to the Bulgarian legislation, are above 50% of the district total territory (according to Annex 2);
- districts classified as “Less Developed Rural Areas” (according to appendix 1 A in the NARDP);
- areas with soil salinization or industrial pollution problems confirmed by the Executive Agency on Soils under the Minister of Agriculture and Forestry;
- the members of forest-owner organizations.

Specific national legislation

The main laws /regulations/ are summarized in **Annex 1**.

Publicity requirements forecast

The potential beneficiaries will be informed of the measure and related conditions of eligibility via:

- Public announcement in the State Gazette and 2 newspapers;
- Public announcements in national (including TV broadcasts), and local media;
- Distribution of information brochures;
- Special seminars, assemblies and meetings;

Financial provisions

As a general rule, intervention rate, i.e. total public expenditure (national plus EU), will be 50% of the total eligible cost of the investment, and the financial contribution by the beneficiaries in relation to the total eligible cost must be 50% (with the exception of infrastructure investments specified below).

For infrastructure projects under activities No 2, 3 and for activity 6 (when the municipality is accomplishing afforestation on abandon and/or eroded public lands with non-commercial purpose and in public interest) with investments not generating substantial net revenue¹¹, the intervention rate, i.e. total public expenditure (State, plus municipalities, plus EU), will be 100% of the total eligible cost of the investment. The Community contribution will be up to 75% of the total eligible cost.

For activities 6 and 9 (if the actions concern marginal agricultural lands and the plantations are adapted to the local conditions) in addition to planting costs an annual premium of 30 EURO per hectare afforested, to cover maintenance costs, will be given for a period of up to five years. This support excludes afforested marginal lands by municipalities. (Reg.2759/99 Art. 7)

¹¹ For the purposes of this document and in line with letter 14984/25.06.2001 of the Commission, substantial net revenue would be deemed present, when the net present value of the future flow of revenue, less operating costs resulted in a figure higher than at least 25% of the total cost of the investment concerned. Operating costs are incurred for the operation of the investment including costs of maintenance but excluding depreciation or capital costs.

The maximum total eligible investment costs per project are 200 000 EURO (in BGN equivalent)

The minimum total eligible investment costs per project are 1 300 EURO (in BGN equivalent)

The beneficiary may be supported up to 5 times in the period of the Programme implementation. up to the maximum eligible investment expenditure per project. The beneficiary may again apply for support, following the completion of payments for the previous investment.

The cumulative approved investment expenditure cannot exceed 200 000 Euro (BGL equivalent).

Architects', engineers' and consultants' fees, feasibility studies, acquisition of patents and licenses, for preparing (including EIAs) or implementing (including construction supervision) a project, directly related to the measure shall be reimbursed in a total amount up to 12% of total project eligibility costs. The business plan preparation costs, as a part of the general costs, are eligible up to 5% of total eligible project costs. These expenditures will be reimbursed after the completion of the whole project, and will not be reimbursable in part or in total in case the project has not been completed according to the signed contract.

Implementing authority

The measure will be implemented by the SAPARD Agency and the projects will be implemented by the beneficiaries. Technical functions will be delegated to the National Forestry Board.

Quantification and impact¹²**I. Monitoring indicators**

1. Forests thinned	Ha	43.350
2. New feeder forest roads created	Km	1.510
3. Forest roads ameliorated	Km	5.100
4. Plantations of fast-growing species established	Ha	24.500
5. Plantations tended	Ha	3.850
6. Productive forests established on marginal or eroded lands	Ha	9.300
7. Planted low-density forests	Ha	2.900
8. Coppice stands converted to high-stem stands	Ha	1.500
9. Plantation of forest fruit species or high value timber forests established.	Ha	6.600
10. Forest nurseries upgraded	Ha	150
11. Improved Forest Farms/Enterprises	N	90

II. Evaluation Indicators

1. Private/Municipal young forest thinned (calculated as % of estimated 5-20 years forests in restituted forests– 90,000 ha)	%	48,1
2. Forest road increase (calculated as % of the new roads needed to reach state minimum standards – 8,800 km.)	%	17,1
3. Exist. forest roads improved (calculated as % of existing forest roads in restituted land – 8,800 km.)	%	57,9
4. For activities No.4, 9 and 12. New plantations established (calculated as % of yearly state plantations before restitution – 16,600 ha)	%	243,3

¹² All indicators are based on the sectoral analysis.

5. For activity No 5

Priority Plantations (> 5 yrs) improved (calculated as % of estimated new plantations restituted – 30,000 ha)	%	12,8
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6. For activity No 7

Private/Municipal low-density forests enriched (calculated as % of existing restituted forests . in need of enrichment – 50,000 ha)	%	5,8
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7. For activity No 8

Private/Municipal Coppice converted to high/stem (calculated as % of estimated restituted Coppice to be converted – 100,000 ha)	%	1,5
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8. For activity No 10

Quality and quantity of nursery stock ameliorated (calculated as % of estimated actual seedling production – 1,000,000 units per nursery)	%	30,0
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9. For activity No 11

Increment in timber production	N	220.000 m ³
Increment in the utilization of timber by-products	N	10.000 tons.

III. Impact Indicators

- Number of labour units generated (total for 7 years period)	N	7.384
-Productivity of timber harvesting sector increased (calculated as % of actual fleet of forest tractors – 250)	%	54,0

National Legislation

The adoption of the **Forest Ownership Restitution Act** (SG 110/1997 last amendment SG No 49/1999) and the **Forests Act** (SG No 125/1997) led to positive changes in the management, maintenance and use of forests. Afforestation activities became a Government priority from the point of view of improvement and stabilization of forests, limitation of soil erosion and protection of the most valuable genetic forests species.

Forests Act (last amendment SG No 26/1999) regulates the relations concerning the ownership, management, use and protection of forests in the Republic of Bulgaria. Under the **Forests Act** and according the **Ordinance on National Fund “Bulgarian Forest”** (SG No 70/1998), a National Fund “Bulgarian Forest” was established. It has to provide financial support:

- To owners fighting erosion
- To owners for afforestation of desolated areas
- For the provision of chemicals and equipment for protection of forests
- For hunting and fishing activities in the state forests fund;
- For construction and acquisition of long-term assets by the National Forests Administration and its bodies, etc.

Ordinance N 25 of 26.10.1999 r. (O.G.95/1999) provides the conditions, methods and order for the use of plants-protective products in Bulgarian forests.

Ordinance № 17 of 01.07.1998 on Private Forest Practice Licensing (SG No 80/1998) providing for the conditions and procedures of issuing, filing, renewal and deletion of private forestry licensing in all forests and forest land belonging to the National Forestry Fund.

Ordinance № 32 of 17.12.1998 on Forest Evaluation (SG No 3/1998) laying down the conditions and procedures of evaluation of forest estates.

Instruction № 36 of the Minister of Agriculture and Forest (S.G. No 98/2001) on the conditions and order for use and commerce with forest timber through open tender, competition and negotiations with potential buyer.

Instructions № 3 of 04.02.2000 on assignment of silvicultural activities (SG No 17/2000) providing for the conditions and procedures of assignment/award by way of tenders, competitions and negotiations with potential agents carrying out silviculture activities.

The Nature Protection Act (SG No 47/1967 last amended SG 133/98) stipulates that subject to protection, regulated use and improvement and rehabilitation shall be the country's land and water resources, air, mineral resources, coastal sand areas, flora and fauna, environment, scenery and landscape, etc.

The Environment Protection Act (SG No 86/1991, last amended SG №26 of 20.03.2001).

Ordinance No 4 of 7.07 1998 on Environmental Impact Assessments (SG No 84/1998,);

The Public Procurement Act (SG No 56 of 22.06.1999) provides for improved efficiency in the use of budget and public funds on the basis of transparency and control of use, promoting fair competition and economic development.

The National Standardization Act (SG No 55/1999) provides for the drafting and approval of national standards, the participation of all parties concerned, the introduction of EU and other international standards.

Ordinance № 1 of 27.05.1998 for phyto-sanitarian control (SG No 82/1998 amendment SG No 91/19.10.1999) laying down the import/export control, transit, production and movement of plants and plant products in the Republic of Bulgaria. This Ordinance is in compliance with Council directive 77/93/EEC from 21.12.76 on protective measures against introduction into member-states of harmful organisms of plants and plants products.

Ordinance No. 17 for afforestation and stock-taking of wood crops (SG No. 67/15.08.2001)

Ordinance No. 5 for forestry selection and forestry seed production (SG No. 11/06.02.2001)

Draft legislation

Ordinance on forest protection from fire-which introduce the EU Reg.2158/92, 1179/93, 804/94, 308/97 and will be adopted in 2001;

Ordinance on reproductive material production and trade, producer and trader registration, control- which introduce the EU Directives 99/105.

Annex 2**List of the municipalities with forest lands, above than 50% of their total areas**

District	Municipality
BLAGOEVGRAD	Bansko Belitsa Gotze Delchev Gurmen Kresna Petrich Razlog Sandanski Satovcha Simitly Strumiani Yakoruda
BURGAS	Malko Tarnovo Nesebar Primorsko Ruen Sozopol Tsarevo
VARNA	Biala Dolni Chiflik Dalgopol
VELIKO TARNOVO	Elena
VIDIN	Belogradchik Chuprene
GABROVO	Triavna
KARDJALI	Ardino Djebel Kirkovo Chernoochene
KUJSTENDIL	Nevestino Rila
LOVECH	Teteven

PAZARDJIK	Batak Bratsigovo Belovo Velingrad Panaguyrishte Peshtera Rakitovo
PERNIK	Tran
PLOVDIV	Krichim Lucky
SLIVEN	Kotel Tvarditsa
SMOLIYAN	Banite Borino Devin Dospat Zlatograd Madan Nedelino Rudozem Chepelare
SOFIA - DISTRICT	Etropole Ihtiman Koprivshtitsa Kostenets Pirdop Samokov Svoqe Chavdar
STARA ZAGORA	Gurkovo Maglige Pavel Bania
HASKOVO	Ivailovgrad Madjarovo